



Measure R Oversight Committee Annual Report on FY17 Audits

May 15, 2018

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 to produce an annual report on the audit(s).



Metro

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE OF METRO DRAFT ANNUAL REPORT ON FY17 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 annual audits 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 audit reports 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 BCA Watson Rice, LLP (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 performed by Vasquez & Company covers the audits of 38 of the Cities and the report performed by Simpson & Simpson covers the audits of 49 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, 2017.

The audits of compliance with the Local Return Guidelines of the 87 Cities and the County found 28 local jurisdictions with compliance issues. All findings have been resolved, or in process of being resolved. Audit findings were in four basic categories as follows:

- Untimely Submittal of Forms: Findings of cities not having submitted their form on time total 17. The form, either a Form One or Form Two, is required to be submitted by cities to LACMTA for listing their budget and expenditures.
- Marketing Expenses: One city had issues with marketing expenses. The City's quarterly magazine was published with 60% of Local Return funds. Based on the supporting documents provided by the City, a consensus of 40% was deemed a more reasonable allocation rate. These expenses were reimbursed.
- Questioned Costs (salaries, record-keeping, unsupported documentation and project coding): Three cities had issues with salaries, record keeping, unsupported documentation or project coding. Two cities' issues had to do with timesheet charges based on adopted budget percentages or lack of authorization signatures. Cities are to use actual timesheets and schedules for their Administration charges. The charges were reimbursed by the two cities. The other city will correct the project code in FY18.
- Failure to Obtain Approval Before Incurring Expenses: A total of 11 cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting a Form One which lists the project name, amount of Measure R Local Return funds to be budgeted for

the project, project description, and justification. This is necessary so that the project can be reviewed by LACMTA for Measure R Local Return eligibility per the Local Return Guidelines.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the three audit reports in February 2018. Each member of the Committee reviewed the reports, and the Committee met on March 13, 2018. At that meeting, the Committee received a formal presentation from each of the three auditors on their Audit Reports.

The Committee asked questions and received satisfactory answers to questions regarding:

- Congestion pricing on toll lanes
- How Local Return funds are spent
- The Measure R Special Revenue Fund Balance
- Whether the encountered difficulties in performing the audit were with cities that had repeat findings
- Clarification on why the City of Vernon has elected not to receive Measure R funds and how that money is reallocated
- The difference in administrative requirements of Measure R Local Return and Measure M Local Return
- How Metro can help cities comply with the Measure R Local Return administrative requirements
- Whether questioned costs not resolved during the audit were returned to the Measure R Local Return Fund
- The length of time before a city receiving Local Return funds returns to compliance after being out of compliance.

The Committee recommended that Metro staff directly reach out to the city of Vernon to encourage its participation in the Measure R Local Return program. The Committee requested a presentation on how Metro budgets are created and how Measure R funding fits into Metro's overall budget. The Committee also received a comparative analysis report on audit findings over the last four years including a status update of the prior year's finding (which was now cleared) on City of Compton from Metro's Chief Auditor, a status update on Measure R Local Return Compliance Status from Metro's Local Programming Department, and guidance from the Committee's Advisory Panel Public Finance Expert, Lori Raineri of Government Financial Strategies, which included a recommendation that the Committee consider receiving a presentation from staff on the expenditures of Measure R funds made by Metro.

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, 2017; and 3) all Cities and the County complied, in all material respects, with the Measure R Ordinance and guidelines that are applicable to the Measure R Local Return program for the year ended June 30, 2017; however, the audits found 32 instances of non-compliance in 28 local jurisdictions including five deficiencies in internal control over compliance, of which one was considered to be a material weakness and four were considered to be significant deficiencies. According to Metro staff, all findings have been resolved, or are in the process of being resolved.

**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 Watson Rice LLP) 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);

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

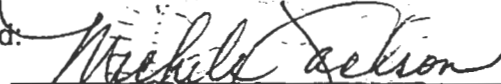
The audits were performed in accordance with the Ordinance that the voters approved in 2008;

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2017;

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, 2017, however, the audits found 32 instances of non-compliance in 28 local jurisdictions including five deficiencies in internal control over compliance, of which one was considered to be a material weakness and four were considered to be significant deficiencies. All findings have been resolved, or are in the process of being resolved.

Prepared by: Ron Stamm, Principal Deputy County Counsel

Signed:


Michele Jackson, Metro Board Secretary
Adopted this 15 day of May, 2018.

**LOS ANGELES COUNTY
METROPOLITAN
TRANSPORTATION AUTHORITY**

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

**For the Fiscal Year Ended June 30, 2017
(With Comparative Totals for 2016)**



21250 Hawthorne Blvd. Suite 150 Torrance, CA 90503
t: (310) 792-4640 f: (310) 792-4140

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

For The Fiscal Year Ended June 30, 2017
(With Comparative Totals for 2016)

Table of Contents

	<u>Page</u>
Independent Auditor’s Report.....	1
Schedule of Revenues and Expenditures	4
Schedule of Revenues and Expenditures - Budget and Actual For the fiscal year ended June 30, 2017	5
Notes to the Schedule of Revenues and Expenditures for Measure R Special Revenue Fund	6
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>	10
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>	12
Summary of Current Year Audit Findings.....	14
Status of Prior Year Audit Findings.....	15

Independent Auditor's Report

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

Report on the Schedule of Measure R Revenues and Expenditures

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2017, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

Management's Responsibility for the Schedule of Measure R Revenues and Expenditures

LACMTA's management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. 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 Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 5 be presented to supplement the Schedule. Such information, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic Schedule in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Schedule, and other knowledge we obtained during our audit of the basic Schedule. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure R Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2017, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 16, 2016. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, 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* in considering LACMTA's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, CA
November 13, 2017

Los Angeles County Metropolitan Transportation Authority
 Measure R Special Revenue Fund
 Schedule of Revenues and Expenditures
 For the Fiscal Year Ended June 30, 2017
 (With Comparative Totals for 2016)
 (Amounts expressed in thousands)

	2017	2016
Revenues:		
Sales tax	\$ 787,891	\$ 764,968
Intergovernmental	34,516	3,628
Investment income	5,911	4,333
Net appreciation (decline) in fair value of investments	(2,587)	1,979
Total revenues	825,731	774,908
Expenditures:		
Administration and other	137,593	62,857
Transportation subsidies	316,004	327,633
Total expenditures	453,597	390,490
Excess of revenues over expenditures	372,134	384,418
Other financing sources (uses)		
Transfers in	4,380	69,653
Transfers out	(383,084)	(340,372)
Total other financing sources (uses)	(378,704)	(270,719)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (6,570)	\$ 113,699

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 Fiscal Year Ended June 30, 2017
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 795,700	\$ 780,000	\$ 787,891	\$ 7,891
Intergovernmental	20,203	13,392	34,516	21,124
Investment income	-	-	5,911	5,911
Net decline in fair value of investments	-	-	(2,587)	(2,587)
Total revenues	815,903	793,392	825,731	32,339
Expenditures				
Administration and other	137,522	186,982	137,593	49,389
Transportation subsidies	315,076	310,510	316,004	(5,494)
Total expenditures	452,598	497,492	453,597	43,895
Excess of revenues over expenditures	363,305	295,900	372,134	76,234
Other financing sources (uses)				
Transfers in	11,736	14,148	4,380	(9,768)
Transfers out	(257,116)	(378,839)	(383,084)	(4,245)
Total other financing sources (uses)	(245,380)	(364,691)	(378,704)	(14,013)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 117,925	\$ (68,791)	\$ (6,570)	\$ 62,221

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 the Schedule of Revenues and Expenditures

June 30, 2017

The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures.

Unless otherwise stated, all dollar amounts are expressed in thousands.

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 and most populous counties. More than 10 million people, about one third 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 required to be allocated in the following manner: 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 county-wide 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 Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America 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.

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to the Schedule of Revenues and Expenditures

June 30, 2017

2. Summary of Significant Accounting Policies (Continued)

The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

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 Fund 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 no 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 the Schedule of Revenues and Expenditures

June 30, 2017

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 Schedule.

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

The net appreciation (decline) in 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. For the fiscal year ended June 30, 2017, the Measure R fund had a net decline in fair value of investments of \$2,587. The decline in fair value of investments were mainly due to a decrease in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

The preparation of the Schedule 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.

Comparative Financial Data

The amounts shown for 2016 in the accompanying Schedule are included only to provide a basis for comparison with 2017 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure R fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in financial position thereof for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to the Schedule of Revenues and Expenditures

June 30, 2017

4. Intergovernmental Transactions

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

5. 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.

6. Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Measure R fund at June 30, 2017 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$6,570, due to higher transfers out than expected to fund expenditures for planning and capital projects and to provide funding to meet debt service requirements. The \$6,570 negative change in fund balance during the current year resulted in a decrease in Measure R fund balance from \$369,215 to \$362,645.

7. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2017 are included in LACMTA's Audited Comprehensive Annual Financial Report (CAFR).

8. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

9. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 13, 2017, the date the schedule was issued.

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2017, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control.

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 Schedule will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is 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 the amounts on the Schedule. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 13, 2017

**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

Report on Compliance

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure R Revenues and Expenditures with the types of compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) for the fiscal year ended June 30, 2017.

Management's Responsibility

LACMTA's management is responsible for compliance with the requirements of laws and regulations applicable to the Measure R Revenues and Expenditures.

Auditor's Responsibility

Our responsibility is to express an opinion on LACMTA's compliance with the Measure R Revenues and Expenditures based on our audit of the types of compliance requirements referred to above. 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 the 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 on the Measure R Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Measure R Revenues and Expenditures

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure R Revenues and Expenditures for the fiscal year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure R Revenues and Expenditures as a basis for designing 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 *Traffic Relief and Rail Expansion 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Measure R Revenues and Expenditures that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 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.

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

BCA Watson Rice, LLP

Torrance, California

November 13, 2017

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2017

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Status of Prior Year Audit Findings

None noted.



**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, 2017

RSM US Alliance



**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, 2017**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund Consolidated Audit Report
Fiscal Year Ended June 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES	1
Summary of Compliance Findings	4
Schedule 1 – Summary of Audit Results	5
Schedule 2 – Schedule of Findings and Questioned Costs	18

**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**

Report on Compliance

We have audited the compliance of the thirty-eight (38) Cities 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 (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 for the year ended June 30, 2017 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective management of the Cities.

Auditors' Responsibility

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and 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 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 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 the Guidelines and 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 compliance with the Guidelines and Requirements.



Opinion

In our opinion, as described in Schedule 2, the Cities complied, in all material respects, with the Guidelines and 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, 2017.

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 Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2017-001 through #2017-017. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule 2 - Schedule of Findings and Questioned Costs. The Cities' 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 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 internal control over compliance with the Guidelines and 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 Guidelines and 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.

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2017-006 and #2017-007, that we consider to be significant deficiencies.



The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected 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 of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

Vaqueria & Company LLP

Los Angeles, California
December 27, 2017

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2017**

The audits of the 38 cities identified in Schedule 1 have resulted in 17 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
No adequate evidence that funds were expended for transportation purposes.	2	Compton (#2017-005)	None	-
		Cudahy (#2017-008)	\$ 8,945	\$ -
Funds were expended without LACMTA's approval.	5	Bell (#2017-003)	36,280	36,280
		Gardena (#2017-011)	4,221	4,221
		Maywood (#2017-012)	11,162	11,162
		Monterey Park (#2017-013)	6,792	6,792
		South Gate (#2017-016)	16,341	16,341
Expenditure Plan (Form One) was not submitted on time.	9	Agoura Hills (#2017-001)	None	-
		Baldwin Park (#2017-002)	None	-
		Bell (#2017-004)	None	-
		Compton (#2017-006)	None	-
		Culver City (#2017-009)	None	-
		El Monte (#2017-010)	None	-
		Pomona (#2017-014)	None	-
		South El Monte (#2017-015)	None	-
West Hollywood (#2017-017)	None	-		
Expenditure Report (Form Two) was not submitted on time.	1	Compton (#2017-007)	None	-
Total Findings and Questioned Costs	17		\$ 83,741	\$ 74,796

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-001	Compliant	See Finding #2017-002
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Compliant	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2017-003	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-004	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Compliant
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Compliant	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Compton	Cudahy	Culver City
Funds were expended for transportation purposes.	See Finding #2017-005	See Finding #2017-008	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-006	Compliant	See Finding #2017-009
Expenditure Report (Form Two) was submitted on time.	See Finding #2017-007	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	El Monte	Gardena	Hawthorne
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2017-011	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-010	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Compliant	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Hidden Hills	Huntington Park	Industry
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Inglewood	Irwindale	La Puente
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Lawndale	Lynwood	Malibu
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Maywood	Montebello	Monterey Park
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2017-012	Compliant	See Finding #2017-013
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	Pico Rivera	Pomona	Rosemead
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	See Finding #2017-014	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	San Fernando	Santa Fe Springs	Santa Monica
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	South El Monte	South Gate	Walnut
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2017-016	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-015	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017**

Compliance Area Tested	West Hollywood	Westlake Village
Funds were expended for transportation purposes.	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-017	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant
Timely use of funds.	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017**

Finding #2017-001	City of Agoura Hills
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 25, 2016, 24 days after the due date set under the Guidelines.
Cause	This was an administrative oversight, as the form had been completed in July, but was inadvertently not sent to LACMTA.
Effect	The City missed its deadline of August 1 for the submission of Form One.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	Current practices, a tickler reminder in MS Outlook continue to be used. Management will also request a second reminder from second management level staff to ensure timely submittals.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-002	City of Baldwin Park
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 18, 2016, 17 days beyond the due date set under the Guidelines.
Cause	The CIP budget was not approved by the Governing Board by August 1, 2016.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	The City will ensure that the deadlines will be followed.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-003	City of Bell
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project code 1.05, Slurry Seal, totaling \$31,880 b. Project code 8.10, Fund Administration, totaling \$4,400 <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 20, 2017.</p>
Cause	The City concurs with the finding that an Expenditure Plan (Form One) should have been submitted by August 1 for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.
Effect	The City claimed expenditures totaling \$36,280 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
Management's Response	The City will correct procedures to ensure timely approval of project budgets.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 20, 2017. No additional follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-004	City of Bell
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on September 2, 2016, 17 days beyond the due date set under the Guidelines.
Cause	The key employees responsible for the LACMTA funds terminated their employment with the City of Bell. These key employees are the Accounting Manager (July 2017), the lead construction engineer (June 2017) and the Commercial Services Department Administrative Specialist before the audit was completed.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	The City will develop a matrix of due dates for all LACMTA forms and reports. The matrix will assign responsible personnel to all tasks. In the future, when the responsible individual terminates employment or changes position within the City the matrix will be updated and the duties reassigned.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-005	City of Compton
Compliance Reference	<p>The Measure R LR Guidelines were developed to provide a more flexible program where it would be easier for the cities to use the funds, but ensure that the requirements of the ordinance are met. The eligible project uses are condensed to nine categories: 1)Streets and Roads, 2) Traffic Control Measures, 3) Bikeways and Pedestrian Improvements, 4) Public Transit Services, 5) Public Transit Capital, 6) Transportation Marketing,7) Planning, Engineering and/or Study, CMP, 8) Transportation Administration, and 9) Local Funding Contributions.</p> <p>Further, 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>Salaries of administrative personnel were reported under Project code 1.05, Street and Road repair and maintenance totaling to \$49,992 instead of Project code 8.10 for administration costs.</p> <p>If the City had charged administration salaries to the appropriate project code, the City would have been in compliance with the 20% admin cap.</p>
Cause	<p>There was a breakdown in internal controls over compliance to ensure that all administration costs related to the implementation of Measure R projects are reported in the proper project code categories as stated in the Measure R LR Guidelines.</p>
Effect	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
Recommendation	<p>We recommend for the City to revise the Project code used for the administration costs to align with the Local Return Guidelines.</p>
Management's Response	<p>The City will revise and reclassify the administrative expenditures from project code 1.05 to project code 8.10 in compliance with the requirement. The Project Manager is reviewing time sheets to ensure coding to appropriate project.</p>

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-006	City of Compton
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 9, 2016, 8 days beyond the due date set under the Guidelines. This is a repeat finding from prior year audit.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Plan (Form One) is submitted on time.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Plan (Form One) is submitted by August 1 as required by the Guidelines.
Management's Response	The City will ensure that all LACMTA fund expenditures are reflected in the General Ledger before the end of July each year to ensure that Form One is accurately prepared and submitted when due.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-007	City of Compton
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on October 19, 2017, 4 days beyond the due date set under the Guidelines. This is a repeat finding from prior year audit.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.
Effect	Expenditure Report (Form Two) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.
Management's Response	Henceforth, the City will ensure timely completion of all transactions regarding all LACMTA funds including Measure R to enhance preparation and submission of Form Two before the due date.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-008	City of Cudahy
Compliance Reference	Measure R Local Return Program Guidelines, Section B (VII. Audit Section) states that, "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>The City charged transit marketing project expenditures to Project code 6.90, Other Transportation Marketing, totaling \$26,834.</p> <p>These expenditures relate to the production of the City's quarterly magazine. Although a budget for this project was approved by LACMTA, there was a question with respect to reasonableness of cost allocated to the funds.</p> <p>As per City report, funding source allocation from LACMTA is 60% of total costs incurred for the quarterly magazine production. However, based on the initial review of documents provided which includes copies of magazines, it was determined that the allocation of 60% made to the Local Return Funds is higher than what is initially determined to be reasonable.</p> <p>Based on the supporting documents provided by the City, Vasquez agreed that 40% was the more reasonable allocation rate and was determined by the City based on the number of featured and news articles related to transportation.</p>
Cause	The budget submitted to LACMTA was based on expectation that the magazine would be a viable source of educating the residents of City on how the Local Return Funds of Cudahy can be and are being used to benefit the lives of the residents of Cudahy. The City had anticipated 60% of the magazine to educate the public on the availability of transit services in the City and what is being done to improve transportation within the City.
Effect	Measure R Local Return Funds of \$26,834 were expended towards project expenditures. Based on revised allocation rate to which Vasquez agreed, only \$17,889 should be charged to Measure R Local Return Funds, resulting in overcharging of expenditures of \$8,945 to Measure R Local Return Funds.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-008 (Continued)	City of Cudahy
Recommendation	We recommend for the City to establish a methodology for allocating this type of costs. The City should also consider returning the total amount of \$8,945 to the Measure R Local Return Funds.
Management's Response	The City anticipated that 60% of the magazine would educate the public on the availability of transit services in the City and what is being done to improve transportation within the City. Based upon a review of the actual publication the City found that 40% of the magazine related to transportation. The City utilized a method of allocating costs based upon the number of feature articles, news articles, and the number of advertisement (whether full page, half page, quarter page) of transportation supported events or services. Direction had not been given as to the acceptable methodology that could be utilized by the City when determining allocation of costs to Local Return Funds. During the next fiscal year, the City will discuss and reach an agreement with LACMTA for an acceptable methodology that the City may use to allocate expenses to Local Return Funds.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-009	City of Culver City
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 8, 2016, 7 days beyond the due date set under the Guidelines.
Cause	The condition was due to oversight by City Staff.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management Response	The City will establish clear program schedules and implement procedures to ensure that all reporting deadlines are met.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-010	City of El Monte
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 11, 2016, 10 days beyond the due date set under the Guidelines.
Cause	A resignation within the Engineering Department caused staff to overlook the Measure R Expenditure Plan submission deadline.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management Response	The submission of the Measure R Expenditure Plan has been reassigned to a senior level manager in the Transportation Division. The Finance Department is also monitoring this due date on its compliance calendar.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2017
 (Continued)**

Finding #2017-011	City of Gardena
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures under the MRLRF Project code 7.90, General Planning and Engineering, totaling \$4,221, with no prior approval from LACMTA.</p> <p>Although we found the expenditures for these projects to be eligible for Measure R Local Return funding, these projects had no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 18, 2017.</p>
Cause	The finding was caused by an oversight by City staff.
Effect	Measure R Local Return funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	The City will ensure in the future that a revised Form One will be submitted for prior approval.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the project budget on December 18, 2017. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-012	City of Maywood
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MRLRF project code 8.10, Administration Costs, for \$11,162 with no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 13, 2017.</p>
Cause	The City concurs with the finding that an Expenditure Plan (Form One) should have been submitted by August 1 for the projects that will be funded by Measure R. The finding was a result by an oversight by City staff.
Effect	The City claimed expenditures totaling \$11,162 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
Management's Response	We concur with this recommendation.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said projects on December 13, 2017.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-013	City of Monterey Park
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MRLRF project code 02-001, N Atlantic Signal Upgrades, for \$6,792 with no prior approval from LACMTA.</p> <p>Although this project was previously approved in FY 2015/16, the City is still required to carry over the budget in Expenditure Plan (Form One) and have it approved for FY 2016/17.</p>
Cause	The previously approved project, N Atlantic Signal Upgrades for \$6,792, accidentally did not carry over from 2015-16 to 2016-17.
Effect	Measure R funds of \$6,792 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	The revised form for Measure R has been provided to the LACMTA and an approval was received for this updated change. In the meantime, the Public Works Department will implement a control to ensure proper project carryover be done.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on November 17, 2017. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2017
 (Continued)**

Finding #2017-014	City of Pomona
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 2, 2016, 1 day beyond the due date set under the Guidelines.
Cause	The City has an on-going correspondence with LACMTA in regards to the submittal of the Form One and Form B on August 1, 2016. However, Form One was submittal of the Form One was delayed until the next day.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend that the City consider establishment of procedures and controls to ensure that all reporting deadlines are met.
Management's Response	Correspondence with LACMTA was on-going with the submittal of the Form One and Form B. The City had been in contact discussing submittals with LACMTA on August 1, 2016.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2017
 (Continued)**

Finding #2017-015	City of South El Monte
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 25, 2016, 24 days beyond the due date set under the Guidelines.
Cause	Assigned staff who normally takes care of Proposition A, Proposition C and Measure R Local Return Funds' reporting was out on medical leave during the period the forms were due.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	Finance Department has updated our calendar of deadlines so these tasks will get completed on a timely basis. The forms for FY 2017/18 have already been submitted prior to the deadline.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-016	City of South Gate
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MRLRF project code 3-005, SR2S Cycle 8 – Bike Lanes along Southern Avenue, for \$16,341 with no prior approval from LACMTA.</p> <p>Although this project was previously approved in FY 2015/16, the City is still required to carry over the budget in Expenditure Plan (Form One) and have it approved for FY 2016/17.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 19, 2017.</p>
Cause	<p>As part of the review process, the project budget was previously approved in FY 2015/2016. However, staff mistakenly forgot to carry over the remaining budget amount to be included in FY 2016-2017 for LACMTA's approval.</p>
Effect	<p>The City claimed expenditures totaling \$16,341 without prior approval from LACMTA. Lack of prior approval results in noncompliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-016 (Continued)	City of South Gate
Management's Response	The City agreed with the finding. Both Public Works and the Finance department will continue to streamline the review process to assure all projects for the current fiscal year have been submitted and received approval from LACMTA.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 19, 2017. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-017	City of West Hollywood
Compliance Reference	Section B (II) (1) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 st of each year".
Condition	The City submitted its Expenditure Plan (Form One) on August 8, 2016, 7 days beyond the due date set under the Guidelines.
Cause	The oversight was caused by City staff's confusion in regards to the actual due date to submit the Expenditure Plan (Form One) to LACMTA. Staff assumed it was due on the 15 th of August. Similar to Form II which is due on October 15 th .
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Plan (Form One) is submitted by August 1 as required by the Guidelines.
Management's Response	We have established reminder/calendar procedures to ensure that Form One is submitted no later than August 1 st each year as required by LACMTA guidelines.
Finding Corrected During the Audit	The City submitted the Form One on August 8, 2016. No follow up is required.



www.vasquezcpa.com

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publicly traded companies. Vasquez is a member of the RSM US Alliance. RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit rsmus.com/about-us for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.



**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, 2017



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES	1
Summary of Compliance Findings	4
Schedule 1 – Summary of Audit Results	5
Schedule 2 - Schedule of Findings and Questioned Costs	22



U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

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 forty-nine (49) 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, 2017 (collectively, the Requirements). Compliance with the above noted Guidelines and 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 Guidelines and Requirements is the responsibility of the respective Cities' and the County's management.

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' and the County's compliance with the Guidelines and 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; 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 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 the Guidelines and 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 with the Guidelines and Requirements.





Opinion

In our opinion, the Cities and the County complied, in all material respects, with the Guidelines and 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, 2017.

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 Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2017-001 through #2017-015. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule 2 - Schedule of Findings and Questioned Costs. The Cities' 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 Guidelines and 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 Guidelines and 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 a 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding #2017-007 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, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2017-005 and #2017-015 to be significant deficiencies.

The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities 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 of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

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

Los Angeles, California
December 28, 2017

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2017**

The audit of the 49 cities and the County identified in Schedule 1 have resulted in 15 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended for transportation purposes	2	Downey (#2017-005) Lakewood (#2017-007)	\$ 22,609 6,197	\$ - -
Funds were expended without LACMTA's approval	5	La Cañada Flintridge (#2017-006) Palmdale (#2017-008) Rancho Palos Verdes (#2017-010) Rolling Hills Estates (#2017-011) Whittier (#2017-015)	13,260 1,906,020 169,952 101,536 59,052	13,260 1,906,020 169,952 101,536 59,052
Expenditure Report (Form One) was not submitted on time	6	Avalon (#2017-002) Bradbury (#2017-004) Palos Verdes Estates (#2017-009) San Marino (#2017-012) South Pasadena (#2017-013) Temple City (#2017-014)	None	None
Expenditure Report (Form Two) was not submitted on time	1	Artesia (#2017-001)	None	None
Timely Use of Funds	1	Bradbury (#2017-003)	3,990	3,990
Total Findings and Questioned Costs	15		\$ 2,282,616	\$ 2,253,810

Details of the findings are in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	See Finding #2017-001
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Avalon	Bellflower	Bradbury
Funds were expended for transportation purposes	Compliant	Compliant	Not Applicable
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Not Applicable
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Not Applicable
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-002	Compliant	See Finding #2017-004
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	See Finding #2017-003
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Burbank	Cerritos	Claremont
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)**

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes	Compliant	Compliant	See Finding #2017-005
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)**

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Summary of Audit Results
 Fiscal Year Ended June 30, 2017
 (Continued)**

Compliance Area Tested	La Cañada Flintridge	La Habra Heights	La Mirada
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2017-006	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)**

Compliance Area Tested	La Verne	Lakewood	Lancaster
Funds were expended for transportation purposes	Compliant	See Finding #2017-007	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Lomita	Long Beach	Los Angeles City
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Los Angeles County	Manhattan Beach	Monrovia
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Norwalk	Palmdale	Palos Verdes Estates
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2017-008	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	See Finding #2017-009
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Paramount	Pasadena	Rancho Palos Verdes
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2017-010
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Redondo Beach	Rolling Hills	Rolling Hills Estates
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2017-011
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)**

Compliance Area Tested	San Dimas	San Gabriel	San Marino
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	See Finding #2017-012
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	Santa Clarita	Sierra Madre	Signal Hill
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)**

Compliance Area Tested	South Pasadena	Temple City	Torrance
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	See Finding #2017-013	See Finding #2017-014	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2017
(Continued)

Compliance Area Tested	West Covina	Whittier
Funds were expended for transportation purposes	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2017-015
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant
Timely use of funds	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017**

Finding #2017-001	City of Artesia
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 th deadline for submission of Form Two. However, the City submitted the Form Two to LACMTA on November 15, 2017.
Cause	There was a transition period between the Interim Director of Administrative Services and the Acting Finance Manager, which caused deadlines to be overlooked.
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 had previously relied on consultants to submit required forms. As a result of LACMTA audit findings, the City will now assign LACMTA forms to designated, in-house personnel to ensure submittal deadlines are met. Submittal deadlines will be tracked using a citywide shared calendar with alerts and reminders of upcoming submittals.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-002	City of Avalon
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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 1st of each year."
Condition	The City did not submit the Expenditure Plan (Form One) to LACMTA by August 1, 2016. However, on August 8, 2016, the city submitted the Expenditure Plan (Form one) to LACMTA.
Cause	The City was unaware that the Expenditure Plan (Form One) was not submitted, until August 8, 2017. Once the City realized they had missed the deadline, they submitted the Form One to LACMTA.
Effect	The City's Expenditure Plan (Form One) was not submitted to LACMTA by August 1st, as required by the Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has hired and assigned a staff person who has established new procedures to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-003	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section III (Timely use of funds), funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.
Condition	A portion of the City's fiscal year 2012 ending fund balance in the amount of \$3,990 was not fully expended within 5 years as of June 30, 2017 and it was not reserved for capital projects as required by Local Return guidelines. However, on November 16, 2017, LACMTA granted the City an extension on the usage of lapsed funds until June 30, 2018.
Cause	There was a lack of timely review of the available funding to be spent for Measure R. In addition, the City noted that one project was scaled back during the year, which resulted in the lapsing of funds.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	In order to avoid future lapsed funds, we recommend the City establish a policy and process where the City Manager and Finance Director discuss the availability of the Local Return funds in conjunction with any eligible MRLRF projects and submit Form One (Expenditure Plan) to LACMTA, if needed.
Management's Response	The City had budgeted \$52,548 for the Woodlyn Lane Rehab Project that ended up being scaled back causing a lapse of funds.
Finding Corrected During the Audit	On November 16, 2017, LACMTA subsequently approved an extension on the usage of lapsed funds until June 30, 2018.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-004	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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 1st of each year."
Condition	The City did not meet the August 1, 2016 deadline for submission of Form One. However, the City submitted the Form One to LACMTA on August 10, 2016.
Cause	The condition was due to oversight of the City's management.
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 Measure R expenditures will be in accordance with LACMTA's approval and Measure R guidelines.
Management's Response	This item has been calendared by the finance director to prevent an untimely submission in the future.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-005	City of Downey
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, LACMTA Local Return Program Manager issued a 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, those recommendations 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 this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) 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:</p> <p>(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(f) 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 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 as least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2017
 (Continued)**

Finding #2017-005 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures being charged to Measure R Local Return Fund, 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, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$22,609 was based on an estimate of a percentage of time spent on MRLRF activity rather than the employee’s actual working hours spent on the project. Although the City provided a time study listing the employees charged to MRLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2016-17.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	<p>The allocated administrative charges were based on a time study performed by the City in fiscal year ended 2011-12. The same percentage allocations have been used in prior fiscal years and in fiscal year 2016-17.</p>
Effect	<p>The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be allowable Measure R project expenditures. This resulted in questioned costs of \$22,609.</p>
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account for \$22,609. 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.</p>
Management’s Response	<p>The salary allocations to all City funds were estimates based on activity by position. Although the analysis has been carried forward, the City believed that the allocations were relevant today as when the study was completed. The City has recently completed a cost allocation study in which has been shared with LACMTA and is still under review by management.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-006	City of La Cañada Flintridge
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.4), “New, amended, ongoing and carryover projects must file an Expenditure Plan Form One by August 1st . If Local Return Funds have been expended prior to LACMTA approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse the Local Return account...”
Condition	The City incurred expenditures prior to receiving approval from LACMTA for MRLRF’s Project Code 1.20, Installation of Flashing Beacons at Crosswalk, in the amount of \$13,260. However, the project was subsequently approved on October 5, 2017.
Cause	The MRLRF’s Project Code 1.20, Installation of Flashing Beacons at Crosswalk, was approved by LACMTA in fiscal year 2015-16. The City anticipated that the project will be completed in fiscal year 2015-16. However, it was not completed until fiscal year 2016-17 and the City mistakenly did not include in Form One as a carryover project. It was an oversight due to the transition of the staff responsibilities for Local Return reporting. The City applied for, and received, subsequent approval on October 5, 2017.
Effect	The City did not comply with the Guidelines when expenditures for Measure R projects are incurred before LACMTA’s approval.
Recommendation	We recommend that the City establish controls to ensure that it obtains approval from LACMTA prior to implementing Measure R projects.
Management’s Response	The City has added a review of capital project status, including LACMTA approvals, prior to carryover to the next fiscal year in order to prevent the omission of reporting carryover projects in Form One from occurring in the future.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said expenditures on October 5, 2017.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2017
 (Continued)**

Finding #2017-007	City of Lakewood
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations 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 this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or 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:</p> <p>(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p>(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p>(f) 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 distribution based on 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
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-007 (Continued)	City of Lakewood
Condition	To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Direct Administration Project Code 8.10 amounting to \$ 6,197 were based on distribution percentages determined before the services were performed. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2016-17.
Cause	The City’s budget and allocation of payroll to LACMTA funds are based on prior year’s actual time spent working on LACMTA projects and programs.
Effect	The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be allowable. This resulted in questioned costs of \$6,197 for MRLRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account for \$6,197. 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.
Management’s Response	Beginning fiscal year ended 2017-18 and forward, the City is implementing the “true-up” process where the payroll amounts are based on prior years’ experience and at the end of each quarter, the Senior Accountant will process a “true-up” of the payroll based on actual hours worked on the MRLRF projects.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-008	City of Palmdale
Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return Funds along with estimated expenditures for the year" and "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>During the fiscal year ended June 30, 2017, the City expended \$1,906,020 prior to LACMTA approval. The funds were expended on eligible Measure R Local Return projects, but the City did not include this project on its Expenditure Plan (Form One) as required by the guidelines. Expenditures incurred prior to LACMTA approval during the fiscal year are as follows:</p> <ul style="list-style-type: none"> a) Project Code 1.20, HSIP Roundabout S8 & 40th East in the amount of \$2,400 (new project) b) Project Code 2.03, Ave R and 55th Street in the amount of \$20,008 (new project) c) Project Code 1.30, Ave S Widen 30th St. East in the amount of \$1,883,612 (on-going capital project) <p>However, on October 27, 2017, the city obtained subsequent approval for the expenditures from LACMTA.</p>
Cause	Management was not aware that on-going projects that were approved in prior fiscal years need to be included on the Annual Expenditure Plan (Form One) each fiscal year.
Effect	Because the City did not include these project cost on their Annual Expenditure Plan (Form One), the City did not comply with Measure R Local Return Fund guidelines and did not obtain proper approval for the project expenditures.
Recommendation	We recommend that the City implement a process to ensure that all "new and on-going" project are properly included on the Annual Expenditure Plan (Form One) to obtain approval for all proposed expenditures, as per the Measure R Local Return Fund guidelines.
Management's Response	The City has procedures in place to ensure that we update the forms submitted to LACMTA and obtain approval for all project expenditures when the City Council approves the final budget in early June. However, during the current fiscal year, there was a timing difference between the Form One submittal date and when the projects were approved by City Council; as a result, they were not included on the form. This was a one-time incident that will not occur going forward.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-008 (Continued)	City of Palmdale
Findings Corrected During the Audit	On October 27, 2017, the City obtained subsequent approval for the expenditures from the LACMTA program manager.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)**

Finding #2017-009	City of Palos Verdes Estates
Compliance Requirement	According to Measure R Local Return Guidelines, Section B (II), "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 1st of each year"
Condition	The City did not submit the Expenditure Plan (Form One) to LACMTA by August 1, 2016. However, on August 25, 2016, the City submitted the Expenditure Plan (Form One) to LACMTA.
Cause	The City's finance department has experienced staff turnover; therefore, the Form One was not submitted timely.
Effect	The City's Expenditure Plan (Form One) was not submitted to LACMTA by August 1st, as required by the Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City's finance department has experienced staff turnover; therefore, the Form One was not submitted timely. Management will ensure that the Form One is submitted timely going forward.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-010	City of Rancho Palos Verdes
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return Funds along with estimated expenditures for the year" and "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	During the fiscal year ended June 30, 2017, the City expended \$169,952 on Right-of-way road maintenance prior to LACMTA approval. The funds were expended on eligible Measure R Local Return projects, but the City did not include this project on its Expenditure Plan (Form One) as required by the guidelines.
Cause	The City did not include this project on their Annual Expenditure Plan (Form One) as required by the guidelines.
Effect	Because the City did not include these project cost on their Annual Expenditure Plan (Form One), the City did not comply with Measure R Local Return Fund guidelines and did not obtain proper approval for the project expenditures.
Recommendation	We recommend that the City implement a process to ensure that all projects are properly included on the Annual Expenditure Plan (Form One) to obtain approval for all proposed expenditures, as per the Measure R Local Return Fund guidelines.
Management's Response	The City will implement a process to ensure that all proposed projects are included on the Form One as per the guidelines, or the City will obtain approved for the expenditures prior to June 30.
Finding Corrected During the Audit	On December 11, 2017, the City obtained subsequent approval for the expenditures from the LACMTA program manager.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-011	City of Rolling Hills Estates
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return Funds along with estimated expenditures for the year" and "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	During the fiscal year ended June 30, 2017, the City expended \$101,536 of Measure R Local Return Funds on traffic signal improvements that were approved by the LACMTA during the fiscal year ended June 30, 2016. The amount expended during the current fiscal year was the remaining portion of the approved budget that was not expended during the fiscal year ended June 30, 2016. However, the City did not include this carry-over project on its Expenditure Plan (Form One) as required by the guidelines. As such, the funds were expended prior to LACMTA approval.
Cause	Since the City was not requesting an increase of budget for this project and had already received approval to expend the funds for these traffic signal improvements in the prior year, the City was unaware that they needed to include this carry-over project on the Expenditure Plan (Form One).
Effect	Because these allowable project costs were not properly included on the Expenditure Plan (Form One), the expenditures made for traffic signal improvements during the fiscal year ended June 30, 2017, were incurred prior to LACMTA approval.
Recommendation	We recommend that the City implement internal control procedures to ensure that all carry-over projects that the city has received approval for in prior years are properly listed and coded on the Expenditure Plan (Form One) for approval as per the Guidelines.
Management's Response	The City staff obtained approval for these expenditures during fiscal year 2016 but were unaware that they needed to be included on the Form One for approval again for fiscal year 2017. Management now understands that carryover projects must be included on Form One for approval and has included a note in the file to that effect.
Finding Corrected During the Audit	On November 27, 2017, the city received subsequent approval for the expenditures incurred.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2017
 (Continued)**

Finding #2017-012	City of San Marino
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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 1st of each year."
Condition	The City did not meet the August 1, 2016 deadline for submission of Form One. However, the City submitted the Form One on August 15, 2016.
Cause	The City employee responsible for the submission of the form missed the deadline set by LACMTA due to oversight.
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 City of San Marino began a transition in financial management following the departure of its long-term Finance Director in June 2016 and the City's Public Works Director's departure three months later. Subsequent to these events, the City has employed various interim personnel for accounting and executive positions. The failure to complete Form One in a timely manner is not, from the context and perspective of hindsight, an unexpected event, however unfortunate. The City recently hired a permanent Public Works Director and is in the planning stages for permanent replacement hiring pertaining to accounting and executive management positions, and thus believes that faithful compliance with LACMTA rules and regulations will be restored.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-013	City of South Pasadena
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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 1st of each year."
Condition	The City did not meet the August 1, 2016 deadline for submission of the Form One. However, the City submitted the Form One on August 8, 2016.
Cause	The Form One for fiscal year 2016, instead of, for fiscal year 2017, was submitted by the City to LACMTA on August 1, 2016. The proper fiscal year 2017 Form One was submitted to LACMTA when the error was discovered on August 8, 2016.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One 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	In the future, the City's staff will ensure that the Form One for the proper fiscal year will be submitted to LACMTA in a timely manner.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-014	City of Temple City
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II), "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 1st of each year."
Condition	The City did not meet the August 1, 2016 deadline for submission of Form One. The City submitted the Form One on August 6, 2016.
Cause	There were last minute MRLRF projects that were being considered by the City to be included during the preparation of Form One. As a result, the form was 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 that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	In the future, the staff will be managed more closely on the submission of the form in a timely manner.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2017
(Continued)

Finding #2017-015	City of Whittier
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 LACMTA's approval."
Condition	The City incurred expenditures prior to receiving approval from LACMTA for MRLRF's Project Code 1.05 Comstock Avenue Widening Project in the amount of \$59,052. However, the project was subsequently approved by LACMTA on December 12, 2017. This is a repeat finding from the prior fiscal year.
Cause	The City staff believed that prior year's budget approval would be carried forward in the fiscal year 2016-17 and therefore, did not include the request for the project's approval in Form One submitted to LACMTA.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF project are incurred without LACMTA's approval.
Recommendation	We recommend that the City establish controls to ensure that it obtains approval from LACMTA prior to implementing Measure R Local Return projects. Also, we recommend that the Form One is properly prepared by the City and includes all new and ongoing projects.
Management's Response	The City program staff will ensure all projects for the upcoming year are included in filing of Form One.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval on MRLRF's Project Code 1.05, Comstock Avenue Widening Project, on December 12, 2017.