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Item 8

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

**SUBJECT: MEASURE R ORDINANCE AND LOCAL RETURN COMPARATIVE
ANALYSIS**

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file comparative analysis on the Independent Auditor's findings on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the last three years.

ISSUE

At the February 2012 Measure R Oversight Committee, the committee requested that we provide a comparative analysis on the auditor's findings for the previous years. This report is provided to fulfill this request.

DISCUSSION

Lopez and Company conducted the audit for Fiscal Year (FY) 2010. For FY 2011, FY 2012 and FY 2013 we contracted with two firms (Simpson & Simpson and Vasquez & Company, LLP) to conduct the audits. For all four years the auditors have found that the cities and county generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, the auditors did find a 2% rate of non-compliance for FY 2010, 4% rate of non-compliance for FY 2011, 3% rate of non-compliance for FY2012 and 4% of non-compliance for FY2013. The increased instances of non-compliance from FY 2010 to FY 2011 occurred because in the first year of the program many of the cities had not expended Measure R funds. Therefore, the comparison between FY 2011, FY 2012 and FY 2013 is more meaningful. For next year's report, we will drop the FY 2010 comparison and begin reporting in four-year increments. The table below shows a summary of the findings:


Finding	FY 2010	FY 2011	FY 2012	FY 2013
Funds were expended without LACMTA's approval	1	9	7	11
Form 2 (Expenditure Report) was not submitted timely	17	4	4	2
Form 1 (Expenditure Plan) was not submitted timely		6	8	9
No adequate evidence that funds were expended for transportation purposes		8	1	1
Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account	2	5	2	1
Funds were not used on approved projects and expenditures were not supported and allowable per Guidelines				7
Admin Expenditures claimed exceeded 20% cap under guidelines		1	1	3
No separate Measure R Local Return Account		4		
Funds used for Non-Measure R Program		2		
Accounting procedures, record keeping and documentation were not adequate				2
Admin costs were not accumulated and reported in a separate "Transportation Administration" project code			1	
Total	20	39	23	36

Resolution of the deficiencies is discussed in another item within this agenda titled Measure R Local Return Compliance Status.

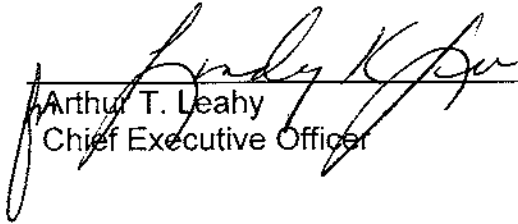
NEXT STEPS

Management Audit will continue to follow-up on the corrective actions to ensure they are implemented.

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