

**Metro**Los Angeles County  
Metropolitan Transportation AuthorityOne Gateway Plaza  
Los Angeles, CA 90012-2952213.922.2000 Tel  
metro.net**MEASURE R INDEPENDENT TAXPAYERS  
OVERSIGHT COMMITTEE  
MARCH 6, 2019****SUBJECT: MEASURE R ORDINANCE AND LOCAL RETURN 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 wanted additional information on the resolution for prior audit findings. The Oversight Committee requested that we provide this information for the current four-year period. This report seeks to fulfill this request.

**DISCUSSION**

For all four years, the auditors have found that the cities and county, with the exception of the City of Compton in fiscal years 16 and 18, generally complied with the requirements applicable to the Measure R Local Return Guidelines (Guidelines). The auditors found a 97% rate of compliance for FY15-FY18. Specifically, 98% rate of compliance for FY 2015, 97% compliance for FY 2016, 96% compliance for FY 2017 and 97% compliance for FY 2018.

**Resolution of Prior Audit Findings**

The compliance audits performed in FY 2015-2018 encompass 3,521 separate compliance checks of the 87 cities and County of Los Angeles. The City of Vernon is not included in this list since the City opted out on receiving Measure R funds due to the small amount that it would receive and all the compliance requirements attached to it. During these combined years, there have been 106 (3%) instances of non-compliance with approximately \$9.3 million or 2% in associated questioned costs of the approximately \$456 million of funds disbursed. Attachment A includes a complete history of non-compliance broken down by City. There were 19 occurrences of repeated compliance findings from the previous audits, 12 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 FY 2015-2017	Instances of Non- Compliance
Funds were expended w/o LACMTA approval	37
Expenditure Plan (Form 1) not submitted on time	28
No adequate evidence that funds spent on transportation	19
Expenditure Report (Form 2) not submitted on time	11
Admin. Expenditures exceeded 20% cap	5
Timely use of funds	4
Recreational Transit form was not submitted on time	1
Accounting procedures, record keeping and documentation are adequate	1
Total	106

Metro 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 year's audit. The workshop provides attendees a chance to meet representatives from the CPA Firms conducting the audits, which 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, Metro 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.

### NEXT STEPS

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

## ATTACHMENTS


### 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 3 – Fiscal Year 2015 Summary of Compliance Findings
4. Appendix 4 – Fiscal Year 2016 Summary of Compliance Findings
5. Appendix 5 – Fiscal Year 2017 Summary of Compliance Findings
6. Appendix 6 – Fiscal Year 2018 Summary of Compliance Findings

### B. Measure R Local Return Non-Compliance Penalties

Prepared by: Monica Del Toro, Audit Support Manager, (213) 922-7494  
Lauren Choi, Sr. Manager, Audit, (213) 922-3926

Reviewed by: Diana Estrada, Chief Auditor, (213) 922-2161



Phillip A. Washington  
Chief Executive Officer

Measure R History of Non-Compliances  
FY15 – FY18

City - Finding	FY15	FY16	FY17	FY18
Agoura Hills				
– Late Form 1			x	
Artesia				
– Late Form 2		x	x	
Avalon				
– Late Form 1			x	
Azusa				
– Funds expended w/o LACMTA approval				x
Baldwin Park				
– Late Form 1			x	
Bell				
– Late Form 1			x	x
– Funds expended w/o LACMTA approval			x	x
Bell Gardens				
– Funds expended w/o LACMTA approval		x		
– Administrative expenditures claimed exceeded 20% cap		x		
Bradbury				
– Timely Use of Funds			x	x
– Late Form 1			x	
Calabasas				
– Late Form 1	x			
– Late Recreational Transit form		x		
– Funds expended w/o LACMTA approval				x
Carson				
– Administrative expenditures claimed exceeded 20% cap		x		
Compton				
– Late Form 2		x	x	
– Administrative expenditures claimed exceeded 20% cap				x
– No adequate evidence that funds were expended for transportation purposes		x		2x
– No adequate evidence that funds were expended for transportation purposes (incorrect project code)			x	
– Funds expended w/o LACMTA approval	x			x
– Late Form 1		x	x	
Cudahy				
– No adequate evidence that funds were expended for transportation purposes			x	
– Funds expended w/o LACMTA approval	x			
Culver City				
– Late Form 1			x	x
Downey				
– No adequate evidence that funds were expended for transportation purposes		x	x	x
El Monte				
– Late Form 1			x	
El Segundo				
– Late Form 1		x		
– Funds expended w/o LACMTA approval		x		x
– Late Form 2		x		
Gardena				
– Funds expended w/o LACMTA approval			x	
Glendale				
– Timely Use of Funds				x

2x = Two findings within the same compliance category  
Highlighted rows represent repeat findings.

Measure R History of Non-Compliances  
FY15 – FY18

City - Finding	FY15	FY16	FY17	FY18
Hawaiian Gardens				
– Late Form 1	x			
– Late Form 2		x		
Hidden Hills				
– Late Form 2	x			
Huntington Park				
– No adequate evidence that funds were expended for transportation purposes	x			
– Administrative expenditures claimed exceeded 20% cap	x			
– Funds expended w/o LACMTA approval				x
Irwindale				
– Late Form 1		x		
La Cañada Flintridge				
– Funds expended w/o LACMTA approval			x	
La Mirada				
– Funds expended w/o LACMTA approval				x
La Puente				
– No adequate evidence that funds were expended for transportation purposes		x		
– Funds expended w/o LACMTA approval		x		
La Verne				
– Funds expended w/o LACMTA approval	x			
– Late Form 1				x
Lakewood				
– No adequate evidence that funds were expended for transportation purposes			x	
Lancaster				
– Funds expended w/o LACMTA approval	x			
Lawndale				
– No adequate evidence that funds were expended for transportation purposes	x			
Lynwood				
– Funds expended w/o LACMTA approval		x		
– Late Form 2		x		
Maywood				
– Funds expended w/o LACMTA approval			x	x
– No adequate evidence that procurement policies and procedures were followed.				x
Monrovia				
– Funds expended w/o LACMTA approval				x
Montebello				
– No adequate evidence that funds were expended for transportation purposes		x		
Monterey Park				
– Funds expended w/o LACMTA approval	x		x	
Palmdale				
– Funds expended w/o LACMTA approval			x	
Palos Verdes Estates				
– Late Form 1			x	x
– Late Form 2	x			
Pico Rivera				
– Late Form 2				x

2x = Two findings within the same compliance category  
Highlighted rows represent repeat findings.

Measure R History of Non-Compliances  
FY15 – FY18

City - Finding	FY15	FY16	FY17	FY18
Pomona				
– Late Form 1			x	
– Funds expended w/o LACMTA approval				x
Rancho Palos Verdes				
– Funds expended w/o LACMTA approval			x	
– Timely Use of Funds				x
Redondo Beach				
– Funds expended w/o LACMTA approval		x		x
Rolling Hills Estates				
– Funds expended w/o LACMTA approval			x	
Rosemead				
– No adequate evidence that funds were expended for transportation purposes	x			
– Funds expended w/o LACMTA approval		x		
– Administrative expenditures claimed exceeded 20% cap		x		
San Dimas				
– Late Form 1				x
San Fernando				
– Funds expended w/o LACMTA approval	x			
San Marino				
– Late Form 1			x	x
Santa Fe Springs				
– Late Form 1				x
South El Monte				
– No adequate evidence that funds were expended for transportation purposes	x	x		
– Funds expended w/o LACMTA approval	x	x		
– Late Form 1			x	
– Late Form 2		x		
South Gate				
– Funds expended w/o LACMTA approval			x	
South Pasadena				
– Late Form 1			x	
Temple City				
– Late Form 1			x	
West Covina				
– No adequate evidence that funds were expended for transportation purposes		2x		
West Hollywood				
– Late Form 1			x	
Westlake Village				
– Late Form 1				x
Whittier				
– Funds expended w/o LACMTA approval	x	x	x	
– No adequate evidence that funds were expended for transportation purposes		x		

2x = Two findings within the same compliance category  
Highlighted rows represent repeat findings.

**Summary of Repeat Compliance Findings with Questioned Costs  
FY15 - FY18**

	<b>Responsible Cities</b>	<b>Finding</b>	<b>Questioned Costs</b>	<b>Status / Corrective Action</b>	<b>Possible Penalty</b>
1	Bell	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> <li>1. \$36,280</li> <li>2. \$10,605</li> </ol>	<ol style="list-style-type: none"> <li>1. FY17 – Resolved. Retroactive approval granted on 12/20/17</li> <li>2. FY18 - Resolved. Retroactive approval granted on 10/4/18.</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.
2	Bradbury	Timely use of funds	<ol style="list-style-type: none"> <li>1. \$3,990</li> <li>2. \$13,361</li> </ol>	<ol style="list-style-type: none"> <li>1. FY17 – Resolved. Extension approval granted on 11/16/17.</li> <li>2. FY18 - Extension granted on 11/8/18 for \$9,371. City will return lapsed amount of \$3,990.</li> </ol>	
3	Compton	No adequate evidence that funds were expended for transportation purposes	<ol style="list-style-type: none"> <li>1. \$1,129,557</li> <li>2. \$0</li> <li>3. \$92,210</li> <li>4. \$120,520</li> </ol>	<ol style="list-style-type: none"> <li>1. FY16 – City was not able to provide timesheets, payroll registers, labor distribution reports and other related supporting documentation. Therefore, auditors could not verify that salaries and benefits claimed are allowable.</li> <li>2. FY17 – Salaries for administrative personnel reported under incorrect project code.</li> <li>3. FY18 - City was not able to provide timesheets, payroll registers, labor distribution reports and other related supporting documentation. Therefore, auditors could not verify that salaries and benefits claimed are allowable.</li> <li>4. FY18 – City charged general liability insurance costs to fund administration account. Analysis to support and substantiate reasonableness was not performed.</li> </ol>	<p>Suspension of disbursements for three (3) years. The suspended funds will be reallocated to Jurisdictions on a per capita basis.</p> <p>Jurisdiction will be required to reimburse its Local Return account.</p>
4	Compton	Funds were expended without LACMTA's approval.	<p>\$798,683</p> <p>\$540,770</p>	<ol style="list-style-type: none"> <li>1. FY15 – Subsequently approved on 11/24/15.</li> <li>2. FY18 – Retroactive approval was granted on 12/4/18 and 12/27/18.</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.

**Summary of Repeat Compliance Findings with Questioned Costs  
FY15 - FY18**

5	Downey	No adequate evidence that funds were expended for transportation purposes	<ol style="list-style-type: none"> <li>1. \$20,293</li> <li>2. \$22,609</li> <li>3. \$21,431</li> </ol>	<ol style="list-style-type: none"> <li>1. FY16 – Payroll costs charged to MR are based on estimates rather than actuals therefore, costs may not be allowable.</li> <li>2. FY17 – Certain salaries charged are based on estimates rather than actuals therefore, costs may not be allowable.</li> <li>3. FY18 – Salary allocations were estimates. City completed cost allocation study which is under review by City management.</li> </ol>	<p>Suspension of disbursements for three (3) years. The suspended funds will be reallocated to Jurisdictions on a per capita basis.</p> <p>Jurisdiction will be required to reimburse its Local Return account.</p>
6	El Segundo	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> <li>1. \$7,214</li> <li>2. \$15,700</li> </ol>	<ol style="list-style-type: none"> <li>1. FY16 – Retroactive approval was granted on 12/30/16.</li> <li>2. FY18 – Retroactive approval was granted on 12/18/18.</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.
7	Maywood	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> <li>1. \$11,162</li> <li>2. \$25,741</li> </ol>	<ol style="list-style-type: none"> <li>1. FY17 – Retroactive approval granted on 12/13/17.</li> <li>2. FY18 – Retroactive approval granted on 12/21/18.</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.
8	Monterey Park	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> <li>1. \$12,491</li> <li>2. \$6,792</li> </ol>	<ol style="list-style-type: none"> <li>1. FY15 – Retroactive approval granted on 10/6/15.</li> <li>2. FY17 – Retroactive approval granted on 11/17/17.</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.
9	Redondo Beach	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> <li>1. \$3,851</li> <li>2. \$34,375</li> </ol>	<ol style="list-style-type: none"> <li>1. FY16 – Retroactive approval granted on 12/16/16.</li> <li>2. FY18 – Retroactive approval granted on 10/15/18.</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.
10	South El Monte	No adequate evidence that funds were expended for transportation purposes	<ol style="list-style-type: none"> <li>1. \$14,798</li> <li>2. \$4,015</li> </ol>	<ol style="list-style-type: none"> <li>1. FY15 – City Council will approve a resolution authorizing specific authorization of approval for the City Manager as it pertains to the expenditures of MR funds.</li> <li>2. FY16 – Payments made under MRLRF lacked proper supporting documentation and/or written authorization. Funds were returned to Cities MR account in FY17.</li> </ol>	<p>Suspension of disbursements for three (3) years. The suspended funds will be reallocated to Jurisdictions on a per capita basis.</p> <p>Jurisdiction will be required to reimburse its Local Return account.</p>



**Summary of Repeat Compliance Findings with Questioned Costs  
FY15 - FY18**

11	South El Monte	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> <li>1. \$3,064</li> <li>2. \$4,960</li> </ol>	<ol style="list-style-type: none"> <li>1. FY15 – Resolved. Retroactive approval was granted on 10/15/15.</li> <li>2. FY16 – Resolved. Retroactive approval was granted on 12/22/16.</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.
12	Whittier	Funds were expended without LACMTA's approval.	<ol style="list-style-type: none"> <li>1. \$114</li> <li>2. \$4,457</li> <li>3. \$59,052</li> </ol>	<ol style="list-style-type: none"> <li>1. FY15 – Resolved. Retroactive approval was granted on 12/14/15.</li> <li>2. FY16 – Resolved. Retroactive approval was granted on 9/29/16.</li> <li>3. FY17 – Retroactive approval was granted on 12/12/17</li> </ol>	Jurisdiction will be required to reimburse its Local Return account.

**Summary of Repeat Compliance Findings without Questioned Costs  
FY15 – FY18**

	<b>Responsible Cities</b>	<b>Finding</b>	<b>Questioned Costs</b>	<b>Status / Corrective Action</b>	<b>Possible Penalty</b>
1	Artesia	Form Two (Expenditure Report) was not submitted timely.	\$0	City was late in FY16 and FY17.	Audit exception
2	Bell	Form One (Expenditure Plan) was not submitted timely.	\$0	City was late in FY17 and FY18.	Audit exception
3	Compton	Form Two (Expenditure Report) was not submitted timely.	\$0	City was late in FY 16 and FY17.	Audit exception
4	Compton	Form One (Expenditure Plan) was not submitted timely.	\$0	City was late in FY16 and FY17.	Audit exception
5	Culver City	Form One (Expenditure Plan) was not submitted timely.	\$0	City was late in FY17 and FY18.	Audit exception
6	Palos Verdes Estates	Form One (Expenditure Plan) was not submitted timely.	\$0	City was late in FY17 and FY18.	Audit exception
7	San Marino	Form One (Expenditure Plan) was not submitted timely.	\$0	City was late in FY17 and FY18.	Audit exception

**Fiscal Year 2015 Summary of Compliance Findings**

	<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities</b>	<b>Questioned Costs</b>	<b>Status / Corrective Action</b>	<b>Possible Penalty</b>
A	Funds were expended without LACMTA's approval.	8	1. Compton, \$798,683 2. Cudahy, \$710 3. La Verne, \$ 301,778 4. Lancaster, \$263,387 5. Monterey Park, \$12,491 6. San Fernando, \$23,254  7. South El Monte, \$3,064 8. Whittier, \$114	\$1,403,481	1. Subsequently approved on 11/24/15. 2. Subsequently approved on 10/07/15. 3. Subsequently approved on 12/15/15. 4. Subsequently approved on 12/14/15. 5. Subsequently approved on 10/06/15. 6. Subsequently approved \$14,159 on 12/15/15. The remaining \$9,095 was re-categorized to better reflect actual activity during the year. 7. Subsequently approved on 10/15/15. 8. Subsequently approved on 12/14/15.	Jurisdiction will be required to reimburse its Local Return account.
B	No adequate evidence that funds were expended for transportation purposes	4	1. Huntington Park, \$8,282 2. Lawndale, \$1,872  3. Rosemead, \$92 4. South El Monte, \$14,798	\$25,044	1. City prepared journal entry to correct the expenditures. 2. In October 2014 City implemented a timekeeping system to ensure time based on actual hours worked. 3. The City committed to reinforce procedures for tracking time adequately. 4. Expenses charged were not supported by properly executed contracts, or other official documentation. The City Council will approve a resolution authorizing specific authorization of approval for the City Manager as it pertains to the expenditures of MR funds.	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.  Jurisdiction will be required to reimburse its Local Return account.
C	Administrative expenditures claimed exceeded the 20% admin cap.	1	1. Huntington Park, \$63,034	\$63,034	1. Corrected by transferring the \$63,034 into its MR Local Return account on December 23, 2015.	Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.

### Fiscal Year 2015 Summary of Compliance Findings

	<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities</b>	<b>Questioned Costs</b>	<b>Status / Corrective Action</b>	<b>Possible Penalty</b>
D	Form One (Expenditure Plan) was not submitted timely.	2	1. Calabasas, 2. Hawaiian Gardens	\$0	1. Supervising staff now informed of deadlines to ensure timely submission of form. 2. City has hired a full time employee and trained others within the Finance Dept.	Audit exception
E	Form Two (Expenditure Report) was not submitted timely.	2	1. Hidden Hills, 2. Palos Verdes Estates	\$0	1. They will make an effort to file in a timely manner. 2. City will develop its remaining and new staff to ensure timeliness.	Audit exception
	<b>Total Findings and Questioned Costs</b>	<b>17</b>		<b>\$1,491,559</b>		

### Fiscal Year 2016 Summary of Compliance Findings

	Finding	# of Findings	Responsible Cities	Questioned Costs	Status/Corrective Action	Possible Penalty
A	No adequate evidence that funds were expended for transportation purposes	8	1. Compton, \$1,129,557 2. Downey, \$20,293 3. La Puente, \$30,950 4. Montebello, \$49,280 5. South El Monte, \$4,015 6. West Covina, \$0 7. West Covina, \$51,455 8. Whittier, \$0	\$1,285,550	1. Salaries and benefits not supported by timesheets, payroll registers, etc. 2. Cost allocation study completed by City is currently under review. 3. City reimbursed its MRLRF account. 4. City reimbursed its MRLRF account. 5. City reimbursed its MRLRF account on 2/9/17. Repeat finding from FY15. 6. City staff began the bank reconciliation process and subsequently received training and support to resolve the remaining variances. 7. The City has since taken steps to improve its reporting procedures however, returning the funds would be a hardship on the City. 8. City implemented written accounting policies and procedures.	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.  Jurisdiction will be required to reimburse its Local Return account.
B	Funds were expended without LACMTA's approval.	8	1. Bell Gardens, \$140,694 2. El Segundo, \$7,214 3. La Puente, \$5,836 4. Lynwood, \$1,079 5. Redondo Beach, \$3,851 6. Rosemead, \$5,443 7. South El Monte, \$4,960 8. Whittier, \$4,457	\$173,534	1. Retroactive approval was granted. 2. Retroactive approval was granted. 3. Retroactive approval was granted. 4. Retroactive approval was granted. 5. Retroactive approval was granted. 6. Retroactive approval was granted. 7. Retroactive approval was granted. Repeat finding from FY15. 8. Retroactive approval was granted. Repeat finding from FY15.	Jurisdiction will be required to reimburse its Local Return account.
C	Administrative expenditures claimed exceeded the 20% admin cap.	3	1. Bell Gardens, \$12,146 2. Carson, \$4,594 3. Rosemead, \$20,830	\$37,570	1. City reimbursed it MRLRF account. 2. City reimbursed it MRLRF account. 3. City reimbursed it MRLRF account.	Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.

### Fiscal Year 2016 Summary of Compliance Findings

	<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities</b>	<b>Questioned Costs</b>	<b>Status/Corrective Action</b>	<b>Possible Penalty</b>
D	Form One (Expenditure Plan) was not submitted timely.	3	1. Compton, 2. El Segundo, 3. Irwindale	\$0	1. City subsequently submitted form. 2. City subsequently submitted form. 3. City subsequently submitted form.	Audit exception
E	Form Two (Expenditure Report) was not submitted timely.	6	1. Artesia, 2. Compton, 3. El Segundo, 4. Hawaiian Gardens, 5. Lynwood, 6. South El Monte	\$0	1. City will establish a procedure to meet the deadline. 2. City will establish a procedure to meet the deadline. 3. City subsequently submitted form. 4. City subsequently submitted form. 5. City subsequently submitted form. 6. City subsequently submitted form.	Audit exception
F	Recreational Transit form was not submitted timely.	1	1. Calabasas	\$0	1. City subsequently submitted form.	Audit exception
	<b>Total Findings and Questioned Costs</b>	<b>29</b>		<b>\$1,496,654</b>		

### Fiscal Year 2017 Summary of Compliance Findings

	Finding	# of Findings	Responsible Cities	Questioned Costs	Status/Corrective Action	Possible Penalty
A	No adequate evidence that funds were expended for transportation purposes	4	1. Compton, \$0 2. Cudahy, \$8,945 3. Downey, \$22,609 4. Lakewood, \$6,197	\$37,751	1. City will revise/reclassify the administrative expenditures to the correct project code. . 2. City reimbursed its MRLRF account. City will reach an agreement with Metro on the acceptable methodology to allocate expenses in next FY. 3. Cost allocation study completed by City is currently under review. Repeat finding from FY16. 4. City reimbursed its MRLRF account.	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.  Jurisdiction will be required to reimburse its Local Return account.
B	Funds were expended without LACMTA's approval.	10	1. Bell, \$36,280 2. Gardena, \$4,221 3. La Cañada, \$13,260 4. Maywood, \$11,162 5. Monterey Park, \$6,792 6. Palmdale, \$1,906,020 7. Rancho Palos Verdes, \$169,952 8. Rolling Hills Estates, \$101,536 9. South Gate, \$16,341 10. Whittier, \$59,052	\$2,324,616	1. Retroactive approval granted on 12/20/17. Repeat finding from FY14. 2. Retroactive approval granted on 12/18/17. 3. Retroactive approval granted on 10/5/17. 4. Retroactive approval granted on 12/13/17. 5. Retroactive approval granted on 11/17/17. Repeat finding from FY15. 6. Retroactive approval granted on 10/27/17. 7. Retroactive approval granted on 12/11/17. 8. Retroactive approval granted on 11/27/17. 9. Retroactive approval granted on 12/19/17. 10. Retroactive approval granted on 12/12/17. Repeat finding from FY15 and FY16.	Jurisdiction will be required to reimburse its Local Return account.
C	Timely use of funds.	1	1. Bradbury, \$3,990	\$3,990	1. City was granted an extension on the usage of the lapsed funds until 6/30/2018. However, since funds were not used by 06/30/2018 the City is required to return funds to Metro.	Lapsed funds will be returned to LACMTA for reallocation to Jurisdictions on a population basis.

## Fiscal Year 2017 Summary of Compliance Findings

	Finding	# of Findings	Responsible Cities	Questioned Costs	Status/Corrective Action	Possible Penalty
D	Form One (Expenditure Plan) was not submitted timely.	15	1. Agoura Hills, 2. Avalon, 3. Baldwin Park,  4. Bradbury, 5. Bell,  6. Compton,  7. Culver City, 8. El Monte, 9. Palos Verdes Estates, 10. Pomona, 11. San Marino, 12. South El Monte, 13. South Pasadena, 14. Temple City,  15. West Hollywood	\$0	1. City subsequently submitted form. 2. City subsequently submitted form. 3. City subsequently submitted form. Repeat finding from FY14. 4. City subsequently submitted form. 5. City subsequently submitted form. Repeat finding from FY14. 6. City subsequently submitted form. Repeat finding from FY16. 7. City subsequently submitted form. 8. City subsequently submitted form. 9. City subsequently submitted form. 10. City subsequently submitted form. 11. City subsequently submitted form. 12. City subsequently submitted form. 13. City subsequently submitted form. 14. City subsequently submitted form. Repeat finding from FY14. 15. City subsequently submitted form.	Audit exception
E	Form Two (Expenditure Report) was not submitted timely.	2	1. Artesia, 2. Compton	\$0	1. City subsequently submitted form. Repeat finding from FY16. 2. City subsequently submitted form. Repeat finding from FY14 and FY16.	Audit exception
	<b>Total Findings and Questioned Costs</b>	<b>32</b>		<b>\$2,366,357</b>		



### Fiscal Year 2018 Summary of Compliance Findings

	Finding	# of Findings	Responsible Cities	Questioned Costs	Status/Corrective Action	Possible Penalty
A	No adequate evidence that funds were expended for transportation purposes	3	1. Compton, \$92,210  2. Compton, \$120,520  3. Downey, \$21,431	\$234,161	1. City was not able to provide timesheets, payroll registers, labor distribution reports and other related supporting documentation. Therefore, auditors could not verify that salaries and benefits claimed are allowable. Repeat finding from FY16. 2. City charged general liability insurance costs to fund administration account. Analysis to support and substantiate reasonableness was not performed. 3. Cost allocation study completed by City is currently under review. Repeat finding from FY16 and FY17.	Suspension of disbursements for 3 yrs. The suspended funds will be reallocated to Jurisdictions on a per capita basis.  Jurisdiction will be required to reimburse its Local Return account.
B	Funds were expended without LACMTA's approval.	11	1. Azusa, \$1,090,438 2. Bell, \$10,605  3. Calabasas, \$306,113 4. Compton, \$540,770  5. El Segundo, \$15,700  6. Huntington Park, \$38,527 7. La Mirada, \$663 8. Maywood, \$25,741  9. Monrovia, \$220,990 10. Pomona, \$106,803 11. Redondo Beach, \$34,375	\$2,390,725	1. Retroactive approval granted on 12/20/18. 2. Retroactive approval granted on 10/04/18. Repeat finding from FY17. 3. Retroactive approval granted on 10/25/18. 4. Retroactive approval granted on 12/20/18. Repeat finding from FY15. 5. Retroactive approval granted on 12/18/18. Repeat finding from FY16. 6. Retroactive approval granted on 12/20/18.  7. Retroactive approval granted on 10/4/18. 8. Retroactive approval granted on 12/21/18. Repeat finding from FY17. 9. Retroactive approval granted on 8/28/18. 10. Retroactive approval granted on 12/20/18. 11. Retroactive approval granted on 10/15/18.	Jurisdiction will be required to reimburse its Local Return account.
C	Timely use of funds.	3	1. Bradbury, \$13,361  2. Glendale, \$235,994  3. Rancho Palos Verdes, \$805,649	\$1,055,004	1. City was granted an extension on the usage of the lapsed funds of \$9,371 until 06/30/19. City will be required to return \$3,990 to Metro. Repeat finding from FY17. 2. City was granted an extension on the usage of the lapsed funds until 06/30/19. 3. City was granted an extension on the usage of the lapsed funds until 06/30/19.	Lapsed funds will be returned to LACMTA for reallocation to Jurisdictions on a population basis.

### Fiscal Year 2018 Summary of Compliance Findings

	<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities</b>	<b>Questioned Costs</b>	<b>Status/Corrective Action</b>	<b>Possible Penalty</b>
D	Administrative expenditures claimed exceeded the 20% admin cap.	1	1. Compton, \$130,720	Amount included in finding above	1. City should reimburse its MRLRF account.	Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.
E	Accounting procedures, record keeping and documentation are adequate.	1	1. Maywood, \$309,679	\$309,679	1. Metro Project Manager is working with the City to reprocore the services.	Suspension of disbursements until compliance
F	Form One (Expenditure Plan) was not submitted timely.	8	1. Bell, 2. Culver City, 3. La Verne, 4. Palos Verdes Estates, 5. San Dimas, 6. San Marino, 7. Santa Fe Springs, 8. Westlake Village	\$0	1. City subsequently submitted form. Repeat finding from FY17. 2. City subsequently submitted form. Repeat finding from FY17. 3. City subsequently submitted form. 4. City subsequently submitted form. 5. City subsequently submitted form. 6. City subsequently submitted form. Repeat finding from FY17. 7. City subsequently submitted form. 8. City subsequently submitted form.	Audit exception
G	Form Two (Expenditure Report) was not submitted timely.	1	1. Pico Rivera	\$0	1. City subsequently submitted form.	Audit exception
	<b>Total Findings and Questioned Costs</b>	<b>28</b>		<b>\$3,989,569</b>		

**Measure R Local Return Non-Compliance Penalties**

<b>Audit Area</b>	<b>Non-Compliance Penalty (for failure to comply with Audit Area)</b>
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 <sup>st</sup> at the beginning of the new fiscal year.	Audit exception
Verification that the Annual Expenditure Report was submitted on or before October 15 <sup>th</sup> 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