

**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, 2014**



**Los Angeles County Metropolitan Transportation Authority  
Measure R Consolidated Audit Report  
Fiscal Year Ended June 30, 2014**

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## 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

### Report on Compliance

We have audited the compliance of the thirty-eight (38) Cities and the County of Los Angeles 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 (collectively, 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, 2014 (collectively, the Requirements). Compliance with the above noted Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

### Management's Responsibility

Compliance with the Requirements is the responsibility of the respective Cities' and County's management.

### Auditor's Responsibility

Our responsibility is to express opinions on the Cities' and County's compliance with the Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guidelines. 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 on compliance. However, our audits do not provide a legal determination of each City's and the County's compliance.



### ***Opinion***

In our opinion, the Cities and the County complied, in all material respects, with the Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Numbers 1 through 22. Our opinion is not modified with respect to these matters.

Responses by the Cities and the County to the noncompliance findings identified in our audits are described in the accompanying Schedule 2 - Schedule of Findings and Questioned Costs. The Cities' and County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

### ***Report on 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 Guidelines and Requirements referred to above. In planning and performing our audits of compliance, 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 and the County's internal control over compliance.

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 we consider to be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 Guidelines and 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 Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding number 7 to be a material weakness.



A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding numbers 9, 14, and 15 to be significant deficiencies.

The responses by the Cities and the County to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs. The responses by the Cities and the County were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the Requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 15, 2014

**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2014**

The audit of the thirty-eight (38) Cities and the County of Los Angeles has resulted in 22 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
No adequate evidence that funds were expended for transportation purposes	5	Compton (#1) Lawndale (#2) Monterey Park (#3) Rosemead (#4) South El Monte (#5)	None \$ 5,838 12,379 2,869 10,000	None \$ - - - -
Funds were expended without LACMTA's approval	6	Bell (#6) Lawndale (#7) Los Angeles County (#8) Lynwood (#9) Montebello (#10) South El Monte (#11)	4,173 54,807 147,256 493,833 58,933 3,147	4,173 54,807 147,256 493,833 58,933 3,147
Form One (Expenditure Plan) was not submitted timely	5	Baldwin Park (#12) Bell (#13) La Puente (#14) Maywood (#15) South Gate (#16)	None None None None None	None None None None None
Form Two (Expenditure Report) was not submitted timely	4	Bell (#17) Calabasas (#18) Compton (#19) Lynwood (#20)	None None None None	None None None None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	2	Lawndale (#21) San Fernando (#22)	None 7,634	None -
<b>Total Findings and Questioned Cost</b>	<b>22</b>		<b>\$ 800,869</b>	<b>\$ 762,149</b>

Details of the findings can be found in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2014**

<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	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	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
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  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<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
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
Timely submission of Expenditure Report (Form Two)		Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures 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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Calabasas</b>	<b>Carson</b>	<b>Commerce</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
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Compton</b>	<b>Cudahy</b>	<b>Culver City</b>
Funds were expended for transportation purposes		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
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures 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)	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  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<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	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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<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	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
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Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
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Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
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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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<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	
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	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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Lawndale</b>	<b>Los Angeles County</b>	<b>Lynwood</b>
Funds were expended for transportation purposes		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			
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	
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures		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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<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	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
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	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
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  
Fiscal Year Ended June 30, 2014  
(Continued)**

<b>Compliance Area Tested</b>	<b>Monterey Park</b>	<b>Pico Rivera</b>	<b>Pomona</b>
Funds were expended for transportation purposes		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	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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Rosemead</b>	<b>San Fernando</b>	<b>Santa Fe Springs</b>
Funds were expended for transportation purposes		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
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Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<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
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
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	
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	Not Applicable	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
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**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

<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	Not Applicable	Not Applicable	Not Applicable
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 (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
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2014**

<b>Finding 1</b>	<b>City of Compton</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation..."
Condition	Payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. We noted that two out of the thirteen timesheets tested for Measure R Fund Administration (20% cap), Project Code 8.10, were not signed by the employees. However, we did note that both of the two timesheets were properly signed by the employees' supervisors.
Cause	Payroll Division Department prepared timesheets for absent and on-leave employees without requiring employees to review and sign the timesheets once they returned to work.
Effect	The City's employee timesheets were not properly signed.
Recommendation	We recommend that the City establish controls to ensure that labor costs charged to Local Return Funds are adequately supported by signed time sheets, payroll registers, personal action forms with job descriptions or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management's Response	Payroll Division Department will require signature authorization of all timesheets, both by the employee staff and their authorized supervisors.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 2</b>	<b>City of Lawndale</b>
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	During our review of payroll salary expenditures, we noted positions were partially funded by Measure R Local Return Fund. The allocation percentages claimed to these funds were not supported by timesheets certified by the employees or a cost allocation with verifiable data. Through our inquiry with the City's Accounting Manager, the basis of the allocation percentages were based on annual budget (predetermined). This is a repeated finding of fiscal year 2013. However, corrective action began to take place in May 2014 with some of the employees keeping track of the actual hours worked on the MRLRF projects.
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to MRLRF. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF. We question payroll expenditures (which includes direct administrative salaries) reported for fiscal year 2014 amounting to \$5,838 which is based on expenditures tested for pay periods 9/23/2013, 12/5/2013, 2/27/2014, and 5/22/2014. However, no documentation was provided to support the allocations; therefore, we were unable to determine whether or not such expenditures were over or under the amount allocated to MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentation (i.e. activity report, timesheet, or time study).

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2014  
(Continued)**

<b>Finding 2</b>	<b>City of Lawndale (Continued)</b>
Management's Response	As stated, the City started tracking payroll and benefits directly to timesheets related to hours worked by staff. The process was started when Metro issued a letter in late spring requesting the change. As of July 1 <sup>st</sup> , payroll charges for all projects are based on hours worked not the percentage of adopted budget.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 3</b>	<b>City of Monterey Park</b>
<p>Compliance Reference</p>	<p>According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."</p> <p>In addition, LACMTA Local Return Program Manager issued the memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines are "that an electronic system is acceptable as long as how much time is identified on the project (i.e., not just a clock-in-clock-out system) and <i>this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor.</i>" Also, "(4) <i>Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</i></p> <ul style="list-style-type: none"> <li>(a) A Federal award and a non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(a) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(e) <i>Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."</i></li> </ul>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 3</b>	<b>City of Monterey Park (Continued)</b>
Condition	<p>Upon testing the payroll expenditures for maintenance workers charged to Measure R Local Return Funds (MRLRF), we noted that the payroll charges are supported by activity logs; however, the logs were not signed or certified by the employees and supervisors. We also noted that the salary expenditures of certain management positions (such as Assistant City Engineer and Civil engineering Associate) are allocated to the MRLRF. The allocation was determined through a time study during the budget process and the City was able to provide the time study to illustrate how the allocation was done. However, charges to the MRLRF were not supported by time reporting and certified by the employee and the supervisor. Therefore, we question payroll expenditures of \$12,379 based on our testing for pay periods 8/30/2013, 12/6/2013, 1/3/2014, 3/28/2014 and 6/6/2014.</p> <p>This is a repeated finding of FY 2013.</p>
Cause	<p>The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to Measure R Local Return Funds. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.</p>
Effect	<p>Lack of certification of the percentage allocation used to charge for project expenditures could result in disallowed cost claimed to the Measure R Local Return Funds.</p>
Recommendation	<p>We recommend that the City amend its policies to require quarterly comparisons of actual costs to budgeted distributions based on monthly activity reports, and to have employees sign and certify the time reports to support the percentage allocation used for charges to Measure R Local Return Funds.</p>



**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 3</b>	<b>City of Monterey Park (Continued)</b>
<p>Management's Response</p>	<p>The City's Street Supervisor reviewed the Maintenance Workers' daily work log and signed approval for their timecards; Assistant Engineer and Civil Associate Engineer involved with Measure R construction and street projects and their timecards were approved by the Director of Public Works; Finally, Principal Management Analyst is responsible all transit coordination with LACMTA and the City's bus system. The City does review and adjust the allocations based on the actual workload. For example, the Program Coordinator's salary allocation was revised from 30% to 0% after the tap card sales and dial-a-ride program both being switched to the Recreation Supervisor.</p> <p>The City will certainly take your recommendations to include the supervisor's signature on our work logs and on a quarterly basis to have the allocation certification sheet signed and certified by the Directors.</p>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 4</b>	<b>City of Rosemead</b>
Compliance Reference	According to the Measure R Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.
Condition	<p>Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based on estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentations to demonstrate that the salaries charged were expended on administering approved MRLRF projects. However, based on the employees' job titles, it is reasonable to assume that such employees worked on the local return fund projects. There were two employees whose timesheets did not have detailed hours indicated to support the percentages utilized.</p> <p>Some of the payroll charges are supported by timesheets; however, actual timesheet documentations did not exactly equal the estimated percentages used to allocate the employees' salaries to the local return funds. Some pay periods are over the estimates and some are under the estimates. No true-up of the estimates is done at the end of the fiscal year. Therefore, we question payroll expenditures of \$2,869 based on our tested pay periods of 12/12/2012, 2/20/2014, and 5/24/2014.</p> <p>This is a repeated finding of FY 2013. However, the City has started to have its employees detail their hours spent on the LACMTA's Funds on their timesheets.</p>
Cause	The City uses its best estimate of percentage of its employee's salaries to determine its payroll charges to MRLRF. Actual timesheets filled out by employees may or may not equal the estimates used by the City's payroll system to automatically charge the local return funds. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.
Effect	Insufficient supporting documentation (activity report, timesheets, and/or time study) to substantiate the charges for "Direct Administrative" could result in disallowed costs claimed to the MRLRF.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 4</b>	<b>City of Rosemead (Continued)</b>
Recommendation	<p>We recommend that the City implement a timekeeping system that tracks the hours spent on the local return fund to ensure salaries and related fringe benefits are supported by adequate documentation (i.e. activity reports, timesheets, or time study).</p>
Management's Response	<p>The City implemented a timekeeping system in 12/13 through our Tyler software that tracks the hours spent on the local return funds. The City will install a function in this system which will enable each employee to have the ability to click on Measure R when they input their time. This should be easier and more efficient for each employee to adequately track their time.</p> <p>In addition, the City will meet with staff in each department to reinforce the procedures for tracking time on these programs.</p> <p>Every effort is being made by the City to ensure that salaries and related fringe benefits are supported by actual documentation. The City budgets for these expenditures on a percentage basis and there are times that the actual times charged will be slightly more or less than the percentage allocated.</p>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 5</b>	<b>City of South El Monte</b>
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
Condition	<p>In order to ensure the propriety of expenditures being charged to the Local Return funds, expenditures should be supported by properly executed contracts, invoices, vouchers, or other official documentation evidencing in proper detail, the nature of the charges. However, payments to Mike Roos and Company (Consultant) for services rendered for the Month of June 2014 were based on an expired contract agreement and were charged to the LACMTA's approved SR-60 Coalition Work project for a total amount of \$10,000 to the Measure R Local Return Fund.</p> <p>This is a repeated finding of FY 2011.</p>
Cause	The contract was not extended beyond May 28, 2014 was due to an oversight.
Effect	The payments based on an expired contract for June 2014 services resulted in questioned costs of \$10,000.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Account \$10,000. In addition, we recommend that the City revise its internal controls to ensure that payments are not made based upon expired contracts. In addition, we recommend that the City work with LACMTA's Program Manager to address the timing difference.
Management's Response	Mike Roos and Company Professional Services Agreement is being placed on the December 9, 2014 City Council agenda to extend his contract to May 28, 2015. This extension will be retroactive to May 29, 2014 and thus, will cover the period of June 2014.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 6</b>	<b>City of Bell</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	<p>The expenditures for MRLRF's Administration project in the amount of \$4,173 were incurred prior to the approval from LACMTA for fiscal year 2013-14. The City subsequently received LACMTA's approval on the MRLRF project on September 16, 2014. No questioned costs were noted as the project was subsequently approved by LACMTA for FY 2014.</p> <p>The project was previously approved in FY 2013; however, the City did not include the project in the FY 2014 Form One.</p>
Cause	The City's contracted Engineering Division was not aware that fund administration was a required component of the Measure R pre-project approval process. Filing was completed and approval granted subsequent to deadline, on September 16, 2014.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF projects are incurred without LACMTA's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects.
Management's Response	The Engineering Division is creating procedures in accordance with published MTA guidelines to adhere to the proper processing of all required forms conditioning project approvals and reporting.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 7</b>	<b>City of Lawndale</b>
Compliance Reference	According to the Measure R Guidelines, "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 <sup>st</sup> of each year. Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year."
Condition	<p>We noted that the City expended Measure R Local Return Funds of \$54,807 prior to MTA's project approval for FY 2014. The City did not include Project Code 1.05, 160<sup>th</sup> Street (Hawthorne Boulevard to Freeman) project on their FY 2014 Form One (Budget). However, these expenditures were eligible under Measure R Local Return Guidelines. During our audit, the City submitted a revised Form One to LACMTA, and LACMTA subsequently approved the project on November 7, 2014. No questioned costs were noted as the project was subsequently approved by LACMTA.</p> <p>The project was previously approved in FY 2013. However, the City did not include the project in the FY 2014 Form One.</p> <p>This is a repeated finding of fiscal year 2012.</p>
Cause	The City expended Measure R Local Return funds for the project that was not budgeted when the City's Form One was prepared. Therefore, the project was not included in the City's Form One and was not approved by LACMTA prior to expending the funds.
Effect	The City expended Measure R Local Return Funds prior to LACMTA's approval and was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City implement policies and procedures to ensure that the City's Form One is properly prepared and reviewed.
Management's Response	The City will establish a review process to ensure that Form One is prepared correctly.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 8</b>	<b>County of Los Angeles</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	<p>The expenditures of \$99,587 for Firestone Blvd.- Central Ave to Graham, Et Al. and \$47,669 for Hawthorne Blvd. and Atlantic Avenue Street Improvements were incurred without LACMTA's project approval for FY 2014. The projects were subsequently approved for FY 2014 by LACMTA on December 17, 2014. No questioned costs were noted as the projects were subsequently approved by LACMTA.</p> <p>The projects were previously approved in FY 2013; however, the County did not include the projects in the FY 2014 Form One.</p>
Cause	The County believed that projects previously approved by LACMTA were not required to be included in the subsequent years' Form One (Expenditure Plan). The projects were previously approved in FY 2013; therefore, the County did not include these projects in Form One for FY 2014.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's project approval for FY 2014, and the County was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the County 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 County should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	In FY 2014, the County of Los Angeles believed that Form One (budget) was not to include any projects that had been previously approved in prior years. However, there is no longer any misunderstanding and we will properly prepare Form One in the future.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 9</b>	<b>City of Lynwood</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	<p>The expenditures for the Measure R project code 1.90, Bond Debt Service Payment project, of \$100,927 and \$392,906 for FY 2013 and FY 2014, respectively, were incurred prior to LACMTA's project approval for FY 2013 and FY 2014. The City recorded FY 2013 expenditures of \$100,927 after the FY 2013 audit report was issued. However, the project was subsequently approved by LACMTA on December 18, 2014. No question costs were noted as the project was subsequently approved by LACMTA.</p> <p>The City made an official request to bond their Measure R funds for their total road improvement program. This was previously approved by the MTA Board in FY 2012; however, the City did not include the project in the FY 2014 Form One.</p>
Cause	This was due to an oversight by City personnel.
Effect	The City expended Measure R Local Return Funds prior to LACMTA's project approval for FY 2013 and FY 2014 and was not in compliance with the Measure R Local Return Guidelines.
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 Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	This was an oversight. The City participated in the COP Series 2012 (TRIP-Total Road Improvement Program) which was approved by City Council in 2012. As noted in the Official Statement, installment payments are payable from Measure R receipts. Staff did not include the Debt Service Installments when the FY 2014 Measure R Budget was submitted to MTA in July 2013. Recently, staff submitted a revised FY 2014 Budget to MTA to comply with the Measure R Guidelines.



**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 10</b>	<b>City of Montebello</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	<p>The expenditures of \$31,432 for Project Code 1.05, Cleveland Avenue Emergency Street Repairs and \$27,501 for Project Code 1.05, Las Flores Emergency Street Repairs were incurred prior to LACMTA's project approval for FY 2014. However, the projects were subsequently approved by LACMTA on November 4, 2014. No questioned costs were noted as the projects were subsequently approved by LACMTA.</p> <p>This is the first year for these projects.</p>
Cause	The City expended Measure R Local Return funds for the projects that were not budgeted when the City's Form One was prepared. Therefore, the projects were not included in the City's Form One and were not approved by LACMTA prior to expending the funds.
Effect	The City expended Measure R Local Return Funds prior to LACMTA's approval and was not in compliance with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City implement policies and procedures to ensure that the City obtains LACMTA's project approval prior to expending the Measure R Local Return Funds.
Management's Response	The City will establish a review process to ensure that the City obtains MTA's project approval prior to incurring Measure R Local Return expenditures.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 11</b>	<b>City of South El Monte</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	<p>The expenditures for the Measure R Administration in the amount of \$3,147 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on November 7, 2014. No questioned costs were noted as the projects were subsequently approved by LACMTA.</p> <p>The project was previously approved in FY 2011. However, the City did not include the project in the FY 2014 Form One.</p>
Cause	<p>The City was under-staffed and the Grants Coordinator who managed the programs was out on medical leave. During her absence, the City inadvertently did not include the Admin project on the Form I submitted to MTA.</p>
Effect	<p>The City did not comply with the Guidelines when expenditures for MRLRF project are incurred without LACMTA’s approval.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management’s Response	<p>The City will continue to monitor its programs to ensure that the expenditures for projects/programs have been approved by the LACMTA prior to incurring cost.</p>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 12</b>	<b>City of Baldwin Park</b>
Compliance Reference	According to Measure R 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, 2013 deadline for submission of Form One. However, the City submitted the Form One on October 15, 2013.  This is a repeated finding of FY 2011.
Cause	There was a change in City staff during the submittal period.
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. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The Public Works Department has set calendar reminders in MS outlook on multiple workstations to ensure that future submittals are made on time.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 13</b>	<b>City of Bell</b>
Compliance Reference	According to Measure R Guidelines, Section B (II.1), Expenditure Plan (Form One): "Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2013 deadline for submission of Form One. However, the City submitted the Form One on August 9, 2013.  This is a repeated finding of FY 2013.
Cause	The City's Engineering Division did not work on this form early enough and as a result the submittal was eight days late.
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. Furthermore, 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	The Engineering Division is creating procedures in accordance with published MTA guidelines to adhere to the proper processing of all required forms conditioning project approvals and reporting. In addition, the Engineering Division will work on Form One when preparing the City budget. City budget is adopted before June 30 <sup>th</sup> of each year, therefore, this procedural change will give staff enough time to submit the form one to MTA prior to August 1st.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2014  
 (Continued)**

<b>Finding 14</b>	<b>City of La Puente</b>
Compliance Reference	According to Measure R 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, 2013 deadline for submission of Form One. However, the City submitted the Form One on July 7, 2014.
Cause	There was a change of personnel in Finance Department. The previous Finance Manager left in late 2012 and there was an Interim Finance Manager hired and was replaced by permanent Finance Manager in 2013.
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. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City will ensure that the deadlines will be strictly followed going forward.

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<b>Finding 15</b>	<b>City of Maywood</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA and Expenditure Plan (Form One), annually by August 1 <sup>st</sup> of each year."
Condition	The City did not submit the FY 2014 Expenditure Plan (Form One) by the due date of August 1, 2013. The City submitted the Form One to LACMTA on April 24, 2014.  This finding is repeated from FY 2012 and FY 2013.
Cause	The City has new Accounting staff and was not aware of the due date for Measure R (Form One) Report.
Effect	The City did not submit the Expenditure Plan (Form One) timely.
Recommendation	We recommend the City establish procedures to ensure that Form One 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 concurs and will adhere to the established procedures to ensure that the Expenditure Plan (Form One) is submitted on or before due date of August 1 <sup>st</sup> .

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<b>Finding 16</b>	<b>City of South Gate</b>
Compliance Reference	According to Measure R Guidelines, Section B (II.1), Expenditure Plan (Form One): "Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2013 deadline for submission of Form One. However, the City submitted the Form One on August 21, 2013.
Cause	Due to staff turnover in the City's Public Works Department, the form was prepared and submitted late.
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. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner.
Management's Response	The City hired a new Management Analyst to assist with these duties. The City will continue to closely monitor report deadlines for future submission.

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 (Continued)**

<b>Finding 17</b>	<b>City of Bell</b>
Compliance Reference	According to Measure R 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, 2013 deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on October 31, 2013.
Cause	The City's Engineering Division did not work on this form early enough and as a result the submittal was sixteen days late.
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 before the due date of October 15th so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, 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	The Engineering Division is creating procedures in accordance with published MTA guidelines to adhere to the proper processing of all required forms conditioning project approvals and reporting. Staff will begin to work on Form Two in late September to submit it to MTA prior to October 15 <sup>th</sup> .



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<b>Finding 18</b>	<b>City of Calabasas</b>
Compliance Reference	According to Measure R 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, 2013 deadline for submission of Form Two. The City submitted the Form Two to LACMTA on October 16, 2013.
Cause	The City employee responsible for the submission of the form missed the deadline set by MTA.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that 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 supervising staff will ensure that document submittals are done in a timely manner in order to avoid future findings during the audit.

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 (Continued)**

<b>Finding 19</b>	<b>City of Compton</b>
Compliance Reference	According to Measure R 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, 2013 deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on December 17, 2013.  This is a repeated finding of FY 2012 and FY 2013.
Cause	Due to staff reductions, turnovers, and re-assignment of staff in the Controller's Office, the reporting deadline submittal of Form II was missed.
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 before the due date of October 15th so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, 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	The Controller's Office plans to develop a shared citywide calendar and checklist of reporting due dates that will be available to the Program and Project Managers, and to City management, as well, so that reporting due dates are monitored closely.

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 (Continued)**

<b>Finding 20</b>	<b>City of Lynwood</b>
Compliance Reference	According to Measure R Local Return Guidelines Section II.2, "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year). The Expenditure Report serves to notify LACMTA of previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2013 deadline for submission of Form Two. However, the City submitted the Form Two on November 7, 2013.
Cause	This was due to an oversight by City personnel.
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 before the due date of October 15 <sup>th</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	Staff will establish procedures to ensure timely submittal of Measure R Form Two.

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 (Continued)**

<b>Finding 21</b>	<b>City of Lawndale</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A (II.8), “Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment and other overhead costs.” Also, according to Measure R Local Return Guidelines, Section B (II.1) Expenditure Plan (Form One), “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.” Section B (II.2) Expenditure Report (Form Two). “Jurisdictions are required to specify administration charges to Direct Administration in order to verify compliance of the 20% cap on administration costs”.</p>
Condition	<p>During our review of the payroll expenditures charged to Measure R for fiscal year 2013-14, we noted that the administrative position was included in the various project codes rather than the Direct Administrative project code 8.10 for Measure R. Questioned cost is not applicable for Measure R because the administrative cost (Project Code 8.10) was approved on the City’s Form One and if the City included this cost in Project Code 8.10, the City’s administrative cost would still be within the 20% limitation.</p> <p>This is a repeated finding of FY 2013.</p>
Cause	<p>The City believes that the activities performed by this position should be charged to the project costs.</p>
Effect	<p>Incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.</p>
Recommendation	<p>We recommend that the City establish procedures so Form One is properly prepared with the correct project codes for administrative projects to ensure that the City’s administrative expense for Measure R Local Return Funds will be in compliance with LACMTA’s approval guidelines.</p>
Management’s Response	<p>The City will establish a review process to ensure that Form I is prepared correctly.</p>

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 (Continued)**

Finding 22	City of San Fernando
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B, II, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."</p> <p>In addition, LACMTA Local Return Program Manager issued the memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines are "that an electronic system is acceptable as long as how much time is identified on the project (i.e., not just a clock-in-clock-out system) and <i>this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor.</i>" Also, "(4) <i>Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</i></p> <p style="padding-left: 40px;">(b) A Federal award and a non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) <i>Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:</i> (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances."</p>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
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 (Continued)**

<b>Finding 22</b>	<b>City of San Fernando (Continued)</b>
Compliance Reference (Continued)	According to Measure R Local Return Guidelines, Section A (II.8) stated that, "The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	To support the propriety of expenditures being charged to the Measure R Local Return Funds, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, salaries and fringe benefits of \$7,634 for Project Code 8.10, Fund Administration were based on estimates instead of employees' actual working hours spent for the Measure R project. The City provided us the labor distribution schedule; however, it did not adequately support the hours or payroll expenditures charged to the project. In addition, the City's administrative expenditures exceeded the twenty percent cap of its total Measure R Local Return annual expenditures by \$4,834.
Cause	The City was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed. As a result of repeated payroll findings based on estimates, in April of 2014, MTA issued additional audit clarification for adequate salary and related cost documentation to all jurisdictions. Therefore, cities charging payroll based on estimates had already incurred expenditures for ten months of the FY.
Effect	The salaries and fringe benefits claimed of \$7,634 under the Measure R Local Return project may include expenditures which may not be an allowable Measure R project expenditure.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition C Local Return account \$7,634. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours and the City establish procedures to ensure that administrative expenditures reported to MRLRF are within the 20% cap of total MRLRF expenditures.

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 (Continued)**

<b>Finding 22</b>	<b>City of San Fernando (Continued)</b>
<p>Management's Response</p>	<p>The City of San Fernando supports the salary expenditures charged to the Measure R Local Return funds by documenting the amount of time spent on Measure R related activities on each affected employee's timesheet in each pay period. Using the totality of time spent by each employee on eligible activities in a given year, the City develops a labor distribution charge and applies labor distribution charge evenly to each pay period. For example, an employee that spends 40 hours per year on eligible activities would have a labor distribution of 2%. Therefore, 2% of their salary would be charged to the appropriate fund each pay period. Although the actual labor distribution documented on the employee's time sheet may vary from the 2% charge in any given pay period, the annual labor distribution percentage is supported and documented through individual employee timesheets.</p> <p>The City of San Fernando is a relatively small organization with one Senior Account Clerk to process payroll. It would create an unreasonable administrative burden to have the Senior Account Clerk calculate and adjust the labor distribution for all employees' that spent time on Measure R related activities every pay period. Historically, allocating costs in the manner described above has been accepted as a reasonable process as long as it is supported by documentation of actual time spent, which is the case in San Fernando.</p>
<p>Auditor's Rejoinder</p>	<p>As noted on the memo dated on April 29, 2014 issued by LACMTA Local Return Program Manager, expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project. The record of hours worked should: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. The documentation provided on the timesheets did not tie to the payroll records for the pay periods tested. Using the totality of time spent by each employee on eligible activities in a given year and then applying the percentage evenly each pay period is not in accordance with the clarified guidelines. Also, the City did not perform a comparison of the actual hours to budgeted/charged amounts at the end of the 4<sup>th</sup> quarter or for the year and adjust the charges to reflect the after the fact hours spent on the program.</p>