



# DRAFT Measure R Oversight Committee Annual Report on FY12 Audits

February 26, 2013

## Measure R Independent Taxpayers Oversight Committee of Metro

On November 4, 2008, Los Angeles County voters approved Measure R, a 1/2 of one percent transactions and use tax to fund transportation improvements in the County. An Independent Taxpayers Oversight Committee and an oversight process was also established to ensure that Metro is in compliance with Measure R requirements. The oversight process requires an annual audit be conducted and requires the Committee produce an annual report on the audit(s).



**Metro**<sup>®</sup>

**MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE  
OF METRO  
DRAFT ANNUAL REPORT ON FY12 MEASURE R AUDITS**

**INTRODUCTION**

On November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional half-cent transactions and use tax to fund transportation improvements in the County. Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that an annual audit be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audits must be provided to the Oversight Committee so that it can determine whether Metro and local subrecipients have complied with the Measure R requirements (see Exhibit 1). In compliance with the Ordinance, Metro contracted with Bazilio Cobb Associates (BCA) to perform the independent audit of the Measure R Special Revenue Fund. Metro also contracted with two firms to conduct the audits of Measure R sales tax revenues used by 87 cities (Cities) as well as the County of Los Angeles (County). The report prepared by Vasquez & Company covers the audits of 49 of the cities and the report prepared by Simpson & Simpson covers the audits of 38 of the cities as well as the County. (These audits are attached as Exhibits 2, 3 and 4.)

**THE AUDITS**

The Independent Auditor's report on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the year ended June 30, 2012. However, BCA, the firm that performed this audit found that more timely follow-up with Local Return recipients is needed to resolve prior audit findings.

The audits of compliance with the Local Return Guidelines found that the 87 cities and the County of Los Angeles complied with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2012. However, the auditors found 24 deficiencies in internal control over compliance, none of which were deemed material. Only one of those deficiencies was deemed a material weakness, down from 3 found in the FY11 audits.

**MEASURE R OVERSIGHT COMMITTEE REVIEW**

The Measure R Oversight Committee received the three audit reports in late January 2013. Each member of the Committee reviewed the reports, and the Committee met on February 26, 2013 to receive a formal presentation from each of the three auditors. The Committee also received a comparative analysis report on audit findings over the last

three years from Metro's Chief Auditor and a status update on Measure R Local Return Compliance Status from Metro's Local Programming Department. The Committee's Advisory Panel Public Finance Expert, Lori Raineri of Government Financial Strategies assisted the Committee in its review of the audit findings. The Committee expressed concern regarding the deficiencies in compliance by some cities noted by the audits. The Committee recommended staff work with cities to correct these deficiencies and report back for possible future action. The Committee also received a presentation on activities to develop a strategy to accelerate Measure R projects; status of major Measure R transit and highway projects; and a report on Measure R budgeted funding and actual expenditures for FY12 and FY13.

### **MEASURE R OVERSIGHT COMMITTEE FINDINGS**

The Committee finds that: 1) the audits were performed in accordance with the Ordinance that the voters approved in 2008; 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2012; 3) the cities and the County complied with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2012, however, the audits found 24 deficiencies in internal control over compliance, none of which were deemed material; and 4) more timely follow-up with Local Return recipients is needed to resolve prior audit findings.

**RESOLUTION OF THE INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE  
MAKING FINDINGS REGARDING THE ANNUAL AUDIT PURSUANT TO THE  
MEASURE R ORDINANCE**

WHEREAS, On November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional half-cent transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that an annual audit be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

WHEREAS, the audits must be provided to the Oversight Committee so that the Oversight Committee can determine whether Metro and local subrecipients have complied with the Measure R requirements; and

WHEREAS, under contract with Metro, Bazilio Cobb Associates (BCA) performed the independent audit of the Measure R Special Revenue Fund, and Vasquez & Company, LLP and Simpson & Simpson audited the compliance of the 87 cities (Cities) and the County of Los Angeles (County); and

NOW, THEREFORE, the Measure R Independent Taxpayers Oversight Committee of Metro finds that:

The audits were performed in accordance with the Ordinance that the voters approved in 2008;

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2012;

The cities and the County complied with the Ordinance requirements that are applicable to the Measure R Local Return program for the year ended June 30, 2012, however, the audits found 24 deficiencies in internal control over compliance, none of which were deemed material; and

More timely follow-up with Local Return recipients is needed to resolve prior audit findings.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2013.



Certified Public Accountants and Consultants  
21250 Hawthorne Blvd, Suite 150 Torrance, CA 90507  
t: (310) 792-4640 f: (310) 792-4140

December 5, 2012

Measure R Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited the Schedules of Measure R Revenues and Expenditures (the "Schedules") of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") for the year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. Professional standards require that we advise you of the following matters relating to our audit.

***Our Responsibility under Generally Accepted Auditing Standards (and when applicable, Government Auditing Standards)***

Our responsibility, as described by professional standards, is to form and express an opinion about whether the schedules that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the schedules does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the schedules are free of material misstatement. An audit of the schedules includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Measure R funds solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

There were no findings regarding significant control deficiencies over financial reporting and material noncompliance noted during our audit. However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency which we reported to management of LACMTA in a separate letter dated December 5, 2012.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to management of LACMTA during our entrance conference.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by LACMTA is included in Note 2 to the schedules. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2012. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Disclosures*

There were no significant disclosures noted in the schedules.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements relating to revenues and expenditures of Measure R funds.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the schedules or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated December 5, 2012.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with LACMTA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as LACMTA's auditors.

This report is intended solely for the use of the LACMTA Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Bazilio Cobb Associates*

**LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT  
ON SCHEDULE OF REVENUES AND EXPENDITURES  
FOR  
MEASURE R  
SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)**

*Submitted by*

**BCA**

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**Bazilio Cobb Associates**

21250 Hawthorne Blvd Suite 150 Torrance, CA 90503

PH 310.792.4640 . FX 310.792.5331 . [www.baziliocobb.com](http://www.baziliocobb.com)



**Los Angeles County Metropolitan Transportation Authority**  
Independent Auditor's Report on  
Schedule of Revenues and Expenditures  
For  
Measure R  
Special Revenue Fund

For The Year Ended June 30, 2012  
(With Comparative Totals for 2011)

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Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Schedule of Revenues and Expenditures .....	2
Schedule of Revenues and Expenditures - Budget and Actual For the year ended June 30, 2012 .....	3
Notes to Schedule of Revenues and Expenditures for Measure R Special Revenue Fund .....	4
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	8
Independent Auditor's Report on Compliance with Requirements Applicable to Measure R Revenues and Expenditures in Accordance with the <i>Traffic Relief and Rail Expansion Ordinance</i> .....	10
Schedule of Current Year Findings.....	12
Schedule of Prior Year Findings.....	13

## Independent Auditor's Report

Measure F Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited the accompanying Schedules of Measure R Revenues and Expenditures (the "Schedules") of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") as of and for the year ended June 30, 2012. These Schedules are the responsibility of LACMTA's management. Our responsibility is to express an opinion on these Schedules based on our audit. The prior year's summarized comparative information has been derived from the 2011 Schedules of Measure R Revenues and Expenditures and, in our report dated November 28, 2011 we expressed an unqualified opinion on those Schedules.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules of Measure R revenues and expenditures are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present fairly, in all material respects, the Measure R revenues and expenditures of LACMTA as of June 30, 2012, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 5, 2012, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Torrance, CA  
December 5, 2012  
*Bazilio Cobb Associates*

# Los Angeles County Metropolitan Transportation Authority

## Measure R Special Revenue Fund Schedule of Revenues and Expenditures For the year ended June 30, 2012 (With Comparative Totals for 2011)

(Amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>
Revenues:		
Sales tax	\$ 645,026	\$ 598,647
Intergovernmental	1,804	176
Investment income	7,403	10,372
Net decline in fair value of investments	(601)	(2,475)
Total revenues	<u>653,632</u>	<u>606,720</u>
Expenditures:		
Administration and other transportation projects	51,768	83,765
Transportation subsidies	152,742	148,077
Total expenditures	<u>204,510</u>	<u>231,842</u>
Excess of revenues over expenditures	449,122	374,878
Other financing sources (uses)		
Operating transfers in	12,047	57,379
Operating transfers out	(157,276)	(204,458)
Total other financing sources (uses)	<u>(145,229)</u>	<u>(147,079)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 303,893</u>	<u>\$ 227,799</u>

The notes to the schedule of revenues and expenditures are an integral part of this schedule.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the year ended June 30, 2012**

(Amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales tax	\$ 605,100	\$ 605,100	\$ 645,026	\$ 39,926
Intergovernmental	970	970	1,804	834
Investment income	-	-	7,403	7,403
Net decline in fair value of investments	-	-	(601)	(601)
<b>Total revenues</b>	<u>606,070</u>	<u>606,070</u>	<u>653,632</u>	<u>47,562</u>
<b>Expenditures:</b>				
Administration and other transportation projects	103,422	109,976	51,768	58,208
Transportation subsidies	249,879	248,829	152,742	96,087
<b>Total expenditures</b>	<u>353,301</u>	<u>358,805</u>	<u>204,510</u>	<u>154,295</u>
<b>Excess of revenues over expenditures</b>	252,769	247,265	449,122	201,857
<b>Other financing sources (uses)</b>				
Operating transfers in	9,484	9,484	12,047	2,563
Operating transfers out	(156,609)	(156,609)	(157,276)	(667)
<b>Total other financing sources (uses)</b>	<u>(147,125)</u>	<u>(147,125)</u>	<u>(145,229)</u>	<u>1,896</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ 105,644</u>	<u>\$ 100,140</u>	<u>\$ 303,893</u>	<u>\$ 203,753</u>

The notes to the schedule of revenues and expenditures are an integral part of this schedule.

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Notes to Schedule of Revenues and Expenditures

June 30, 2012

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**1. Organization**

**General**

The Los Angeles County Metropolitan Transportation Authority (“LACMTA”) is governed by a Board of Directors composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest, most populous counties. More than 10 million people – about one fourth of California's residents - live, work, and play within its 1,433-square-mile service area.

**Measure R**

Measure R, also known as the Traffic Relief and Rail Expansion Ordinance is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 2009 and continuing on for the next 30 years. Revenues collected are allocated to: 1) 2% for rail capital improvements; 2) 3% for Metrolink capital improvement projects within Los Angeles County; 3) 5% for rail operations for new transit project operations and maintenance; 4) 15% for local return; 5) 20% for countywide bus service operations, maintenance, and expansion; 6) 20% for highway capital projects; and 7) 35% for transit capital specific projects.

**2. Summary of Significant Accounting Policies**

The Schedules of Revenues and Expenditures for Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The more significant of LACMTA’s accounting policies with regard to the special revenue fund type are described below:

# Los Angeles County Metropolitan Transportation Authority

## Measure R Special Revenue Fund

### Notes to Schedule of Revenues and Expenditures

June 30, 2012

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## 2. Summary of Significant Accounting Policies (Continued)

### **Fund Accounting**

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Governmental Funds are used to account for most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses governmental fund type Special Revenue Funds to account for Measure R sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

### **Basis of Accounting**

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

### **Budgetary Accounting**

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget. All appropriations lapse at fiscal year end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Notes to Schedule of Revenues and Expenditures**

June 30, 2012

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**2. Summary of Significant Accounting Policies (Continued)**

**Budgetary Accounting (Continued)**

By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedules.

**Interest Income and Appreciation (Decline) in Fair Value of Investments**

The net appreciation (decline) in the fair value of investments is shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes.

**Use of Estimates**

The preparation of the Schedules in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**3. Intergovernmental Transactions**

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

**4. Operating Transfers**

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Notes to Schedule of Revenues and Expenditures

June 30, 2012

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**5. Audited Financial Statements**

The audited financial statements for Measure R Special Revenue Fund for the year ended June 30, 2012 are included in LACMTA's Annual Audited Financial Report.

**6. Subsequent Events**

In September 2012, the U.S. Department of Transportation (USDOT) approved LACMTA's request for \$545.9 million Transportation Infrastructure Finance and Innovation Act's (TIFIA) loan for the Crenshaw/LAX Transit Corridor project. The Crenshaw/LAX Transit Corridor project is 8.5-mile light rail project with six new stations scheduled to begin construction in 2013 and expected to be completed by 2018.





**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Measure R Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited the accompanying Schedules of Revenues and Expenditures (the "Schedules") for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated, December 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the LACMTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LACMTA's Schedules will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the LACMTA's Schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the LACMTA in a separate letter dated December 5, 2012.

This report is intended for the information and use of the LACMTA Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California  
December 5, 2012

*Bazilia Cobb Associates*

**Independent Auditor's Report on Compliance with Requirements Applicable to  
Measure R Revenues and Expenditures in Accordance with the  
*Traffic Relief and Rail Expansion Ordinance***

Measure R Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

**Compliance**

We have audited the compliance of the Los Angeles County Metropolitan Transportation Authority ("LACMTA") with the types of compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) that are applicable to Measure R revenues and expenditures for the year ended June 30, 2012. Compliance with the requirements of the laws and the Ordinance applicable to its Measure R revenues and expenditures is the responsibility of LACMTA's management. Our responsibility is to express an opinion on LACMTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure R revenues and expenditures occurred. An audit includes examining, on a test basis, evidence about LACMTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LACMTA's compliance with those requirements.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the year ended June 30, 2012.

## **Internal Control Over Compliance**

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations applicable to the Measure R revenues and expenditures. In planning and performing our audit, we considered the LACMTA's internal control over compliance requirements that could have a direct and material effect on the Measure R revenues and expenditures in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the LACMTA's Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California  
December 5, 2012

*Bazilia Cobb Associates*

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Current Year Findings

For the Year Ended June 30, 2012

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None noted.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Prior Year Findings**

For the Year Ended June 30, 2012

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None noted.

Measure R Independent Taxpayers Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

In planning and performing our audit of the Schedules of Revenues and Expenses of the Measure R Special Revenues Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2012, we considered the internal control over financial reporting solely for the purpose of determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the financial statements. Our auditing procedures included determining proper oversight over outside entities receiving the largest dollar amount of Measure R funds for the fiscal year ended June 30, 2012. Our auditing procedures also included determining the status of observations and recommendations identified by the other auditors of Local Return funds.

During our audit we noted a matter that could strengthen LACMTA's oversight over the use of Measure R Local Return funds. Our comment is summarized as follows:

**More Timely Follow-up Needed of Prior Audit Local Return Audit Findings**

We found that LACMTA management did not follow-up with Local Return recipients to resolve audit findings reported for the fiscal year 2010-11 audits in a timely manner. Although final reports were all issued by March 2012, follow-up letters to jurisdictions with audit findings on Local Return funds were not sent until November 2012. Furthermore, these follow-up letters were sent only after our audit inquiry on follow-up actions taken on prior audit findings. Timely follow-up actions are needed to ensure that audit findings are resolved, that jurisdictions are in compliance with the Measure R Ordinance, and that any funds not spent in accordance with the Ordinance are returned to LACMTA.

**Recommendation**

We recommend that LACMTA Local Return project management ensure that prior audit findings follow-up actions are taken in a timely manner.

**Management Response**

LACMTA will make a more coordinated effort to ensure that the response letters are sent in a timely manner for all future audits.

This report is intended solely for the use of the LACMTA Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve LACMTA. We appreciate the courtesy and cooperation extended to us during our audit.

Torrance, California  
December 5, 2012

*Bazilio Cobb Associates*



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE  
AND MEASURE R LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

## TABLE OF CONTENTS

	<b><u>Page</u></b>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE	1
Summary of Compliance Findings	3
Schedule 1 – Summary of Measure R Audit Results	4
Schedule 2 – Schedule of Findings and Questioned Costs	21

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE AND  
MEASURE R LOCAL RETURN GUIDELINES

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority  
and Measure R Oversight Committee

**Compliance**

We have audited the compliance of the Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2012 (collectively the Requirements). Compliance with the above noted Requirements by the Cities are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the Requirements is the responsibility of the respective Cities' management. Our responsibility is to express opinions on the Cities' compliance based on our audits.

We conducted our audits of compliance in accordance with the Guidelines, auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions. Our audits do not provide a legal determination of each City's compliance with those requirements.

In our opinion, the Cities complied, in all material respects, with the requirements referred to above that are applicable to the Measure R Local Return program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Numbers 1 through 11.

## **Internal Control Over Compliance**

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal, state and local programs. In planning and performing our audits, we considered each City's internal control over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Number 7 (Redondo Beach) to be a material weakness.

Responses by the Cities to the findings identified in our audits are described in the accompanying Schedule 2 - Schedule of findings and questioned costs. We did not audit the Cities' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the LACMTA, the management, City Councils and others within each City and is not intended to be and should not be used by anyone other than these specified parties.



Los Angeles, California  
December 28, 2012

### Summary of Compliance Findings

The audits of the 49 cities have resulted in 11 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding No. Reference</b>	<b>Questioned Costs</b>
Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.	2	Avalon (# 1), Redondo Beach (# 7)	\$ 7,900
Funds were expended without LACMTA's approval.	3	San Dimas (# 8), San Marino (# 9), Torrance (# 10)	565,506
Form One (Expenditure Plan) was not submitted timely.	3	Avalon (# 2), Cerritos (# 3), Duarte (# 4)	0
Form Two (Expenditure Report) was not submitted timely.	2	Lomita (# 5), Pasadena (# 6)	0
Administrative costs were not accumulated and reported in a separate "Transportation Administration" project code.	1	West Covina (# 11)	0
<b>Total Findings and Questioned Costs</b>	<b>11</b>		<b>\$ 573,406</b>

Details of the findings can be found in Schedule 2.

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012**

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

Compliance Area Tested	Avalon	Bellflower	Bradbury
Funds were expended for transportation purposes.	Compliant	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	<b>Finding 1</b>	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	<b>Finding 2</b>	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

Compliance Area Tested	Burbank	Cerritos	Claremont
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	<b>Finding 3</b>	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable



**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Compliant

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One)	<b>Finding 4</b>	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Not applicable	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

<b>Compliance Area Tested</b>	<b>Glendora</b>	<b>Hawaiian Gardens</b>	<b>Hermosa Beach</b>
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Not applicable	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	La Canada- Flintridge	La Habra Heights	La Mirada
Funds were expended for transportation purposes.	Compliant	Not applicable	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Not applicable	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Not applicable	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Compliant	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Compliant	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	La Verne	Lakewood	Lancaster
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

Compliance Area Tested	Lomita	Long Beach	Los Angeles
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	<b>Finding 5</b>	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Manhattan Beach</b>	<b>Monrovia</b>	<b>Norwalk</b>
Funds were expended for transportation purposes.	Not applicable	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Not applicable	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Not applicable	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

Compliance Area Tested	Palos Verdes		
	Palmdale	Estates	Paramount
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable



**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	Pasadena	Rancho Palos Verdes	Redondo Beach
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	<b>Finding 7</b>
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	<b>Finding 6</b>	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	Rolling Hills		
	Rolling Hills	Estates	San Dimas
Funds were expended for transportation purposes.	Not applicable	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Compliant	<b>Finding 8</b>
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Not applicable	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

Compliance Area Tested	San Gabriel	San Marino	Santa Clarita
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	<b>Finding 9</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	Sierra Madre	Signal Hill	South Pasadena
Funds were expended for transportation purposes.	Not applicable	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Not applicable	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Compliant	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

Compliance Area Tested	Temple City	Torrance	West Covina
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	<b>Finding 10</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	<b>Finding 11</b>
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2012  
(Continued)**

Compliance Area Tested	Whittier
Funds were expended for transportation purposes.	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant
Timely use of funds	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2012**

<b>Finding 1</b>	<b>City of Avalon</b>
Compliance Reference	Section B(VI) of the Measure R Local Return Program Guidelines states that "...LACMTA will allow Jurisdiction's to pool Measure R LR funds in order to obtain maximum return on investments. Such investment earnings must be reported and expended consistent with these guidelines...."
Condition	The City has not allocated the appropriate share of interest earned by its Measure R Fund as of June 30, 2012. Therefore, the Form Two submitted by the City to LACMTA did not include interest income earned by Measure R funds.
Cause	The City indicated that its outside auditor computes the allocation of interest income to the various funds.
Effect	Form Two (Expenditure Report) submitted by the City for FY 2012 did not include the interest earned by Measure R funds for the year. The estimated interest due to the Measure R Local Return account is \$1,900.
Recommendation	We recommend for the City to calculate interest in a timely manner so that the Form Two submitted to LACMTA properly includes the interest earned by its Measure R Local Return funds.
Management Response	We agree that the interest was not posted in a timely fashion. We will calculate the interest, which may be a lower amount than what the auditor estimated, and book the adjustment prior to the finalization of our CAFR in mid January 2013.

**Los Angeles County Metropolitan Transit Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2012  
 (Continued)**

<b>Finding 2</b>	<b>City of Avalon</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 15, 2011 which is beyond the due date set under the Guidelines.
Cause	The City indicated that it had difficulty opening the form sent by LACMTA.
Effect	Form One was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to communicate any issues encountered to LACMTA timely so any reporting issues are addressed immediately prior to the due date set in the Guidelines.
Management Response	The City will make sure to file the Measure R report in a timely fashion. The Director of Finance will contact LACMTA and ask that they send to her the form or cc her when the form is transmitted so she can ensure that the report is filed timely.



**Los Angeles County Metropolitan Transit Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2012  
 (Continued)**

<b>Finding 3</b>	<b>City of Cerritos</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 2, 2011 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One is submitted by August 1 as required by the Guidelines.
Management Response	<p>The City has established policies and procedures regarding the filing of reports with the Regulatory Authorities. However, due to a one-time discrepancy the report was filed late.</p> <p>In future years, the City will continue to adhere to the established policies regarding the filing of reports on a timely basis with the appropriate Regulatory Authorities.</p>

**Los Angeles County Metropolitan Transit Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2012  
(Continued)**

<b>Finding 4</b>	<b>City of Duarte</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 16 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	We have made administrative changes and reassigned responsibility for Measure R to additional staff. We now have several people who can perform the required steps in the Measure R process. This eliminates the reliance on one single individual to perform all the functions. Now we have cross trained and created accountability. We have also created a timeline displaying when required reports are due so we can 'look ahead' and plan accordingly to execute requirements on time.

**Los Angeles County Metropolitan Transit Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2012  
(Continued)**

<b>Finding 5</b>	<b>City of Lomita</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on October 18 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form Two is filed on time.
Effect	Form Two (Expenditure Report) was not submitted timely.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form Two is submitted by October 15 as required by the Guidelines.
Management Response	The City of Lomita will implement procedures that will ensure that Form Two will be completed and submitted on or before October 15 as required by the Guidelines.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 6</b>	<b>City of Pasadena</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on November 15 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form Two is filed on time.
Effect	Form Two (Expenditure Report) was not submitted timely.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form Two is submitted by October 15 as required by the Guidelines.
Management Response	The date the actual Form Two was submitted to LACMTA Program Manager was November 15. We misunderstood and didn't realize that an actual Form Two needed to be submitted by October 15. Going forward, we will make sure to meet the deadline and submit actual Form Two by October 15.

**Los Angeles County Metropolitan Transit Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2012  
 (Continued)**

<b>Finding 7</b>	<b>City of Redondo Beach</b>
Compliance Reference	Section B(VI) of the Measure R Local Return Program Guidelines states that "...LACMTA will allow Jurisdiction's to pool Measure R LR funds in order to obtain maximum return on investments. Such investment earnings must be reported and expended consistent with these guidelines...."
Condition	<p>The City did not allocate the appropriate share of interest earned by its Measure R Fund as of June 30, 2012. Therefore, the Form Two submitted by the City to LACMTA did not include interest income earned by Measure R funds.</p> <p>This is a repeat finding from the FY 2011 audit.</p>
Cause	The City has not implemented controls to ensure that funds included in pooled investments get their share of interest earnings.
Effect	Form Two (Expenditure Report) submitted by the City for FY 2012 did not report interest income earned by Measure R funds. Based on the average yield of investments by the City, we estimate the interest due to the Measure R Fund for FY 2012 to be \$6,000.
Recommendation	We recommend for the City to comply with the Guidelines and transfer the interest earnings earned by the Measure R funds in fiscal years 2011 and 2012 to the Measure R LR Fund.
Management Response	The City will calculate the interest earned from fiscal years 2011 and 2012 and record it to the City general ledger as a prior period adjustment in the current fiscal year 2013. Moving forward, the City will avoid any such findings in the future.

**Los Angeles County Metropolitan Transit Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2012  
(Continued)**

<b>Finding 8</b>	<b>City of San Dimas</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	The City claimed expenditures for Knollwood Lane Street Construction totaling \$48,611 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.
Cause	The City was not aware that a new Form One needs to be submitted for each new project prior to implementation.
Effect	The City claimed expenditures totaling \$48,611 where it had no prior approval from LACMTA and therefore, the City did not comply with the Guidelines.
Recommendation	We recommend for the City to obtain approval from LACMTA prior to implementing any Measure R-funded project.
Management Response	This project code 1.90 was originally approved in fiscal year 2010-2011 for \$125,000. The project continued in fiscal year 2011-12 with additional expenditures of \$50,100. There was confusion as to which form we needed to process to have the additional funds approved. The project was listed on Form Two showing the actual expenditures for the year and submitted to LACMTA and part of the annual reporting. It was later realized that it should have been sent for approval on Form One for Measure R. We contacted LACMTA to be sure we provide the correct forms for approval and the LACMTA Program Manager informed me of the correct form to use. The item was re-submitted and LACMTA Program Manager retro-actively approved the expenditures. In the future we will make sure the expenditures being requested are reported in the proper form.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said project on November 30, 2012. No additional follow up is required.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 9</b>	<b>City of San Marino</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for various contractual services totaling \$147,214 with no prior approval from LACMTA. The City only received approval from LACMTA in FY 2012 for 2 Street Maintenance Personnel for \$50,484 but did not include approval for other projects. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City does not appear to be aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$147,214 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The City has corresponded with the LACMTA Program Manager, who has indicated that she is able to give the City retroactive approval if the City submits a revised Form One for 2012. The City has submitted the revised Form One and is awaiting her approval.</p> <p>In the future, the City will submit Form One's for each carryover at the beginning of the year, in addition to the newly funded projects.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said project on November 26, 2012. No additional follow up is required.</p>

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 10</b>	<b>City of Torrance</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for a project named: Citywide Sidewalk Ramping/Grinding Project totaling \$369,681 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>This is the City's first project funded by Measure R Local Return and the City was not aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$369,681 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>Torrance submitted its FY2011-12 Expenditure Plan (Form One) on August 1, 2011. No projects were reported on that Form One. Subsequently, the Torrance City Council approved the I-109, Citywide Sidewalk Ramping/Grinding Program project on August 16, 2011. Consequently, the City listed the I-109, Citywide Sidewalk Ramping/Grinding Program project in the FY2012-13 Expenditure Plan (Form One) and submitted it on August 1, 2012. The City believes this reporting complied with the Measure R Local Return guidelines.</p> <p>The City acknowledges the Auditors' concern that funds were expended, "prior" to LACMTA approval. However, we also believe the Measure R Local Return guidelines Section B (II) are ambiguous and were not clear about directing a jurisdiction to submit an Expenditure Plan (Form One) for a newly-added project, other than on the Expenditure Plan (Form One) due August 1<sup>st</sup>. In</p>



**Los Angeles County Metropolitan Transit Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2012  
 (Continued)**

<p>Management Response (continued)</p>	<p>summary, the City now understands it shall not expend Measure R Local Return funds on a project unless said project is listed on an Expenditure Plan (Form One) AND it has also received LACMTA approval, prior to expending funds.</p>
<p>Finding Corrected During the Audit</p>	<p>LACMTA Program Manager granted a retroactive approval of the said project on October 8, 2012. No additional follow up is required.</p>

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2012**  
**(Continued)**

<b>Finding 11</b>	<b>City of West Covina</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions are required to specify administration charges to Direct Administration in order to verify compliance of the 20% cap on administration costs...." Expenditures for administrative costs associated with and incurred for Measure R eligible projects/programs are charged to Transportation Administration project code.
Condition	While the City complied with the 20% direct administration costs cap, our audit showed that the City did not accumulate and report direct administration costs in a Transportation Administration project code as required by the Guidelines. Direct administration costs incurred on Measure R projects such as salaries, benefits and overhead costs totaling \$143,971 were spread out in various non-administration project codes, which made it difficult to verify compliance with the 20% administration cap.
Cause	The implementation of the City's plan to report all administrative costs in a separate project code did not take effect until FY 2013.
Effect	The City did not comply with the Guidelines relating to the proper reporting of direct administration charges.
Recommendation	We recommend for the City to comply with the Guidelines and report administration charges in a separate project code.
Management Response	Historically, the City of West Covina has not had an LACMTA approved project number 480 and, consequently, all administrative costs were included in the various project totals. Upon receiving correspondence from LACMTA regarding the 2010/2011 audit report, staff inquired of LACMTA staff on how to proceed to implement a project number 480. LACMTA staff suggested that the reclassifications necessary to implement this change be done in FY 2012/2013 via Forms One and Two for Measure R (and Forms A & B for Proposition A and Proposition C) rather than in FY 2011/2012. Project number 480 was established in FY 2012/2013. The City did not exceed its administrative cap during the 2011/2012 fiscal year and has provided supporting documentation to the auditors.

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE AND  
MEASURE R LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

## TABLE OF CONTENTS

	<b><u>Page</u></b>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE	1
Summary of Compliance Findings	3
Schedule 1 – Summary of Measure R Audit Results	4
Schedule 2 - Schedule of Findings and Questioned Costs	17



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

3600 WILSHIREBOULEVARD, SUITE 1710  
LOS ANGELES, CA 90010  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
[www.simpsonandsimpsoncpas.com](http://www.simpsonandsimpsoncpas.com)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE AND  
MEASURE R LOCAL RETURN GUIDELINES

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority and  
Measure R Oversight Committee

**Compliance**

We have audited the compliance of the Cities and the County identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2012 (Requirements). Compliance with the above noted Requirements by the Cities and the County are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the Requirements is the responsibility of the respective Cities' and the County's management. Our responsibility is to express an opinion on the Cities' and the County's compliance based on our audit.

We conducted our audits of compliance in accordance with the Guidelines, auditing standards generally accepted in the United States of America, and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's and the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions. Our audits do not provide a legal determination of each City's or the County's compliance with those requirements.

In our opinion, the Cities and the County complied, in all material respects, with the requirements referred to above that are applicable to the Measure R Local Return program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Numbers 1 through 13.



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### **Internal Control Over Compliance**

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal, state, and local programs. In planning and performing our audits, we considered each City's and the County's internal control over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cities' and the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Responses by the Cities to the findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit each City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the LACMTA, the management, the City Councils, and others within each City and the County and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read 'Simpson &amp; Simpson'.

Los Angeles, California  
December 21, 2012

### Summary of Compliance Findings

The audit of the 38 Cities and the County of Los Angeles has resulted in 13 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs
No adequate evidence that funds were expended for transportation purposes	1	Pico Rivera (#12)	\$ 1,230
Funds were expended without LACMTA's approval	4	Huntington Park (#6) Lawndale (#8) Maywood (#10) Rosemead (#13)	8,282 194,000 20,000 364,950
Form One (Expenditure Plan) was not submitted timely	5	Azusa (#1) Cudahy (#4) Huntington Park (#7) Lawndale (#9) Montebello (#11)	None
Form Two (Expenditure Report) was not submitted timely	2	Bell Gardens (#2) Compton (#3)	None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	1	El Monte (#5)	8,456
<b>Total Findings and Questioned Cost</b>	<b>13</b>		<b>\$ 596,918</b>

Details of the findings can be found in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
For the Fiscal Year Ended June 30, 2012**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Agoura Hills</b>	<b>Azusa</b>	<b>Baldwin Park</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	<b>Finding-#1</b>	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Bell</b>	<b>Bell Gardens</b>	<b>Beverly Hills</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	<b>Finding-#2</b>	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Compton</b>	<b>Cudahy</b>	<b>Culver City</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	<b>Finding-#4</b>	Compliant
Timely submission of Expenditure Report (Form Two)	<b>Finding-#3</b>	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>El Monte</b>	<b>Gardena</b>	<b>Hawthorne</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	<b>Finding-#5</b>	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Hidden Hills</b>	<b>Huntington Park</b>	<b>City of Industry</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	<b>Finding-#6</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	<b>Finding-#7</b>	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Inglewood</b>	<b>Irwindale</b>	<b>La Puente</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

Compliance Area Tested	Lawndale	Los Angeles County	Lynwood
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	<b>Finding-#8</b>	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	<b>Finding-#9</b>	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Malibu</b>	<b>Maywood</b>	<b>Montebello</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	<b>Finding-#10</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	<b>Finding-#11</b>
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Monterey Park</b>	<b>Pico Rivera</b>	<b>Pomona</b>
Funds were expended for transportation purposes	Compliant	<b>Finding-#12</b>	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

Compliance Area Tested	Rosemead	San Fernando	Santa Fe Springs
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	<b>Finding-#13</b>	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Santa Monica</b>	<b>South El Monte</b>	<b>South Gate</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

SCHEDULE 1

<b>Compliance Area Tested</b>	<b>Walnut</b>	<b>West Hollywood</b>	<b>Westlake Village</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs**

SCHEDULE 2

<b>Finding 1</b>	<b>City of Azusa</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on August 30, 2011.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 <sup>st</sup> so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. We recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	Personnel have been advised on the importance of filing of Form One timely.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 2</b>	<b>City of Bell Gardens</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2011 deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on October 20, 2011.
Cause	The City was not aware of the importance of submitting Form Two to meet the compliance requirements of the Measure R Local Return guidelines.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City will ensure that the form is submitted by the required timeline. Fiscal year 2011-12 Form Two has been submitted by the required due date.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 3</b>	<b>City of Compton</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2011 deadline for submission of Form Two (Expenditure Report). However, the City submitted the Form Two to LACMTA on December 12, 2011.
Cause	The City was not aware of the importance of submitting Form Two to meet the compliance requirements of the Measure R Local Return guidelines.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	Due to the City's large downsizing, key personnel was let go in August 2011. The submission had to be done by the City's Controller's Office. In an effort to submit a correct form, revisions had to be made which resulted to late submission of Measure R's Form Two.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 4</b>	<b>City of Cudahy</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2011 deadline for submission of an Expenditure Plan (Form One). However, the City submitted the Form One to LACMTA on August 3, 2011.
Cause	The City was not aware of the importance of submitting of Form One to meet the compliance requirements of Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted on August 1 deadline and the City retain a confirmation of receipt by LACMTA to comply with the guidelines.
Management's Response	City of Cudahy will make sure all the deadlines will be met in fiscal year 2012-13.



**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 5</b>	<b>City of El Monte</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section A (II.8), "The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City's administrative expenditures exceeded the twenty percent cap of its total Measure R Local Return annual expenditures by \$8,456.
Cause	The City recorded a prior period adjustment for the fiscal year 2011 in the amount of \$45,488 which was originally recorded as fiscal year 2012 expenditures. Prior to the adjustment, the administrative expense was twenty percent of the total annual expenditures. However, after the adjustment of reducing the current fiscal year's expenditures, the administrative expenses exceeded twenty percent of its total Measure R Local Return annual expenditures.
Effect	The City's Measure R Local Return fund administrative expenditures exceeded 20 percent of its total local return annual expenditures and the City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned costs of \$8,456.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$8,456. In addition, we recommend that the City establish procedures to ensure that expenditures are reported in the correct fiscal year and administrative expenditures are within the 20% cap of the MRLRF's total annual expenditures.
Management's Response	The City of El Monte is diligent when monitoring administrative cap requirements for its various special revenue funds. However, due to an unforeseen staffing change, fiscal year 2010/11 invoices related to Measure R Local Return projects were not submitted for payment until well into fiscal year 2011/12. Subsequently, a prior period adjustment was made during the fiscal year 2011/2012 audit that resulted in the City's administrative cap exceeding its minimum by 1%. Prior to this adjustment the City had been in compliance with 20% administrative cap.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 6</b>	<b>City of Huntington Park</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Administration project in the amount of \$8,282 were incurred prior to the approval from LACMTA. There is no documentation that the project was ever approved for any amount for FY 2011-12.
Cause	The City did not foresee the expenditure occurring in FY 2011-12.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$8,282.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$8,282. In addition, we recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 <sup>st</sup> . In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	The expenditure happened towards the end of the fiscal year. We did not submit a budget for it as we were under the impression there would be no expenditures for the Admin project for FY 2011-12.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA on November 27, 2012. The finding was corrected during the audit. No additional follow up is required.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 7</b>	<b>City of Huntington Park</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 <sup>st</sup> of each year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on August 3, 2011.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of the Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 <sup>st</sup> so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City will submit all required reports on a timely basis.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 8</b>	<b>City of Lawndale</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Pavement/Curb/Gutter Improvement project in the amount of \$194,000 were incurred without LACMTA's project approval for FY 2012.
Cause	The City believed that projects previously approved by LACMTA were not required to be included in the subsequent years' Form One (Expenditure Plan). The project was previously approved in FY 2011; therefore, the City did not include this project in Form One for FY 2012.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's project approval for FY 2012. Expenditures incurred prior to LACMTA's approval resulted in questioned costs of \$194,000.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$194,000. In addition, we recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 <sup>st</sup> . In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	In FY 2011-12, the City of Lawndale believed that Form One (budget) was not to include any projects that had been previously approved in prior years. Due to this, the City's Pavement/Curb/Gutter Improvement project was not included in the Form One. However, there is no longer any misunderstanding and we will properly prepare Form One in the future.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA on December 3, 2012. The finding was corrected during the audit. No additional follow up is required.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 9</b>	<b>City of Lawndale</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 <sup>st</sup> of each year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on May 9, 2012.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of the Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City concurs with the findings and plans to submit all required reports on a timely basis in the future.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 10</b>	<b>City of Maywood</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The City expended \$10,000 for the Project code 710, Corridor project without LACMTA's project approval during the fiscal year 2012. In addition, the City recorded additional expenditures of \$10,000 to the same project but for the fiscal year 2011 without LACMTA's project approval. However, these expenditures were eligible under Measure R Local Return Fund guidelines.
Cause	The City did not submit Form One (Expenditure Plan) on time as they were unaware of the importance of meeting the filing requirements of the Measure R Local Return Guidelines.
Effect	The City expended Measure R Funds prior to LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$20,000.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$20,000. In addition, we recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	Although the City obtained approval to use Measure R Fund for payment of two invoices with a total cost of \$20,000 (\$10,000 for FY 2011 and \$10,000 for FY 2012), the City was remiss in not submitting the Expenditure Plan (Form One) for project approval. The City will comply with the procedures and guidelines on project approval before incurring expenses.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA for the fiscal years 2012 and 2011 on December 20, 2012. The finding was corrected during the audit. No additional follow up is required.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 11</b>	<b>City of Montebello</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 <sup>st</sup> of each year."
Condition	The City did not meet the August 1, 2011 deadline for submission of Form One. However, the City submitted the Form One on August 4, 2011.
Cause	The City was not aware of the importance of submitting Form One to meet the compliance requirements of the Measure R Local Return guidelines.
Effect	The City's Form One was not submitted timely
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City will submit all required reports on a timely basis.

**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 12</b>	<b>City of Pico Rivera</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section A (I), "Local Return funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes."
Condition	Salaries (pay rates) were not updated when new employees replaced incumbents on the Job Cost excel spreadsheet. Using the incorrect rates for the two employees was a clerical and internal control error, as the spreadsheet was not reviewed by someone other than the preparer. The person who prepared the job cost report changed the names on the spreadsheet but did not change the charge rate, since the job titles were the same. As a result, the Measure R Local Return Fund expenditures are overstated.
Cause	The incorrect pay rates can be attributed to a clerical error and the lack of internal control review procedures over the Job Cost spreadsheet. When the administrator changed the names, they did not change the rate.
Effect	The Measure R expenditures are overstated. Overstated expenditures resulted in questioned costs of \$1,230.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$1,230. In addition, we recommend that the City maintain proper accounting records and establish adequate internal controls over its source documentation.
Management's Response	The management agrees with the finding. The City Administrator overlooked the fact that the pay rates changed when a different employee took over the same jobs. We will work to correct this in the future.



**LACMTA Consolidated Audit  
Fiscal Year 2012  
Schedule of Findings and Questioned Costs  
(Continued)**

SCHEDULE 2

<b>Finding 13</b>	<b>City of Rosemead</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	Expenditures for Replacement parking facility project for a total amount of \$320,950 and SR60 Coalition Advocacy project for a total amount of \$44,000 for Measure R Local Return Funds were incurred without LACMTA's project approval.
Cause	The City's Form One (Expenditure Plan) did not include all Measure R Local Return projects as the City personnel were unaware of the importance of meeting the filing requirements of the Measure R Local Return Guidelines.
Effect	The City expended Measure R Funds without LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$364,950.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$364,950. In addition, we recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	Due to our Finance Director retiring in FY 11/12, our remaining staff was not aware of this requirement. We are aware of it now and will obtain the proper approval for all of our 12/13 expenditures.
Corrected During the Audit	The project was subsequently approved by the Program Manager from LACMTA on December 12, 2012. The finding was corrected during the audit. No additional follow up is required.