

**Metro**Los Angeles County
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metro.net**MEASURE R INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
APRIL 1, 2014****SUBJECT: MEASURE R ORDINANCE AND LOCAL RETURN NON-COMPLIANCE
HISTORICAL ANALYSIS****ACTION: RECEIVE AND FILE****RECOMMENDATION**

Receive and file historical 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 four years.

ISSUE

At the March 2014 Measure R Oversight Committee meeting, the committee members requested that we come back with a historical analysis on the auditor's findings for the last four years. Specifically the Oversight Committee requested the following information:

- Additional information on the resolution for prior audit findings;
- An analysis on what the penalties are for non-compliance; and
- The background and resolution relating to the \$1 million finding for the City of Compton.

This report seeks to fulfill this request.

DISCUSSION

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 (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 FY 2012 and 4% rate of non-compliance for FY 2013.

Resolution of Prior Audit Findings

The compliance audits performed in FY 2010-2013 encompass 3,644 separate compliance checks of the 87 cities and County of Los Angeles. During these combined years, there have been 119 (3%) instances of non-compliance with \$7.8 million or 2% in associated questioned costs of the approximately \$348 million of funds disbursed. Attachment A includes a complete history of non-compliance broken down by City. There were 15 occurrences of repeated compliance findings from the previous audits, 8 of them contained questioned costs, details of these can be found in Appendix 1. Appendix 2 provides the

details for the repeat findings with no questioned costs. Appendices 3-6 provide a summary of all compliance findings, including the current status, corrective action taken and penalty associated with each finding. The table below shows a summary of the findings broken down by compliance area:

Compliance Area 2010-2013	Instances of Non- Compliance
Funds were expended w/o LACMTA approval	28
Expenditure Report (Form 2) not submitted on time	27
Expenditure Plan (Form 1) not submitted on time	23
Revenues received, including allocations and interest were not properly recorded in Measure R Local Return Account	10
No adequate evidence that funds spent on transportation	10
Funds not used on approved projects and expenditures were not supported and allowable per Guidelines	7
Admin. Expenditures exceeded 20% cap	5
No separate Measure R Local Return Account	4
Accounting procedures, record keeping and documentation were not adequate	2
Funds used for Non-Measure R Program	2
Administrative costs were not accumulated and reported in a separate "Transportation Administration" project code	1
Total	119

MTA has taken proactive measures to ensure that the cities and county comply with the provisions set forth in the Guidelines by holding yearly workshops, with the cities and county. The workshop focuses on providing insight into the audit process, documentation requirements and important audit due dates. The workshop program changes on a yearly basis, emphasizing the problem areas noted in the prior years' audit. The workshop provides attendees a chance to meet representatives from the CPA Firms conducting the audits, who provide an overview of the audit process.

Penalties

According to the Guidelines, jurisdictions are required to adhere to the financial and compliance provisions set forth in the Guidelines. Penalties for non-compliance range from audit exception to suspension of disbursements for three years. Notwithstanding the provisions of the Guidelines, the MTA reserves the right to suspend or revoke allocation to jurisdictions that may be found to be in gross violation of the Guidelines, or repeatedly committing violations, or refusing to take corrective measures. Attachment B includes the full list of non-compliance penalties.

Background on City of Compton Finding

According to the City of Compton, its Measure R funds were pooled together with the City's general funds and other funds in an investment account, LAIF (Local Agency Investment Fund). Compton has a regular bank account that is used to issue checks and make necessary payments. Compton transferred funds from LAIF to the bank account depending on how much money was needed to cover the check amounts that were issued. During the auditors' review of Compton's general ledger for their bank account, they noted that Compton had a deficit cash balance of \$10.4M as of June 30, 2011. The auditors' premise for the finding is Compton issued checks and booked them, but the checks were not mailed until funds were received to cover the checks. Compton stated they did not use the Measure R funds in the LAIF because these checks were not released and were considered to be liabilities.

In March 2012, Compton established a separate bank account restricted only for Measure R. Compton transferred its Measure R monies from its LAIF account into this separate bank account. Therefore, the auditors' consider that Compton properly returned the Measure R funds. During the FY 2012 audit, all of Measure R's monies were in its own bank account. During the FY 2013 audit, the auditors' noted that the majority of its funds were in the investment account. However, Compton provided a detailed breakdown of the funds, including Measure R, which comprises the balance.

NEXT STEPS

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

ATTACHMENT

A. Measure R History of Non-Compliances

1. Appendix 1 – Summary of Repeat Compliance Findings with Questioned Costs
2. Appendix 2 – Summary of Repeat Compliance Findings without Questioned Costs
3. Appendix 2 – Fiscal Year 2010 Summary of Compliance Findings
4. Appendix 3 – Fiscal Year 2011 Summary of Compliance Findings
5. Appendix 4 – Fiscal Year 2012 Summary of Compliance Findings
6. Appendix 5 – Fiscal Year 2013 Summary of Compliance Findings

B. Measure R Local Return Non-Compliance Penalties

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Chief Auditor

Arthur T. Leahy

Arthur T. Leahy
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Measure R History of Non-Compliances

City - Finding	FY10	FY11	FY12	FY13
Artesia				
- Late Form 1				x
Avalon				
- Late Form 1			x	
- Revenues received, including allocations and interest income not properly recorded in Measure R account		x	x	
- No Separate Measure R account		x		
Azusa				
- Late Form 1			x	x
Baldwin Park				
- Late Form 1		x		
- Funds expended w/o LACMTA approval		x		
Bell				
- Late Form 1				x
- Funds expended w/o LACMTA approval				x
- Funds not used on approved projects and expenditures not supported and allowable				x
Bell Gardens				
- Funds expended w/o LACMTA approval		x		
- Late Form 2			x	
Bradbury				
- Revenues received, including allocations and interest income not properly recorded in Measure R account		x		
Burbank				
- Late Form 2	x			
- No adequate evidence that funds were expended for transportation purposes		x		
Cerritos				
- Late Form 1			x	
- Funds expended w/o LACMTA approval		x		
Claremont				
- Late Form 2	x			
- Late Form 1		x		
Commerce				
- Late Form 1				x
- Funds not used on approved projects and expenditures not supported and allowable				x
Compton				
- Revenues received, including allocations and interest income not properly recorded in Measure R account	x			
- Funds used for Non-Measure R Program		x		
- Late Form 2			x	x
Covina				
- Late Form 2	x			
Cudahy				
- Late Form 2	x	x		
- No adequate evidence that funds were expended for transportation purposes		x		
- Late Form 1			x	
- Accounting procedures, record keeping and documentation not adequate				x
Culver City				

Highlighted rows represent repeat findings.

2x = Two findings within same compliance category.

Measure R History of Non-Compliances

City - Finding	FY10	FY11	FY12	FY13
- Funds expended w/o LACMTA approval				x
Diamond Bar				
- Funds expended w/o LACMTA approval		x		x
Downey				
- Administrative expenditures claimed exceeded 20% cap		x		
Duarte				
- Late Form 1			x	
- No adequate evidence that funds were expended for transportation purposes				x
El Monte				
- Funds expended w/o LACMTA approval		x		x
- Administrative expenditures claimed exceeded 20% cap			x	x
- Late Form 2				x
El Segundo				
- Late Form 1				x
Glendale				
- Late Form 2	x			
Hawaiian Gardens				
- Late Form 2	x			
- No Separate Measure R account		x		
- Funds expended w/o LACMTA approval		x		x
Hawthorne				
- Late Form 2	x			
- Administrative expenditures claimed exceeded 20% cap				x
Hermosa Beach				
- Funds expended w/o LACMTA approval				x
Hidden Hills				
- Late Form 2	x			
- Late Form 1				x
Huntington Park				
- Late Form 1			x	x
- Funds expended w/o LACMTA approval			x	
Inglewood				
- Accounting procedures, record keeping and documentation not adequate				x
La Canada Flintridge				
- Late Form 2	x			
La Habra Heights				
- Late Form 1		x		
La Mirada				
- Revenues received, including allocations and interest income not properly recorded in Measure R account		x		
- No Separate Measure R account		x		
La Verne				
- Funds expended w/o LACMTA approval		x		
- Late Form 1				x
Lancaster				
- Funds expended w/o LACMTA approval				x
Lawndale				
- Funds expended w/o LACMTA approval			x	
- Late Form 1			x	
- Funds not used on approved projects and expenditures				x

Highlighted rows represent repeat findings.

2x = Two findings within same compliance category.

Measure R History of Non-Compliances

City - Finding	FY10	FY11	FY12	FY13
not supported and allowable				
- Administrative expenditures claimed exceeded 20% cap				x
Lomita				
- Late Form 2	x		x	
Los Angeles County				
- Late Form 2	x	x		
Lynwood				
- Funds not used on approved projects and expenditures not supported and allowable				x
Malibu				
- Funds expended w/o LACMTA approval	x			
Maywood				
- Late Form 2	x			
- Revenues received, including allocations and interest income not properly recorded in Measure R account		x		
- Funds used for Non-Measure R Program		x		
- Funds expended w/o LACMTA approval			x	x
- Late Form 1				x
Montebello				
- Late Form 1			x	
Monterey Park				
- Funds not used on approved projects and expenditures not supported and allowable				x
Palmdale				
- Funds expended w/o LACMTA approval				x
Pasadena				
- Late Form 2	x		x	
Pico Rivera				
- No adequate evidence that funds were expended for transportation purposes			x	
Pomona				
- Revenues received, including allocations and interest income not properly recorded in Measure R account	x			
- No adequate evidence that funds were expended for transportation purposes		x2		
- Funds not used on approved projects and expenditures not supported and allowable				x
Redondo Beach				
- Late Form 2	x			
- Late Form 1		x		
- Revenues received, including allocations and interest income not properly recorded in Measure R account		x	x	
Rolling Hills				
- Late Form 2	x			
- Late Form 1		x		
Rosemead				
- No adequate evidence that funds were expended for transportation purposes		x2		
- Funds expended w/o LACMTA approval			x	
- Funds not used on approved projects and expenditures not supported and allowable				x
San Dimas				

Highlighted rows represent repeat findings.

2x = Two findings within same compliance category.

Measure R History of Non-Compliances

City - Finding	FY10	FY11	FY12	FY13
- Funds expended w/o LACMTA approval			x	
San Marino				
- Funds expended w/o LACMTA approval			x	
Sierra Madre				
- Revenues received, including allocations and interest income not properly recorded in Measure R account				x
Signal Hill				
- Late Form 1		x		
- Funds expended w/o LACMTA approval		x		x
South El Monte				
- No adequate evidence that funds were expended for transportation purposes		x2		
South Gate				
- Funds expended w/o LACMTA approval		x		
South Pasadena				
- Late Form 2		x		
Torrance				
- Late Form 2	x			
- Funds expended w/o LACMTA approval			x	
West Covina				
- Admin costs were not accumulated and reported in a separate "Transportation Administration" project code			x	
West Hollywood				
- Late Form 2	x			
Westlake Village				
- No Separate Measure R account		x		
Whittier				
- Late Form 2		x		
- Funds expended w/o LACMTA approval				x

Highlighted rows represent repeat findings.

2x = Two findings within same compliance category.

Summary of Repeat Compliance Findings with Questioned Costs

Responsible Cities	Finding	Questioned Costs	Status / Corrective Action	Penalty
1 Avalon	Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.	<ol style="list-style-type: none"> \$500,000 \$1,900 	<ol style="list-style-type: none"> FY11 - Revenue of \$500k was an ARRA fund swap, which was recorded in the City's Infrastructure Fund. The City transferred the money to Measure R LR fund in December 2011, including interest. FY12 - City will recalculate the interest and book the adjustment prior to finalization of their CAFR. City recognized interest income of \$1,911 in FY12 	Suspension of disbursements until compliance.
2 Diamond Bar	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> \$63,750 \$1,200 	<ol style="list-style-type: none"> FY11 - Project approved in FY10, City failed to carryover project. Retroactive approval granted. FY13 - MTA granted retroactive approval. 	Jurisdiction will be required to reimburse its Local Return account.
3 El Monte	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> \$85,586 \$44,337 	<ol style="list-style-type: none"> FY11 - City submitted revised Form 1 for the costs. Retroactive approval granted 11/3/11. FY13 - MTA granted retroactive approval. 	Jurisdiction will be required to reimburse its Local Return account.
4 El Monte	Administrative expenditures claimed exceeded the 20% admin cap.	<ol style="list-style-type: none"> \$8,456 \$21,903 	<ol style="list-style-type: none"> FY12 - Invoices that should have been paid in FY11 were added to FY12, which resulted in exceeding the cap, by 1%. MTA waived this oversight. FY13 - Programs Management has requested that funds be returned. 	Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.
5 Hawaiian Gardens	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> \$125,928 \$147,365 	<ol style="list-style-type: none"> FY11 - Project approved in FY10, City failed to carryover project but was given retroactive approval. FY13 - In FY14 City included questioned project in their Form 1, which MTA approved. 	Jurisdiction will be required to reimburse its Local Return account.

Summary of Repeat Compliance Findings with Questioned Costs

Responsible Cities	Finding	Questioned Costs	Status / Corrective Action	Penalty
6 Maywood	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> \$20,000 \$10,000 	<ol style="list-style-type: none"> FY12 - Retroactive approval was granted. FY13 - Retroactive approval was granted. 	Jurisdiction will be required to reimburse its Local Return account.
7 Redondo Beach	Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.	<ol style="list-style-type: none"> \$7,737 \$6,000 	<ol style="list-style-type: none"> FY11 - Programs Management is working with the City in order to correct this issue. FY12 - Programs Management is working with the City in order to correct this issue. 	Suspension of disbursements until compliance.
8 Signal Hill	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> \$8,759 \$94,500 	<ol style="list-style-type: none"> FY11 - Retroactive approval was granted. FY13 - Subsequently approved on 8/7/13. 	Jurisdiction will be required to reimburse its Local Return account.

Summary of Repeat Compliance Findings without Questioned Costs

	Responsible Cities	Finding	Questioned Costs	Status / Corrective Action	Penalty
1	Azusa	Form One (Expenditure Plan) was not submitted timely.	\$0	City was late in FY13, but on time in FY14.	Audit exception
2	Compton	Form Two (Expenditure Report) was not submitted timely.	\$0	City was late in FY13, but on time in FY14.	Audit exception
3	Cudahy	Form Two (Expenditure Report) was not submitted timely.	\$0	City has now submitted Form on time.	Audit exception
4	Huntington Park	Form One (Expenditure Plan) was not submitted timely.	\$0	Form submitted on time in FY14.	Audit exception
5	Lomita	Form Two (Expenditure Report) was not submitted timely.	\$0	City has now submitted form on time.	Audit exception
6	Los Angeles County	Form Two (Expenditure Report) was not submitted timely.	\$0	City has now submitted form on time.	Audit exception
7	Pasadena	Form Two (Expenditure Report) was not submitted timely.	\$0	City has now submitted form on time.	Audit exception

Fiscal Year 2010 Summary of Compliance Findings

	Finding	# of Findings	Responsible Cities / Finding No. Reference	Questioned Costs	Status / Corrective Action	Penalty
A	Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.	2	<ol style="list-style-type: none"> 1. Compton, 2. Pomona 	<p>\$1,000</p> <p>\$400</p>	<ol style="list-style-type: none"> 1. City will review current procedure for interest allocation and take corrective action. MTA waived the finding. 2. Interest due for FY10 was posted in FY11. 	Suspension of disbursements until compliance.
B	Funds were expended without LACMTA's approval.	1	<ol style="list-style-type: none"> 1. Malibu 	\$66	<ol style="list-style-type: none"> 1. City did not account for Admin costs in the correct code. Procedure was changed. MTA waived the \$66. 	Jurisdiction will be required to reimburse its Local Return account.
C			<ol style="list-style-type: none"> 1. Burbank, 2. Claremont, 3. Covina, 4. Cudahy, 5. Glendale, 6. Hawaiian Gardens, 7. Hawthorne, 8. Hidden Hills, 9. La Canada Flintridge, 10. Lomita, 11. Los Angeles County, 12. Maywood, 13. Pasadena, 14. Redondo Beach, 15. Rolling Hills, 16. Torrance, 17. West Hollywood 		<ol style="list-style-type: none"> 1. Form 2 submitted on time in FY11. 2. Form 2 submitted on time in FY11. 3. Form 2 submitted on time in FY11. 4. Form 2 late in FY11, on time in FY12 and FY13. 5. Form 2 submitted on time in FY11. 6. Form 2 submitted on time in FY11. 7. Form 2 submitted on time in FY11. 8. Form 2 submitted on time in FY11. 9. Form 2 submitted on time in FY11. 10. Form 2 submitted on time in FY11, late again in FY12. 11. Form 2 late in FY11, on time in FY12 and FY13. 12. Form 2 submitted on time in FY11. 13. Form 2 submitted on time in FY11, late again in FY12. 14. Form 2 submitted on time in FY11. 15. Form 2 submitted on time in FY11. 16. Form 2 submitted on time in FY11. 17. Form 2 submitted on time in FY11. 	Audit exception
	Total Findings and Questioned Costs	20		\$1,466		

Fiscal Year 2011 Summary of Compliance Findings

Finding	# of Findings	Responsible Cities	Questioned Costs	Status / Corrective Action	Penalty
<p>A</p> <p>Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.</p>	<p>5</p>	<p>1. Avalon, \$500,000</p> <p>2. Bradbury, \$706</p> <p>3. La Mirada, \$9,264</p> <p>4. Maywood, \$1,571</p> <p>5. Redondo Beach, \$7,737</p>	<p>\$519,941</p>	<p>1. Revenue of \$500k was an ARRA fund swap which was recorded in the City's Infrastructure Fund. The City transferred the money to Measure R LR fund in December 2011, including interest. Repeat finding in FY12.</p> <p>2. Interest income allocated in FY12. MTA waived the finding.</p> <p>3. In FY12, City corrected its' method of recording Measure R LR.</p> <p>4. In FY12, City corrected its' method of recording interest for Measure R LR.</p> <p>5. Programs Management is working with the City in order to correct this issue. Repeat finding in FY12.</p>	<p>Suspension of disbursements until compliance.</p>
<p>B</p> <p>No adequate evidence that funds were expended for transportation purposes</p>	<p>8</p>	<p>1. Burbank, \$256,982</p> <p>2. Cudahy, \$2,000</p> <p>3. Pomona (x2), \$11,767, \$12,667</p> <p>4. Rosemead (x2), \$1,134, \$13,908</p> <p>5. South El Monte (x2), \$120,000, \$10,250</p>	<p>\$428,708</p>	<p>1. Timesheets are not available to support the percentage of payroll charged. Finding corrected in FY12. No labor costs claimed in FY12 and FY13. City also implemented a timekeeping system.</p> <p>2. Invoice was lost; City was instructed not to release original invoices from now on to prevent this from reoccurring. MTA waived the finding.</p> <p>3. (1&2) Pomona will perform the requested cost allocation study to verify planning or administration category charges in FY14.</p> <p>4. (1) City needs to revise their current method of employee expense procedures. (2) City needs to establish controls document costs. However, this was waived as FY11 was the first year for Rosemead to allocate and expend Measure R funds.</p> <p>5. (1) \$120,000 recording error was corrected, which rectified the finding. (2) City provided corrected records for \$3,417 and returned \$6,833 in un-allowed funds.</p>	<p>Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.</p>

Fiscal Year 2011 Summary of Compliance Findings

Finding	# of Findings	Responsible Cities	Questioned Costs	Status / Corrective Action	Penalty
C	2	<ol style="list-style-type: none"> Compton, \$1,008,149 Maywood, \$441,799 	\$1,449,948	<ol style="list-style-type: none"> In March 2012, the City established a separate bank account restricted for Measure R only. The City deposited transferred its Measure R monies from its LAIF account into this separate bank account. Therefore, we consider the City properly returned back the funds to Measure R. During our FY 2012 audit, all of Measure R's monies are in its own bank account. This was a cash flow issue; City has moved funds to a protected account. 	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.
D	9	<ol style="list-style-type: none"> Baldwin Park, \$33,335 Bell Gardens, \$98,912 Cerritos, \$435,687 Diamond Bar, \$63,750 El Monte, \$85,586 Hawaiian Gardens, \$125,928 La Verne, \$194,131 Signal Hill, \$8,759 South Gate, \$84,032 	\$1,131,120	<ol style="list-style-type: none"> City will submit Form 1 prior to spending monies in the future. City received approval 2/9/11. Project approved in FY10, City failed to carryover project. Retroactive approval 6/7/11. City will now correctly submit forms for approval. City received approval in Sep. 2011. Project approved in FY10, City failed to carryover project. Retroactive approval granted. Repeat finding in FY13. City submitted revised Form 1 for the costs. Retroactive approval granted 11/3/11. Repeat finding in FY13. Project approved in FY10, City failed to carryover project but was given retroactive approval. Repeat finding in FY13. Retroactive approval granted 10/10/11. City was given retroactive approval. Repeat finding in FY13. City submitted form for revisions after the fact. Retroactive approval granted 11/3/11. 	Jurisdiction will be required to reimburse its Local Return account.

Fiscal Year 2011 Summary of Compliance Findings

Finding	# of Findings	Responsible Cities	Questioned Costs	Status / Corrective Action	Penalty
E Administrative expenditures claimed exceeded the 20% admin cap.	1	1. Downey	\$14,779	1. Admin expenditures were actually planning / engineering. Will be coded differently in the future. MTA granted a waiver for the funds.	Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.
F Separate Measure R Local Return Account was not established.	4	1. Avalon, 2. Hawaiian Gardens, 3. La Mirada, 4. Westlake Village	\$0	1. City has established a separate account. 2. City has established a separate account. 3. City has established a separate account. 4. City will record revenues correctly.	Suspension of disbursements until compliance.
G Form One (Expenditure Plan) was not submitted timely.	6	1. Baldwin Park, 2. Claremont, 3. La Habra Heights, 4. Redondo Beach, 5. Rolling Hills, 6. Signal Hill	\$0	1. City has now submitted Form on time. 2. City has now submitted Form on time. 3. City has now submitted Form on time. 4. City has now submitted Form on time. 5. City has now submitted Form on time. 6. City has now submitted Form on time.	Audit exception
H Form Two (Expenditure Report) was not submitted timely.	4	1. Cudahy, 2. County of Los Angeles, 3. South Pasadena, 4. Whittier	\$0	1. City has now submitted Form on time. 2. City has now submitted Form on time. 3. City has now submitted Form on time. 4. City has now submitted Form on time.	Audit exception
Total Findings and Questioned Costs	39		\$3,544,496		

Fiscal Year 2012 Summary of Compliance Findings

Finding	# of Findings	Responsible Cities	Questioned Costs	Status/Corrective Action	Penalty
A Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.	2	1. Avalon, \$1,900 2. Redondo Beach, \$6,000	\$7,900	1. City will recalculate the interest and book the adjustment prior to finalization of their CAFR. City recognized interest income of \$1,911 in FY12. 2. City will recalculate the interest and record in ledger as an adjustment. City recorded additional interest income of \$5,900 in FY13. Programs Management is working with the City in order to correct this issue.	Suspension of disbursements until compliance.
B No adequate evidence that funds were expended for transportation purposes	1	1. Pico Rivera, \$1,230	\$1,230	1. City will maintain proper accounting records and establish adequate internal controls. MTA waived the funds.	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to jurisdictions on a per capita basis.
C Funds were expended without LACMTA's approval.	7	1. Huntington Park, \$8,282 2. Lawndale, \$194,000 3. Maywood, \$20,000 4. Rosemead, \$364,950 5. San Dimas, \$48,611 6. San Marino, \$147,214 7. Torrance, \$369,681	\$1,152,738	1. Project in question approved during the audit. 2. Retroactive approval was granted. 3. Retroactive approval was granted. Repeat finding in FY13. 4. Retroactive approval was granted. 5. Retroactive approval was granted. 6. Retroactive approval was granted. 7. Retroactive approval was granted.	Jurisdiction will be required to reimburse its Local Return account.
D Administrative expenditures claimed exceeded the 20% admin cap.	1	1. El Monte, \$8,456	\$8,456	1. Invoices that should have been paid in FY11 were added to FY12, which resulted in exceeding the cap, by 1%. MTA waived this oversight. Repeat finding in FY13. Programs Management has requested that funds be returned for FY13 finding.	Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.

Fiscal Year 2012 Summary of Compliance Findings

Finding	# of Findings	Responsible Cities	Questioned Costs	Status/Corrective Action	Penalty
E		<ol style="list-style-type: none"> Avalon, Azusa, Cerritos, Cudahy Duarte, Huntington Park, Lawndale, Montebello 		<ol style="list-style-type: none"> City has now submitted Form on time. City was late again in FY13, on time in FY14. City has now submitted Form on time. City has now submitted Form on time. City has now submitted Form on time. City was late again in FY13, on time in FY14. City has now submitted Form on time. City has now submitted Form on time. 	Audit exception
F	8	<ol style="list-style-type: none"> Bell Gardens, Compton, Lomita, Pasadena 	\$0	<ol style="list-style-type: none"> City has now submitted Form on time. City was late in FY13, on time in FY14. City has now submitted Form on time. City has now submitted Form on time. 	Audit exception
G	4		\$0		
				<ol style="list-style-type: none"> City has reclassified the costs and they are now in a separate project code, which will also assist in verification of the 20% cap. 	Suspension of disbursements until compliance.
			\$1,170,324		
	24				
Total Findings and Questioned Costs					

Fiscal Year 2013 Summary of Compliance Findings

Finding	# of Findings	Responsible Cities	Questioned Costs	Status / Corrective Action	Penalty
A		<ol style="list-style-type: none"> Bell, \$35,225 Culver City, \$181,000 Diamond Bar, \$1,200 El Monte, \$44,337 Hawaiian Gardens, \$147,365 Hermosa Beach, \$51,267 Lancaster, \$1,151,022 Maywood, \$10,000 Palmdale, \$600,800 Signal Hill, \$94,500 Whittier, \$307,045 	\$2,724,102	<ol style="list-style-type: none"> Subsequently approved on 12/26/13. Subsequently approved on 10/14/13. MTA granted retroactive approval. Subsequent approval granted. In FY14 City included questioned project in their Form 1, which MTA approved. Subsequent approval granted. Subsequently approved on 10/14/13. Subsequent approval granted. Subsequently approved on 11/7/13. Subsequently approved on 8/7/13. Subsequently approved on 12/27/13. 	Jurisdiction will be required to reimburse its Local Return account.
Funds were expended without LACMTA's approval.	11				
B		<ol style="list-style-type: none"> Bell, \$27,778 Commerce, \$0 Lawndale, \$8,257 Lynwood, \$55,427 Monterey Park, \$10,741 Pomona, \$103,554 Rosemead, \$3,662 	\$209,419	<ol style="list-style-type: none"> Programs Management has requested that Bell reimburse LR account. City will implement record keeping procedures that will provide adequate documentation to support the salary and benefit charges. Auditor will verify implementation in FY14 audits City will follow auditor's recommendation to implement a timekeeping system. Programs Management is working with City to implement corrective action. Subsequent approval granted. City will implement a timekeeping log and utilize their existing practices to support allocations. Notification sent to the city requesting they fix this issue. Auditor will verify implementation in FY14 audits. Pomona will perform the requested cost allocation study to verify planning or administration category charges in FY14. City will monitor charges on a continued basis to ensure that proper timekeeping and documentation is adhered. Auditor will verify implementation in FY14 audits. 	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.
Funds were not used on approved projects and expenditures were not supported and allowable per Guidelines	7				

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Finding	# of Findings	Responsible Cities	Questioned Costs	Status / Corrective Action	Penalty
C		1. Cudahy, \$0 2. Inglewood, \$74,677	\$74,677	<ol style="list-style-type: none"> Auditors recommend the City implement internal controls that will strictly enforce compliance with its policy to help prevent double payment on invoices. It is the City's policy pay only original invoices and only the current amount of the invoice. Auditor will verify implementation in FY14 audits. The City recorded the auditor-proposed expenditure accruals for FY 2013 and ensures that in the future, accruals will be recorded prior to the start of the audit. 	Suspension of disbursements until compliance.
D	2	1. El Monte, \$21,903 2. Hawthorne, \$5,295 3. Lawndale, \$21,945	\$49,143	<ol style="list-style-type: none"> The City is aware that they will have to return the funds upon MTA's instructions. Programs Management requested that El Monte reimburse LR account. City will review all admin positions to guarantee that they are coded correctly for existing and future projects. Notification sent to the city requesting they correct this issue. Auditor will verify implementation in FY14 audits. Resolved during the audit; City has submitted a revised Form 1 for FY13. In the future, City will ensure that plans reflect the correct project codes. 	Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.
E	3	1. Duarte, \$20,000	\$20,000	<ol style="list-style-type: none"> City has instituted a project to accumulate the cost charged to the General Fund in support of Duarte Transit. Notification sent to the city requesting they fix this issue. Auditor will verify implementation in FY14 audits. 	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.
	1			<ol style="list-style-type: none"> Administrative expenditures claimed exceeded the 20% admin cap. 	
	1			<ol style="list-style-type: none"> No adequate evidence that funds were expended for transportation purposes 	

Fiscal Year 2013 Summary of Compliance Findings

Finding	# of Findings	Responsible Cities	Questioned Costs	Status / Corrective Action	Penalty
F Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Account.	1	1. Sierra Madre, \$1,996	\$1,996	1. City was notified, in writing, to adopt audit recommendations. Auditor will verify status in the FY14 audit.	Suspension of disbursements until compliance.
G Form One (Expenditure Plan) was not submitted timely.	9	1. Artesia, 2. Azusa, 3. Bell, 4. Commerce, 5. El Segundo, 6. Hidden Hills, 7. Huntington Park, 8. La Verne, 9. Maywood	\$0	1. Submitted on time in FY14. 2. Submitted on time in FY14. 3. City has been going through changes and is committed to improving. 4. Submitted on time in FY14. 5. Submitted on time in FY14. 6. City will establish procedures to ensure timely submission of all required forms. 7. Submitted on time in FY14. 8. City plans to submit all required forms on a timely basis in the future. 9. City plans to submit all required forms on a timely basis in the future.	Audit exception
H Form Two (Expenditure Report) was not submitted timely.	2	1. Compton, 2. El Monte	\$0	1. Submitted on time in FY14. 2. Submitted on time in FY14.	Audit exception
Total Findings and Questioned Costs	36		\$3,079,337		

Measure R Local Return Non-Compliance Penalties

Audit Area	Non-Compliance Penalty (for failure to comply with Audit Area)
Measure R LR funds were expended for transportation purposes (as defined by the Measure R LR Guidelines)	Suspension of disbursements for three (3) years. The suspended funds will be reallocated to Jurisdictions on a per capita basis
Assurances and Understandings (fully executed agreement)	Suspension of disbursements until compliance
Accounts and Records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes.	Suspension of disbursements until compliance
Verification of revenues received including allocations, project generated revenues, interest income properly credited to Measure R account	Suspension of disbursements until compliance
Verification that funds were expended with Metro's approval	Jurisdiction will be required to reimburse its LR account
Verification that funds were not substituted for property tax and is in compliance with the MOE	Jurisdiction will be required to reimburse its LR account (Auditors will measure MOE compliance globally, not project by project)
Verification that the funds are expended within five (5) years from the first day of the fiscal year in which funds were originally allocated or received (unless an approved reserve fund has been established.	Lapsed funds will be returned to LACMTA for reallocation to Jurisdictions on a population basis
Verification that administrative expenditures did not exceed over 20% of the total annual LR expenditures.	Jurisdictions will be required to reimburse their LR account for the amount over the 20% cap
Verification that the Expenditure Plan was submitted on or before August 1 st at the beginning of the new fiscal year.	Audit exception
Verification that the Annual Expenditure Report was submitted on or before October 15 th following the end of past fiscal year.	Audit Exception
Where funds expended are reimbursable by other grants or fund sources, verification that the reimbursement is credited to the Local Return account upon receipt of reimbursement.	Audit exception and reimbursement received must be returned to the LR account
Where Measure R funds were given, loaned or exchanged by one Jurisdiction to another, verification that the receiving Jurisdiction has credited its LR account with the funds received.	Audit exception and reimbursement of affected funds to the LR account
Where a capital reserve has been granted, verification that a separate account for the capital reserve is established, and current status is reported in the Expenditure Plan.	Audit Exception