



Metro

Los Angeles County
Metropolitan Transportation Authority

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Item 5

**MEASURE R INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
MARCH 7, 2014**

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

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the attached Independent Auditor's Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines completed by Simpson & Simpson.

ISSUE

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 (MTA) complies with the terms of the Ordinance. The oversight process requires that an annual audit be conducted 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 must be provided to the Oversight Committee so that the Oversight Committee can determine whether the MTA and local subrecipients have complied with the Measure R requirements.

DISCUSSION

For efficiency and effectiveness, we contracted with two firms to conduct the audits of Measure R sales tax revenues used by the 87 cities (Cities) as well as the County of Los Angeles (County). This report performed by Simpson & Simpson covers the audits of 38 of the Cities as well as the County, as required by the Ordinance. Attachment A lists the entities audited by this firm. Simpson & Simpson conducted the audit of compliance in accordance with auditing standards issued by the American Institute of

Certified Public Accountants 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 they plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance which could have a direct and material effect on the Measure R Local Return program occurred.

Simpson & Simpson found that the Cities and the County complied, in all material respects, with the requirements in the Ordinance that are applicable to the Measure R Local Return program for the year ended June 30, 2013. Simpson & Simpson found 24 instances of noncompliance, none of which were deemed material. The deficiencies are summarized in Schedule 2 of the report. Resolution of the deficiencies is discussed in another item within this agenda titled Measure R Local Return Compliance Status.


NEXT STEPS

A public hearing will be scheduled.

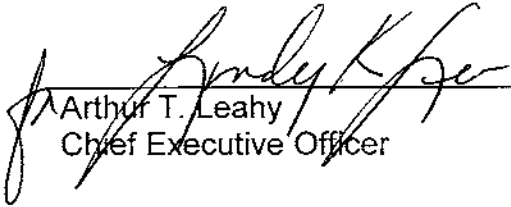
ATTACHMENT(S)

- A. List of Entities Audited by Simpson & Simpson
- B. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines

Prepared by: Ruthe Holden, Chief Auditor
(213) 922-1031



Ruthe Holden
Chief Auditor



Arthur T. Leahy
Chief Executive Officer

Measure R List of Cities Audited by Simpson Simpson

Agoura Hills	Lawndale
Azusa	Los Angeles County
Baldwin Park	Lynwood
Bell	Malibu
Bell Gardens	Maywood
Beverly Hills	Montebello
Calabasas	Monterey Park
Carson	Pico Rivera
Commerce	Pomona
Compton	Pomona Valley TA
Cudahy	Rosemead
Culver City	San Fernando
El Monte	Santa Fe Springs
Gardena	Santa Monica
Hawthorne	South El Monte
Hidden Hills	South Gate
Huntington Park	Vernon
Industry	Walnut
Inglewood	West Hollywood
Irwindale	Westlake Village
La Puente	

**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, 2013



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

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

Report on Compliance

We have audited the compliance of the Cities and the County identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2013 (collectively the Requirements). Compliance with the above noted Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' and County's compliance with the Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guidelines. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of Requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's and the County's compliance with those Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's and the County's compliance.





Opinion

In our opinion, the Cities and the County complied, in all material respects, with the Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Numbers 1 through 24. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audits of compliance, we considered each City's and the County's internal control over compliance with the Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's and the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis. 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 we consider to be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule 2 – Schedule of Findings and Questioned Costs as Findings Numbers 6 and 17 that we consider to be significant deficiencies.



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

Simpson & Simpson

Los Angeles, California
December 23, 2013

Summary of Compliance Findings

The audit of the 38 Cities and the County of Los Angeles has resulted in 24 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation were not adequate	2	Cudahy (#1) Inglewood (#2)	None \$ 74,677	None \$ 74,677
Expenditures were not approved before being incurred.	4	Culver City (#3) Maywood (#4) El Monte (#5) Bell (#6)	\$ 181,000 \$ 10,000 \$ 44,337 \$ 35,225	\$ 181,000 \$ 0 \$ 0 \$ 35,225
Form One (Expenditure Plan) was not submitted timely	6	Maywood (#7) Hidden Hills (#8) Azusa (#9) Bell (#10) Huntington Park (#11) Commerce (#12)	None None None None None None	None None None None None None
Funds were not used on approved projects and expenditures were not supported and allowable per Guidelines	7	Lawndale (#13) Monterey Park (#14) Rosemead (#15) Pomona (#16) Bell (#17) Lynwood (#18) Commerce (#19)	\$ 8,257 \$ 10,741 \$ 3,662 \$ 103,554 \$ 27,778 \$ 55,427 None	\$ 0 \$ 0 \$ 0 \$ 0 \$ 0 \$ 0 None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	3	Lawndale (#20) El Monte (#21) Hawthorne (#22)	\$ 21,945 \$ 21,903 \$ 5,295	\$ 21,945 \$ 0 \$ 0
Form Two (Expenditure Report) was not submitted timely	2	Compton (#23) El Monte (#24)	None None	None None
Total Findings and Questioned Cost	24		\$ 603,801	\$ 312,847

Details of the findings can be found in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013

SCHEDULE 1

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Timely use of funds	Compliant	Compliant	Compliant
Expenditures were approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Finding #9	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Finding #6	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #17	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Finding #10	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Calabasas	Carson	Commerce
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Not Applicable	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Not Applicable	Compliant	Finding #19
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Not Applicable	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Finding #12
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Compton	Cudahy	Culver City
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Finding #3
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Not Applicable	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Finding #23	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Finding #1	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	El Monte	Gardena	Hawthorne
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Finding #5	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Finding #21	Compliant	Finding #22
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Finding #24	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)**

Compliance Area Tested	Hidden Hills	Huntington Park	City of Industry
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Not Applicable
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Not Applicable
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Not Applicable	Not Applicable	Not Applicable
Expenditure Plan (Form One) was submitted on time	Finding #8	Finding #11	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Inglewood	Irwindale	La Puente
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	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
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Finding #2	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Lawndale	Los Angeles County	Lynwood
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #13	Compliant	Finding #18
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Finding #20	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Malibu	Maywood	Montebello
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Finding #4	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Not Applicable	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Finding #7	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Monterey Park	Pico Rivera	Pomona
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #14	Compliant	Finding #16
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	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
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Rosemead	San Fernando	Santa Fe Springs
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #15	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	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
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Not Applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Santa Monica	South El Monte	South Gate
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	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
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Walnut	West Hollywood	Westlake Village
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	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
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Finding 1	City of Cudahy
Compliance Reference	According to the City's Policy and Procedures Manual, Check Request/Disbursement Procedures, Section D (Draft): "D. RECORD KEEPING <ol style="list-style-type: none"> 1. The copy of signed check and the supporting documents, such as Check Requests and original invoices and other applicable documents will be filed in the vendor files in the office of Director of Finance. (Custody of Assets) 2. The Accounting Technician stamps "PAID" on the check requests and supporting vendors' invoices and other documentation"
Condition	During our review of documentation supporting the expenditures selected for testing, we noted 7 invoice packages were not canceled or stamped "PAID."
Cause	The City did not comply with its policy of the cancelation of paid vendor invoices to prevent double payment of invoices.
Effect	Non-cancelation of paid invoices can result in duplicate payment on the same invoice and therefore, can lead to weak internal accounting controls.
Recommendation	We recommend the City implement internal controls that will strictly enforce compliance with its policy that all check requests, vendor invoices, and other documentation are stamped paid to help prevent double payment on invoices. Also, we recommend the City finalize its draft Policy and Procedures Manual to ensure that the procedures established: 1) are adequately designed to achieve their intended purpose; 2) have actually been implemented; and 3) continue to function as designed.
Management's Response	The City agrees with the finding. It is the City's policy to only pay original invoices and only the current amount of the invoice.

LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Finding 2	City of Inglewood
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentations."
Condition	The City's accounting period ends on September 30 th of each year. Therefore, the City prepares a trial balance for the Measure R Local Return Fund audit to reflect the financial statements as of June 30, 2013. In order for the financial statements to provide the financial position, operations and changes in the financial position of Measure R Local Return Funds, all accruals and necessary adjustments should be reflected on the trial balance. However, year-end accruals amounting to a total of \$74,677 were not recorded in the trial balance for services received in fiscal year 2012-13 but were paid in fiscal year 2013-14.
Cause	The fiscal year 2012-13 accruals were not recorded due to the untimely invoice receipt and payment submittals by the Public Works Department.
Effect	Accruals in a total amount of \$74,677 that were not recorded led to a significant audit adjustment.
Recommendation	We recommend that the City accounts all the necessary adjustments, including accruals, in order to present fairly the financial position of Measure R Local Return Fund as of June 30, 2013. Also, we recommend that the trial balance prepared is thoroughly reviewed prior to the start of the audit to ensure that all amounts reflected are properly supported and adequately documented.
Management's Response	Public Works Department invoice payment process now requires timely receipt and processing of invoices for capital project work. Invoices are to be received no later than 30 days after the completion of work and payment of invoices will be no later than 45 days after completion of work. Also, the Accounting Department staff will ensure that the trial balance related to the LACMTA audit will be prepared and accruals will be posted to the LACMTA trial balance schedule prior to the annual LACMTA Audit.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 3	City of Culver City
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro's approval."</p>
Condition	<p>The expenditures for the Measure R Transportation Services project in the amount of \$181,000 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on October 14, 2013.</p>
Cause	<p>The City was not aware that the project which was reported in Form 1 for LACMTA's approval was not included as one of the approved projects.</p>
Effect	<p>The expenditures for Measure R Local Return programs were incurred prior to LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$181,000.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management's Response	<p>The City submitted Form 1 to request the approval of Transportation Services Operation project to LACMTA in a timely manner. The City was not aware that the project approval letter from LACMTA was not received and that the project was not approved. The City's staff will follow-up with LACMTA in the future if a project approval letter is not received to ensure that all projects requested for approval were authorized.</p>

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 4	City of Maywood
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA and Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City submitted its 2012-13 Form One (Budget) to LACMTA on October 15, 2013, which was due on August 1, 2012. During fiscal year 2012-13, the City incurred \$10,000 for the Corridor project (Project code 710) and included such expenditure. Since the Form One (Budget) was not submitted prior LACMTA approval, the claim may not be allowed.
Cause	The City did not submit Form One (Budget) because the City did not anticipate having expenditures.
Effect	Incurring project costs prior to LACMTA's prior approval could result in disallowed costs.
Recommendation	We recommend that the City reimburse cost in question to its Measure R Local Return account. The City should also establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City concurs with the finding and will submit Form One (Budget) for Measure R fund, notwithstanding that the City does not anticipate to have any expenditures incurred.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 5	City of El Monte
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The expenditures of \$44,337 for Valley Boulevard and Santa Anita Avenue Traffic Signal Improvements project of the Measure R Local Return Fund were incurred without LACMTA's project approval for FY 2013.
Cause	The City did not request project approval for the Valley Boulevard And Santa Anita Avenue Traffic Signal Improvements project of the Measure R Local Return funds in FY 2013. This was caused due to an oversight by City personnel.
Effect	The unapproved expenditures resulted in questioned costs of \$44,337 for MRLRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$44,337. In addition, we recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing and Measure R Local Return projects, and Form One (Expenditure Plan Form) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of Measure R Local Return Fund are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One.
Management's Response	The City provided Measure R guidelines to staff outlining that all Measure R projects must be approved by LACMTA in advance before expending the funds.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 6	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (II.I), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Measure R Administration project in the amount of \$35,225 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on December 26, 2013.
Cause	Interim management was not fully aware of the importance of filing the form fully and completely on a timely manner.
Effect	The City expended Measure R Funds prior to LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$35,225.
Recommendation	We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.
Management's Response	Even though with the challenges on hand, the City is committed improving the processes by identifying these shortfalls and amending them to improve the internal controls needed to avoid any future findings.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 7	City of Maywood
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA and Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City submitted its 2012-13 Form One (Budget) to LACMTA on October 15, 2013, which was due on August 1, 2012.
Cause	The City did not submit Form One (Budget) because the City did not anticipate having expenditures.
Effect	The City did not timely submit its Form and therefore, was not in compliance with the Measure R Guidelines.
Recommendation	We recommend the City should establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City concurs with the finding and will submit Form One (Budget) for Measure R fund, notwithstanding that the City does not anticipate to have any expenditures incurred.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 8	City of Hidden Hills
Compliance Reference	To maintain legal eligibility and meet Measure R Local Return program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year. Form I provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year.
Condition	For Fiscal Year 2012-2013, the City submitted its Form I on December 2012, which is beyond the August 1, 2012 deadline.
Cause	The City was unaware of the requirement to submit its Form I on or before August 1, of each year.
Effect	The City did not timely submit its Form and therefore, was not in compliance with the Measure R Guidelines.
Recommendation	We recommend that the City establish procedures to ensure timely submission of all forms required by the Measure R Guidelines.
Management's Response	We concur with the findings and recommendations.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 9	City of Azusa
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1 st of each fiscal year."
Condition	The City did not meet the August 1, 2012 deadline for submission of Form One. However, the City submitted the Form One on February 20, 2013.
Cause	The City did not submit Form One by its due date due to unintentional 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 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted on timely manners.
Management's Response	The City's staff will submit separate emails to MTA to verify timely receipt of Measure R Form One.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 10	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (II.I), "Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1 st of each fiscal year."
Condition	The City did not meet the August 1, 2012 deadline for submission of Form One. However, the City submitted the Form One on October 31, 2012.
Cause	Interim management was not fully aware of the importance of filing the form fully and completely on a timely manner.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with the LACMTA's approval and the guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner.
Management's Response	Even though with the challenges on hand, the City is committed to improving the processes by identifying these shortfalls and amending them to improve the internal controls needed to avoid any future findings.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 11	City of Huntington Park
Compliance Reference	According to Measure R Local Return Guidelines, Section (II.I), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year.
Condition	The City did not meet the August 1, 2012 deadline for submission of Form One. However, the City submitted the Form One on August 29, 2012.
Cause	This was caused due to an oversight by City personnel.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The year-end processes such as closing the Fiscal Year and preparing for upcoming audits are time consuming, and unfortunately a couple of deadlines were missed. The City of Huntington Park will work hard to comply with future MTA reporting deadlines.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 12	City of Commerce
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.I), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City submitted its 2012-13 Form One (Budget) to LACMTA on August 3, 2012, which was due on August 1, 2012.
Cause	This was due to an oversight by City personnel.
Effect	The City's Expenditure Plan (Form One) was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City will establish procedures that will ensure staff is aware of and can meet all deadlines.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 13	City of Lawndale
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	During our review of payroll salary expenditures, we noted positions were partially funded by Measure R Local Return Fund. The allocation percentages claimed to these funds were not supported by timesheet certified by the employees or a cost allocation with verifiable data. Through our inquiry with the City's Accounting Manager, the basis of the allocation percentages were based on annual budget (predetermined).
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to MRLRF.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentation (i.e. activity report, timesheet, or time study).
Management's Response	The City of Lawndale will implement a timekeeping system that ensures salaries and related benefits will properly be documented with adequate documentation.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 14	City of Monterey Park
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	Upon testing the payroll expenditures charged to MRLRF, we found that payroll charges were based from estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on administering approved MRLRF projects. However, based from the employee's job titles, it is reasonable to assume that such employees worked on the local return funds for the amount of time estimated. The payroll charges for maintenance workers are supported by activity logs, however, actual activities recorded on the log did not exactly equal the estimated percentages used to allocate the employees' salaries to the local return funds. No true-up of the estimates is done at the end of the fiscal year.
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to MRLRF.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentation (i.e. activity report, timesheet, or time study).
Management's Response	Recommendations for improvements are always welcome by the City. The City departments can certainly implement a timekeeping log system in addition to our existing practices to support the allocations as per your recommended requirements.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 15	City of Rosemead
Compliance Reference	According to the Measure R Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.
Condition	Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based from estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentations to demonstrate that the salaries charged were expended on administering approved MRLRF projects. However, based from the employee's job titles, it is reasonable to assume that such employees worked on the local return funds for the amount of time estimated. Some of the payroll charges are supported by timesheets, however, actual timesheet documentations did not exactly equal the estimated percentages used to allocate the employees' salaries to the local return funds. Some pay periods are over the estimates and some are under the estimates. No true-up of the estimates is done at the end of the fiscal year.
Cause	The City uses its best estimate of percentage of its employee's salaries to determine its payroll charges to MRLRF. Actual timesheets filled out by employees may or may not equal the estimates used by the City's payroll system to automatically charge the local return funds.
Effect	Insufficient supporting documentation (activity report, timesheets, and/or time study) to substantiate the charges for "Direct Administrative" could result in disallowed costs claimed to the MRLRF.
Recommendation	We recommend that the City implement a timekeeping system that tracks the hours spent on the local return fund to ensure salaries and related fringe benefits are supported by adequate documentation (i.e. activity reports, timesheets, or time study).
Management's Response	The City will monitor the charges that are made to Measure R funds on a continued basis to ensure that proper timekeeping and documentation is adhered to each pay period.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 16	City of Pomona
Compliance Reference	According to Measure R Local Return Guidelines, Section II "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project. Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	In order to ensure the propriety of expenditures being charged to the Local Return funds, expenditures should be supported by properly executed allocation analysis, invoices, voucher, or other official documentation evidencing in proper detail, the nature of the charges. However, administrative costs were allocated to Measure R in the amount of \$103,554, with no documentation to support the allocations.
Cause	The City was aware of the importance of providing supporting documentation for the administrative costs charged to the Local Return Funds. However, the City was not able to provide proper documentation to support the allocation percentage in a timely manner.
Effect	The unsupported administrative costs resulted in questioned costs of \$103,554 for MRLRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its MRLRF account by \$103,554. In addition, we recommend that the City establish controls to ensure that the costs allocated to the Local Return funds are adequately documented and are in compliance with the Guidelines.
Management's Response	The finding for Measure R is the result of a 20% administrative service charge that is charged to many city funds. This charge was discussed directly with MTA and the City was advised that this expense is allowable. If MTA would like the City to conduct a cost allocation study for this charge, the City will conduct a study if it would be considered an allowable cost to the Measure R program.

LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)

Finding 17	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
Condition	In order to ensure the propriety of expenditures being charged to the Measure R Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, vouchers, or other official documentation evidencing in proper detail, the nature of the charges. However: The City hired an outside company, NBS, to perform a cost allocation study on the City-wide overhead costs. However, the allocations in a total amount of \$27,778 could not be traceable or supported by the study performed.
Cause	The allocations that were determined by the City's management were approved by the City Council and were allocated to all funds, including Measure R fund.
Effect	The payments made without appropriate supporting documents resulted in questioned costs of \$27,778.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account by \$27,778. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.
Management's Response	Even though with the challenges on hand, the City is committed improving the processes by identifying these shortfalls and amending them to improve the internal controls needed to avoid any future findings.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 18	City of Lynwood
Compliance Reference	<p>According to Measure R Guidelines, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year. Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operation and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB 2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following:</p> <ol style="list-style-type: none"> 1. The estimated total cost for each project and/or program activity. 2. Funds other than Measure R that will be expended on the projects and/or program activity. 3. The active finding schedule for each project and/or program activity; and 4. The expected completion dates for each project and/or program activity."
Condition	Upon testing the expenditures for Measure R projects, we noted that two (2) projects were not included on the City's Form One and therefore were not approved by Metro.
Cause	The City expended Measure R funding on two projects that were not budgeted for and approved by Metro and therefore were not in the City's Form One.
Effect	Two projects funded by Measure R did not comply with the Measure R Guidelines.
Recommendation	We recommend for the City to only expend Measure R funding for projects approved by Metro. The City should implement policies to ensure that the City's Form One are properly prepared and reviewed.
Management's Response	This was due to a management's oversight. Going forward, we will ensure that projects are properly included on the Form One and approved by the Metro.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 19	City of Commerce
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.
Condition	<p>Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based from estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on administering approved MRLRF projects.</p> <p>However, based from employees' job titles, it is reasonable to assume that such employees worked on the local return funds for the amount of time estimated.</p>
Cause	The City uses its best estimate of percentage of its project employees' salaries to determine its project payroll charges to MRLRF.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentations.
Management's Response	The City will implement record keeping procedures that will provide adequate documentation to support the salary and benefit charges.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 20	City of Lawndale
Compliance Reference	According to Measure R Local Return Guidelines, Section II, “ <i>Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment and other overhead costs.</i> ” Also, according to Measure R Local Return Guidelines, Section B (II.1), “LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (I) The estimated total cost for each project and/or program activity.”
Condition	During our review of the payroll expenditures charge to Measure R for fiscal year 2012-13, we noted that the administrative positions were included in the various project codes rather than the Direct Administrative project code 08 for Measure R. Also, the City did not create a separate line item on the Form One (Expenditure Plan) for transportation administration expenditures for Measure R.
Cause	The City was not aware that there was a separate line to input administration costs on the Expenditure Plan (Form One).
Effect	Incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.
Recommendation	We recommend that the City establish procedures so Form One is properly prepared with the correct project codes for administrative projects to ensure that the City’s administrative expense for Measure R Local Return Funds will be in compliance with LACMTA’s approval guidelines.
Management’s Response	The City of Lawndale has submitted a revised Expenditure Plan (Form One) for fiscal year 2012-13, both budget and actual to LACMTA separating the administration cost from planning and engineering cost subsequent to the MTA audit. The City will ensure that future Expenditure Plans (Form One) will reflect the correct project codes.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 21	City of El Monte
Compliance Reference	According to Measure R Local Return Guidelines, Section A.II. 8, "The administrative expenditures for any year shall not exceed twenty percent (20%) of the total local return annual expenditures."
Condition	The City's administrative expenditures exceeded more than twenty percent of its total Measure R local return annual expenditures in the amount of \$21,903. The amount of \$21,903 represents the excess over 20% of the Measure R's total local return annual expenditures.
Cause	Due to the vacant Public Works Director position, planned CIP projects were not executed in a timely manner.
Effect	The City's MRLRF administrative expenditures exceeded 20 percent of its local return annual expenditures and the City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned costs of \$21,903.
Recommendation	In Accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$21,903. In addition, we recommend that the City establish procedures to ensure that expenditures are reported in the correct fiscal year and administrative expenditures are within the 20% cap of the MRLRF's total annual expenditures.
Management's Response	The City management has committed to a mid-year budget review process which should lessen the impact and/or rectify this issue.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 22	City of Hawthorne
Compliance Reference	According to Measure R Local Return Guidelines, Section II, "Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs."
Condition	During our review of the payroll expenditures charged to Measure R for fiscal year 2012-13, we noted that the administrative position was included in one of the project codes rather than the Direct Administrative project code 08 for Measure R.
Cause	The costs for administrative positions were incorrectly charged through the city payroll system.
Effect	Incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.
Recommendation	We recommend that the City establish procedures so that the Form One (Budget and Actual) is properly prepared with the correct project codes for administrative projects to ensure that the City's administrative expenses for Measure R Local Return Funds will be in compliance with LACMTA's approval and Guidelines.
Management's Response	The City of Hawthorne will review all administrative positions to guarantee that they are coded correctly for existing and future projects.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 23	City of Compton
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form a Form Two, to LACMTA annually, by October 15 (following the conclusion of the fiscal year.)"
Condition	The City did not meet the October 15, 2012 deadline for submission of Form Two. However, the City submitted the Form Two of LACMTA on November 15, 2012.
Cause	The untimely submission of the required form was due to the staff turnover.
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 15 th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City Controller's Office has implemented cross-training procedures to prevent this issue from occurring.

**LACMTA Consolidated Audit
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013
 (Continued)**

Finding 24	City of El Monte
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year.)"
Condition	The City did not meet the October 15, 2012 deadline for submission of Form Two. The City submitted the Form Two to LACMTA on November 19, 2012.
Cause	The late submission was due to miscommunication between Public Works/Engineering and Finance staff employees.
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 15 th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has established procedures that assigning the Finance department will be responsible for submitting Form II and Public Works/Engineering department will be responsible for submitting Form I.