



Metro

Los Angeles County
Metropolitan Transportation Authority

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Item 6

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

**SUBJECT: INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE 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 Vasquez & Company, LLP.

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 audits 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 Vasquez, covers the audits of 49 of the Cities, as required by the Ordinance. Attachment A lists the entities audited by this firm. Vasquez 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 or not noncompliance with the requirements in the Ordinance that could have a direct and material effect on the Measure R Local Return program occurred.

Vasquez found that the Cities 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. Vasquez found 12 deficiencies in internal control over compliance, 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.

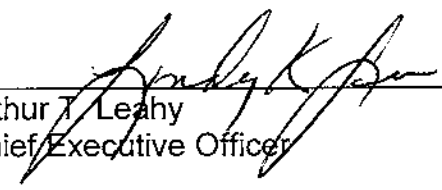
ATTACHMENT(S)

- A. List of Entities Audited by Vasquez & Company, LLP
- 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



for Arthur T. Leahy
Chief Executive Officer

Measure R List of Cities Audited by Vasquez

Alhambra	Long Beach
Arcadia	Los Angeles City
Artesia	Manhattan Beach
Avalon	Monrovia
Bell Flower	Norwalk
Bradbury	Palmdale
Burbank	Palos Verdes Estates
Cerritos	Paramount
Claremont	Pasadena
Covina	Rancho Palos Verdes
Diamond Bar	Redondo Beach
Downey	Rolling Hills
Duarte	Rolling Hills Estates
El Segundo	San Dimas
Glendale	San Gabriel
Glendora	San Marino
Hawaiian Gardens	Santa Clarita
Hermosa Beach	Sierra Madre
La Canada Flintridge	Signal Hill
La Habra Heights	South Pasadena
La Mirada	Temple City
La Verne	Torrance
Lakewood	West Covina
Lancaster	Whittier
Lomita	

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

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE	1
Summary of Compliance Findings	3
Schedule 1 – Summary of Measure R Audit Results	4
Schedule 2 – Schedule of Findings and Questioned Costs	21

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

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

Report on Compliance

We have audited the compliance of the Cities 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 for the year ended June 30, 2013 (collectively the Requirements). Compliance with the above noted Requirements by the Cities 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' management.

Auditors' Responsibility

Our responsibility is to express opinions on the Cities' 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 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 compliance.

Opinion

In our opinion, the Cities 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 Findings Number 1 through 12. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audits of compliance, we considered each City'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 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. 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 Number 1 through 12 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.

Vargas + Company LLP

Los Angeles, California
December 27, 2013

Summary of Compliance Findings

The audits of the 49 cities have resulted in 12 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Fund account.	1	Sierra Madre (# 10)	\$ 1,996	\$ 0
No adequate evidence that funds were expended for transportation purposes	1	Duarte (# 3)	20,000	0
Funds were expended without LACMTA's approval.	7	Diamond Bar (# 2), Hawaiian Gardens (# 5), Hermosa Beach (# 6), Lancaster (# 8), Palmdale (# 9), Signal Hill (# 11), Whittier (# 12)	2,453,540	2,306,175
Form One (Expenditure Plan) was not submitted timely.	3	Artesia (# 1), El Segundo (# 4), La Verne (# 7)	0	0
Total Findings and Questioned Costs	12		\$ 2,475,536	\$2,306,175

Details of the findings can be found in Schedule 2.

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

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Finding 1
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Avalon	Bellflower	Bradbury
Funds were expended for transportation purposes.	Compliant	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Burbank	Cerritos	Claremont
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Finding 2	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Compliant

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

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes.	Finding 3	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Finding 4	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Finding 5	Finding 6
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Not applicable	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	La Canada- Flintridge	La Habra Heights	La Mirada
Funds were expended for transportation purposes.	Not applicable	Not applicable	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Not applicable	Not applicable	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Not applicable	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Not applicable	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Not applicable	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Not applicable	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	La Verne	Lakewood	Lancaster
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Finding 8
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Finding 7	Compliant	Not applicable
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Lomita	Long Beach	Los Angeles
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Manhattan Beach	Monrovia	Norwalk
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Not applicable	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Palmdale	Palos Verdes Estates	Paramount
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 9	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Pasadena	Rancho Palos Verdes	Redondo Beach
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Not applicable	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Rolling Hills		
	Rolling Hills	Estates	San Dimas
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Compliant	Compliant	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.	Compliant	Compliant	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
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	San Gabriel	San Marino	Santa Clarita
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Sierra Madre	Signal Hill	South Pasadena
Funds were expended for transportation purposes.	Not applicable	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Finding 10	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Finding 11	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Not applicable	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Compliant	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
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Temple City	Torrance	West Covina
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

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

Compliance Area Tested	Whittier
Funds were expended for transportation purposes.	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 12
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant
Timely submission of Expenditure Plan (Form One)	Not applicable
Timely submission of Expenditure Report (Form Two)	Compliant
Timely use of funds	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	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
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 1	City of Artesia
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One (Expenditure Plan) on August 7, 2012, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	The City will continue to calendar the due date and provide for two persons to remember in advance of the due date in order to prevent any oversight.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 2	City of Diamond Bar
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR 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"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for Diamond Bar Blvd. at Clear Creek Canyon project totaling \$1,200 with no prior approval from LACMTA. Expenditures were incurred in September 2012 but the approval was obtained in March 2013. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City was not aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$1,200 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to obtain approval from LACMTA prior to implementing any Measure R-funded project.</p>
Management Response	<p>The City of Diamond Bar spent \$1,200 on expenditures related to the Median Modification Project at Diamond Bar Blvd and Clear Creek Canyon without prior authorization by LACMTA. Subsequent to the fiscal year end, the City of Diamond Bar was granted a waiver by LACMTA for these amounts. In the future, the City will obtain prior approval before implementing any Measure R funded projects.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said project on March 7, 2013. No additional follow up is required.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 3	Duarte
Compliance Reference	Section VI of the Measure R Guideline provides that Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes as defined by the Guidelines. LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan [Section B(II)(1)].
Condition	The salaries and benefits totaling \$20,000 for Project 8.10, Transportation Administration was based on the budget for the project. The City indicated that the budget reflects a reasonable allocation of administrative salaries and benefits attributable to the LACMTA project. However, the amount charged cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Local Return projects.
Cause	The City is unaware that its current practice of allocating labor costs to projects is not adequate to support salaries claimed.
Effect	The salaries and benefits claimed of \$20,000 under a Measure R funded project may include expenditures which may not be an allowable Measure R expenditure.
Recommendation	We recommend that the City revise its current labor reporting procedures to ensure that labor costs charged to LACMTA projects are adequately supported by timesheets or similar documentation.
Management Response	<p>The City of Duarte has instituted a project to accumulate the cost charged to the General Fund in support of the Duarte Transit.</p> <p>For FY14, the City is considering creating a project number, where based on the position, one could charge directly to the project for <i>specific</i> hours worked on transit activities and/or in the case of management staff, allocate a portion of their costs based on their activities that support transit. For those individuals who support transit on a percentage basis, questionnaires will be completed semi-annually to determine the accurate level of support (as well as other areas). These questionnaires will be maintained in our payroll department. The percentages will be adjusted as needed.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 4	City of El Segundo
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One (Expenditure Plan) on December 28, 2012 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	Due to shortage of staff in 2012 the City was not able to compile the Form on time. The City has filled the position in 2013 so this will be resolved.

**Los Angeles County Metropolitan Transit Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2013
 (Continued)**

Finding 5	City of Hawaiian Gardens
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR 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"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the Annual Pavement Rehabilitation project totaling \$147,365 with no prior approval from LACMTA. We were informed that the Director of Finance who was responsible in securing the project approval by submitting a Form One left the City in November 2013 and transmittal documents were not maintained in the file. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$147,365 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>A copy of the completed form was found in the file and on that basis the City believes the form was filed. Unfortunately, the City does not have evidence that the form was actually received by the LACMTA in the form of an email acknowledging receipt and we cannot account for any emails which may have been deleted in the ensuing period. The City does not need to establish a new procedure as all emails are currently being kept. The form for FY 2013-2014 was submitted on a timely basis and evidence of receipt was maintained by the City.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 6	City of Hermosa Beach
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR 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"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Protective Bollards at Pier Plaza totaling \$23,225 b. Hermosa View School ST2S Project totaling \$28,042 <p>Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>These projects were previously approved in FY2012. However, the City was not aware that these projects should be carried over in the new Form One submitted for FY 2013.</p>
Effect	<p>The City claimed expenditures totaling \$51,267 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>City staff shall ensure project approval have been granted by LACMTA prior to commencing any Measure R-funded projects.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 7	City of La Verne
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One (Expenditure Plan) on March 19, 2013, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	In the past, we have relied on annuals email prompts from staff at the Metropolitan Transportation Authority (Metro). Metro staff would typically send an email out to local agencies noting when the forms were due. Whether or not this remains the case, La Verne staff will begin to calendar these reporting dates each July 1 and September 1 in an effort to prompt La Verne staff to prepare and submit each report.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 8	City of Lancaster
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR 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"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for 18 capital projects under the Measure R local return fund totaling \$1,251,363 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the projects had no prior approval from LACMTA.</p>
Cause	<p>The person responsible for submission of the Form One (Expenditure Plan) to LACMTA has a Form One signed and dated 7/21/2012 on file. However, it is unknown why it was not sent to the LACMTA Program Manager for approval of the projects.</p>
Effect	<p>The City claimed expenditures totaling \$1,251,022 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines. The Program Manager's records did not show that a Form One was submitted on the due date.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The City is of the opinion that the Form One was submitted by email on July 27, 2012. We are unable to provide backup documentation as the city email retention policy is 120 days. In the future, the City will maintain email documentation to MTA as proof of submission, as well as email confirmation of receipt by MTA. The City obtained subsequent approval from MTA for these expenditures.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said projects on October 14, 2013. No additional follow up is required.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 9	City of Palmdale
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR 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"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project T0023, Ave R & 55th St. East Traffic Control totaling \$800 b. Project P0009, Sam Yellen Street Improvements totaling \$600,000 <p>Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	The City was not aware that a new Form One needs to be submitted for each new project prior to implementation.
Effect	The City claimed expenditures totaling \$600,800 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.
Management Response	This usually does not happen. However, the City has put in place regular monitoring of all grant projects through bi-monthly meetings with project managers to get updated on current expenditures, and to better track the status of projects. General ledger reports will be generated on a monthly basis and staff will notify MTA of any changes in the budget and expenditures. All projects will be approved by MTA in a timely manner.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said project on November 7, 2013. No additional follow up is required.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 10	City of Sierra Madre
Compliance Reference	Section B(VI) of the Measure R Local Return Program Guidelines states that "...LACMTA will allow Jurisdiction's [sic] to pool Measure R LR funds in order to obtain maximum return on investments. Such investment earnings must be reported and expended consistent with these guidelines...."
Condition	The City allocated interest earned to the Measure R Local Return Account. However, the amount allocated was net of bank analysis fees and bank merchant fees. MRLRF has no expenditures in FY 2013 and the City was unable to provide evidence that those bank fees are allocable to the Measure R Local Return Fund or its projects.
Cause	The City has its policy to net out various bank fees against interest income.
Effect	The MRLRF shows \$0 interest income in FY 2013 although the average cash balance was \$650,000. We estimate the interest due to the MRLRF to be \$1,996, based on average annual yield of 0.307% published in the California State Treasurer website.
Recommendation	We recommend that the City review its current interest allocation policy to make sure that it is reasonable and does not include expenditures that are not allocable to the Measure R Local Return Account.
Management Response	The City of Sierra Madre adopted an Interest Allocation Policy in 2010. Per section 4(b) of the adopted Investment Policy, interest allocation is net of bank fees. This policy has been approved by the City Council and in place for almost five years. The policy has been applied equally to all funds year over year. As a percentage of actual cash for June 30, 2013, Prop C funds were less than 1% of the City's total cash and Measure R was less than 4% of the total cash as compared to the major funds of the City: General Fund, 33% of total cash; Water Fund, 11% of total cash; Sewer Fund, 9% of total cash; and the Internal Services funds, 25% of total cash. No funds received interest earnings in 2013, because of the high bank fees.

**Los Angeles County Metropolitan Transit Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2013
 (Continued)**

Finding 10 (Continued)	City of Sierra Madre
<p>Management Response (Continued)</p>	<p>First, the auditor did not acknowledge the costs of managing the funds held by the City. Additionally, bank fees have continued to increase despite the extremely low earnings in the market. To mitigate the bank fees, the City has been consciously balancing the funds between the City's operating bank accounts where daily cash balances help lower the transaction fees and the balances in the City's pooled investment fee where a very small interest earning is offered by LAIF.</p> <p>Secondly, the auditor's findings suggest bank fees and interest can be directly linked to one fund or another. The City's funds are operated under a pooled cash basis for both operational banking purposes and for investment purposes. The notion that the Prop C and Measure R should get their fair share of interest but not be responsible for the associated fees is contrary to the matching principle of GAAP. The fees are applied in total and the City neither finds it reasonable or practical to attempt to dissect the individual fees as they apply to each and every fund operated by the City. This would cause an unnecessary burden on staff and gain very little for Measure R and Prop C funds as they would still remain in the City's pooled bank and investment funds and be subject to a very small allocation of interest as compared to all other major funds.</p> <p>The City would have liked to have reported a financial gain in interest this year, but the market is not in our favor. Until either the cash balances rebound for the City or LAIF experiences higher interest earnings, this will continue to be the trend in Sierra Madre.</p> <p>If LACMTA requires us in writing, we will adopt the audit recommendation to future periods, and not retrospectively as this has been the approved method for five consecutive years.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 11	City of Signal Hill
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR 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"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for a project named: ADA Improvements and Traffic Signal Upgrades (Walnut/Willow) totaling \$94,500 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$94,500 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to obtain approval from LACMTA prior to implementing any Measure R-funded project.</p>
Management Response	<p>Management has taken corrective action by establishing a procedure by which the expenditure plan is submitted before the August 1 deadline. This will prevent this finding from happening in the future.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said project on August 7, 2013. No additional follow up is required.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 12	City of Whittier
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR 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"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Carretera Drive from Colima Road to La Serna Drive Asphalt Overlay project totaling \$68,491 b. Villaverde Drive from Youngwood Drive to Mar Vista St. Asphalt Overlay project totaling \$238,479 c. Community Center Walkway Repair project totaling \$75 <p>Although we found the expenditures to be eligible for Measure R funding, these projects had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$307,045 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>City submitted the form to LACMTA on May 8, 2012, however the City will monitor to ensure approvals are received in advance through written documentation in the future.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said projects on December 27, 2013. No additional follow up is required.</p>

