



Metro

Los Angeles County
Metropolitan Transportation Authority

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NOTICE OF PUBLIC HEARING

Los Angeles County Metropolitan Transportation Authority

The Measure R Independent Taxpayers Oversight Committee of Metro (Oversight Committee) will hold a public hearing at 11:00 a.m., May 15, 2018, in the Los Angeles County Metropolitan Transportation Authority (Metro) Boardroom located at One Gateway Plaza, Los Angeles.

The Oversight Committee was appointed under Measure R, also known as the Traffic Relief and Rail Expansion Ordinance, that imposed an additional 1/2 of one percent transactions and use tax to fund transportation improvements in the County, approved by voters in 2008. The Oversight Committee and oversight process has been established to ensure that Metro and local subrecipients comply with the terms of the Ordinance. The oversight process requires that an annual audit be conducted to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audits must be provided to the Oversight Committee so it can make findings on whether Metro and local subrecipients have complied with the Measure R requirements. 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 and contracted with Vasquez & Company, LLP and Simpson & Simpson to audit the compliance of the 87 cities (Cities) and the County of Los Angeles (County).

The purpose of this hearing is to receive public comments on the results of the independent audits conducted on the Schedule of Revenues and Expenditures for Measure R Special Revenue Fund and Compliance with Requirements Applicable to Measure R Local Return Guidelines from July 1, 2016 to June 30, 2017, and the Committee's annual report on these audits.

INDEPENDENT AUDITORS' REPORTS

Measure R Special Revenue Fund Audit

BCA conducted the 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 BCA plan and perform the audit to obtain reasonable assurance about whether the Schedules of Measure R revenues and expenditures are free of material misstatement. The audit found that Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2017.

Measure R Compliance Audits of Cities and the County

Vasquez & Company, LLP and Simpson & Simpson conducted the audits of compliance with the Local Return Guidelines in accordance with auditing standards generally accepted in the United States of America and the standards contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that Vasquez & Company, LLP and Simpson & Simpson plan and perform the audits to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance occurred which could have a direct and material effect on the Measure R Local Return program. Vasquez & Company, LLP conducted the audit of 49 Cities, and Simpson & Simpson conducted the audit of the other 38 Cities and the County. 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 Independent Taxpayers Oversight Committee Annual Report

The Committee reviewed the three independent audit reports and based on this review, developed an annual report. The report 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.

Written comments on this matter will be accepted through May 15, 2018. All comments should be addressed to Board Administration, LACMTA, One Gateway Plaza, Mail Stop 99-3-1, Los Angeles, CA 90012-2952. Copies of the Independent Auditors' Reports and the Oversight Committee's Annual Report are available at Metro.net, and hard copies can be obtained from Metro's Records Management Center at the LACMTA Plaza Level at (213) 922-2342. These documents will also be made available to every library located within Los Angeles County for public review. Members of the public who wish to provide public comment in person during the public hearing on May 15 are encouraged to contact Michele Jackson, Board Secretary, at (213) 922-4605.