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Item 6

**MEASURE R INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE**

APRIL 4, 2012

SUBJECT: FY 2010-11 AUDIT - MEASURE R COMPLIANCE STATUS

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the attached FY 2010-11 Audit Measure R Compliance Status table for the Cities of Los Angeles County and Los Angeles County Unincorporated. If there is no finding for FY11 Measure R Local Return funds, the city is not listed in this table.

ISSUE

At their February meeting, the Measure R Oversight Committee requested information on the process for following up with the jurisdictions that had compliance issues. There were a total of 28 jurisdictions with compliance issues, with some cities experiencing multiple issues (no more than two) for a total of 39 findings. All findings have been addressed and resolved with the exception of one city that is in the process of providing the change and documentation for the recommendation.

DISCUSSION

- 1.) Findings of not having submitted their form on time total 10 of the compliance issues. For FY 2011-12, reminders of the deadlines have been sent and most cities are now in compliance.
- 2.) Those issues dealing with cities that needed to have a separate account, or that revenues were not properly recorded consist of a total of 9. As the program ages, this should no longer be an issue as cities will have established their accounts correctly.
- 3.) One city went over the 20% administration cap. Cities are aware of this requirement as it is the same in all Local Return Guidelines.
- 4.) Cities that failed to obtain approval before expenditures, or had inferred that

FY2009-10 approval did not have to be renewed for FY2010-11, list at 9. This may continue to be a problem spot for those cities that experience turnovers. For those cities that either train or keep their personnel, this should no longer be an issue.

- 5.) The issue that no adequate evidence funds were expended on transportation, total 8. This issue is actually a documentation of labor charges issue. Adequate training of record tracking will decrease this compliance area.
- 6.) There were two cities that received a compliance issue that funds were used for non-Measure R program. These cities, Compton and Maywood have now established, or in the process of establishing, separate accounts as these are cash balance issues.

NEXT STEPS

Letters will be written to each jurisdiction regarding audit issues and resolutions to the issues.

ATTACHMENT

- A. FY 2010-11 Audit - Measure R Compliance Status

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Entity	Compliance Area	Questioned Costs	Status
Avalon	No separate Measure R Local Return Account	\$0	City has now established a separate account
Avalon	Revenues not properly recorded in Measure R Account	\$500k	City has changed their methodology
Baldwin Park	Funds expended w/o LACMTA approval	\$33,335	City will now submit Form One before expending funds
Baldwin Park	Expenditure Plan not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time
Bell Gardens	Funds expended w/o LACMTA approval	\$98,912	Project was approved in FY10. City failed to carryover the project. City will now correct their procedures
Bradbury	Revenues not properly recorded in Measure R Account	\$706	This was interest accrual. The city will change their interest calculations in the future.
Burbank	Auditor: No adequate evidence funds were expended on transportation <hr/> LACMTA Project Manager: City needs to adopt proper accounting records and documentation	\$256,982	This refers to labor charges. The city will work with LACMTA to implement a reasonable documentation process.
Cerritos	Funds expended w/o LACMTA approval	\$435,687	Miscommunication came from the separation of construction vs. maintenance work, as well as approval under Prop C. City will now correctly submit forms for Measure R approvals
Claremont	Expenditure Plan not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time
Compton	Auditor: Funds used for non-Measure R Program <hr/> LACMTA Project Manager: Funds not properly recorded	\$1,008,149	City has now opened separate accounts and auditor believe this resolves finding
County of Los Angeles	Expenditure Report not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time

Entity	Compliance Area	Questioned Costs	Status
Cudahy	<p>Auditor: No adequate evidence funds were expended on transportation</p> <hr/> <p>LACMTA Project Manager: Funds not properly recorded</p>	\$2,000	Invoice was lost. City staff has been instructed not to release original invoices from now on, to prevent a repeat of this happening again.
Cudahy	Expenditure Report not submitted on time	\$0	City is making efforts to keep on schedule and has submitted their FY12 report on Aug 3
Diamond Bar	Funds expended w/o LACMTA approval	\$63,750	Project was approved in FY10, oversight by City to carryover project in FY11 as project continued to incur expenditures into the next fiscal year.
Downey	Admin. Expenditures exceeded 20% cap	\$14,779	Admin. expenses were actually planning/engineering. Will be coded differently in future.
El Monte	Funds expended w/o LACMTA approval	\$86,586	City was unaware of updated/revised submittal period. City has submitted revised Form One for costs and will submit the Form for any future revisions.
Hawaiian Gardens	No separate Measure R Local Return Account	\$0	City has now established a separate account
Hawaiian Gardens	Funds expended w/o LACMTA approval	\$125,928	Error in bridging fiscal years. This was approved in FY10. This was given retroactive approval for FY11.
La Habra Heights	Expenditure Plan not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time

Entity	Compliance Area	Questioned Costs	Status
La Mirada	No separate Measure R Local Return Account	\$0	City will establish a separate account
La Mirada	Revenues not properly recorded in Measure R Account	\$9,264	City will now record Measure R properly
La Verne	Funds expended w/o LACMTA approval	\$194,131	This was due to project bundling. Projects will now be accounted for separately.
Maywood	Auditor: Funds used for non-Measure R Program <hr/> LACMTA Project Manager: City did not have documentation to validate how funds were expended	\$441,799	This is a cash flow issue. City will move funds to a protected account.
Maywood	Revenues not properly recorded in Measure R Account	\$1,571	City will change recording habits
Pomona	Auditor: No adequate evidence funds were expended on transportation <hr/> LACMTA Project Manager: City needs to adopt proper accounting records and documentation	\$11,767	City needs to revise their current method of employee expense procedures
Pomona	Auditor: No adequate evidence funds were expended on transportation <hr/> LACMTA Project Manager: City needs to adopt proper accounting records and documentation	\$12,667	City needs to revise their current method of employee expense procedures
Redondo Beach	Revenues not properly recorded in Measure R Account	\$7,737	Interest issue. City will now record the accrued interest.
Redondo Beach	Expenditure Plan not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time
Rolling Hills	Expenditure Plan not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time
Rosemead	Auditor: No adequate evidence funds were expended on transportation <hr/> LACMTA Project Manager: City needs to adopt proper accounting records and documentation	\$1,134	City needs to revise their current method of employee expense procedures

Entity	Compliance Area	Questioned Costs	Status
Rosemead	Auditor: No adequate evidence funds were expended on transportation <hr/> LACMTA Project Manager: City needs to adopt proper accounting records and documentation	\$13,908	City needs to establish controls to document costs. City agrees that this was a formula error and will be corrected.
Signal Hill	Funds expended w/o LACMTA approval	\$8,759	City will change to obtain approval before incurring expenditures
Signal Hill	Expenditure Plan not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time
South El Monte	Auditor: No adequate evidence funds were expended on transportation <hr/> LACMTA Project Manager: City needs to adopt proper accounting records and documentation	\$120,000	This was a recording error. This has been rectified
South El Monte	Auditor: No adequate evidence funds were expended on transportation <hr/> LACMTA Project Manager: City needs to adopt proper accounting records and documentation	\$10,250	South El Monte has since provided corrected records and has returned 2/3 rd of the funds. The auditor allowed for 1/3 to be MR eligible.
South Gate	Funds expended w/o LACMTA approval	\$84,032	City submitted a Form for revisions after the fact, and will now submit the Form before incurring expenditures
South Pasadena	Expenditure Report not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time
Westlake Village	No separate Measure R Local Return Account	\$0	The City did set up a separate general ledger but failed to record the revenues properly to that account. The City will now record the revenues correctly.
Whittier	Expenditure Report not submitted on time	\$0	City is now on schedule and has submitted their FY12 report on time