



## Board Report

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Agenda Number: 14

### FINANCE, BUDGET AND AUDIT COMMITTEE JULY 19, 2017

**SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2016**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the Consolidated Audit financial and compliance audit reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson, CPA's (Simpson & Simpson) for the Fiscal Year ending June 30, 2016.

#### **ISSUE**

As the Regional Transportation Planner for Los Angeles County, we are responsible for planning, programming and allocating transportation funding to Los Angeles County jurisdictions, transit operators and other transportation programs. We have the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Authority (FTA) guidelines.

The Consolidated Audit process includes financial and compliance audits of the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
  - Proposition A Local Return
  - Proposition C Local Return
  - Measure R Local Return
  - Transit Development Act (TDA) Article 3 and Article 8 Programs
  - Proposition A Discretionary Incentive Program
- Transit System Funds to Commerce, Redondo Beach, Torrance
  - Transit Development Act (TDA) Article 4
  - State Transit Assistance (STA)
  - Proposition A 95% of 40% Discretionary
  - Proposition C 5% Security
  - Proposition C 40% Discretionary
  - Proposition 1B Funds
  - Measure R 20% Bus Operations and Clean Fuel Bus Funds

- Proposition A 40% Discretionary - Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena Transit System Operators
- Fare Subsidies Programs
  - Immediate Needs Transportation Program (INTP)
  - Rider Relief Transportation Program (RRTP)
  - Support for Homeless Re-Entry (SHORE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT Operating Data (Proposition A Incentive Programs)

We allocate over \$400 million annually to these programs and distribute them to 88 cities in Los Angeles County, the County of Los Angeles and other agencies. Audits of these programs are needed to ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed Memorandums of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering these programs.

Vasquez and Simpson & Simpson performed the financial and compliance audits to assure management that recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration (FTA) guidelines. The audits were conducted in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Standards.

## **DISCUSSION**

### **Local Return**

Vasquez and Simpson & Simpson found that the Cities and County, with the exception of the City of Compton, complied in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2016. The Measure R Local Return audit results were presented to the Measure R Independent Taxpayer Oversight Committee (MRITOC) on March 6, 2017. A Public Hearing for MRITOC was also conducted to receive public input on April 26, 2017.

The auditors found that the cities and Los Angeles County generally complied with the requirements applicable to the Proposition A and C and Measure R Local Return Guidelines, with the exception of the City of Compton due to materiality of the questioned costs. The auditors found 62 and 29 instances of non-compliance for Proposition A and C and Measure R, respectively. Questioned costs totaling \$1.7 million, \$5.2 million, and \$1.5 million for Proposition A, Proposition C and Measure R, respectively represent approximately 1%, 3% and 1% of each total fund reviewed. The Local Return Program Manager is working with the cities to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

### **Non-Local Return**

The auditors found that schedules/financial statements for the various programs included in the

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Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; two findings for Metrolink program, five findings for the TDA Article 3 program, one finding for the TDA Article 8 program and seven for the EZ Transit Pass Program, all of which were resolved during the audit. Four compliance findings were also identified for the INTP (2), and RRTP (1) programs. Four findings on internal controls over financial reporting for the Access Services were also identified. Metro Program Managers are working with the funds recipients to resolve the findings. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

Due to the considerable size of the documents, we have attached the Report on Compliance with Requirements Applicable to Proposition A and C and Measure R Ordinances and Proposition A and C and Measure R Local Return Guidelines by each of the firms (Attachment A through D). As a savings measure the remaining Consolidated Audit reports can be accessed online.

For the audit reports issued by Vasquez, please visit:

[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0444/Final%20reports%20-%20Vasquez/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0444/Final%20reports%20-%20Vasquez/)

For the audit reports issued by Simpson & Simpson, please visit:

[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0444/Final%20reports%20-%20Simpson%20and%20Simpson/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0444/Final%20reports%20-%20Simpson%20and%20Simpson/)

## **ATTACHMENTS**

- A. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Vasquez)
- B. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Simpson & Simpson)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson & Simpson)

### **..Prepared\_by**

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Phillip A. Washington  
Chief Executive Officer



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
WITH THE REQUIREMENTS APPLICABLE TO  
PROPOSITION A AND PROPOSITION C ORDINANCES AND  
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
WITH THE REQUIREMENTS APPLICABLE TO  
PROPOSITION A AND PROPOSITION C ORDINANCES AND  
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH THE REQUIREMENTS  
APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND  
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

**To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority  
and Proposition A and Proposition C Oversight Committee**

**Report on Compliance**

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in Schedule 1, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by LACMTA and the County and the respective Cities for the year ended June 30, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on the County's and each City's compliance with the Guidelines and 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 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 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 Proposition A and Proposition C Local Return programs occurred. An audit includes examining, on a test basis, evidence about the County and each City's compliance with the Guidelines and the 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 the County and each City's compliance with the Guidelines and the Requirements.





## **Opinion**

In our opinion, except for the City of Compton, as described in Schedule 2 as Findings #2016-011 and #2016-012, the County and the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Proposition A and Proposition C Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-029. Our opinion is not modified with respect to these matters.

The Cities' responses 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 the County and each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and the Requirements referred to above. In planning and performing our audits of compliance, we considered the County and each City's internal control over compliance with the Guidelines and the Requirements that could have a direct and material effect on the Proposition A and Proposition C Local Return programs 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 Guidelines and 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 the County and each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 Guidelines and the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and the Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-005, #2016-008, #2016-011, #2016-012, #2016-014, #2016-015, #2016-020, #2016-021, #2016-022 and #2016-028, to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and 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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-002, #2016-004 and #2016-023, to be significant deficiencies.

The Cities' responses to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). 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.

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 of the Guidelines and the Requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaqueria &amp; Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California  
December 29, 2016

**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year ended June 30, 2016**

The audits of the County of Los Angeles and the 39 cities identified in Schedule 1 have resulted in 29 findings. The table below shows a summary of the findings:

| Finding   | # of Findings | Responsible Cities/<br>Finding No. Reference  | Questioned Costs                                       |  | Resolved During the Audit                                |
|---|---------------|---|--|--|--|
|   |               |   | PALRF  | PCLRF  |  |
| Funds were expended without LACMTA's approval.  | 2             | Bell Gardens (Finding #2016-005)<br>Compton (Finding #2016-011)   | \$ -<br>47,117   | \$ 674,527<br>-  | \$ 674,527<br>-  |
| Total annual expenditures exceeded more than 25% of the approved budget.  | 6             | Agoura Hills (Finding #2016-001)<br>Baldwin Park (Finding #2016-002)<br>Bell Gardens (Finding #2016-006)<br>Hawthorne (Finding #2016-013)<br>Huntington Park (Finding #2016-014)<br>South Gate (Finding #2016-029)  | -<br>17,026<br>87,521<br>588<br>-<br>2,925             | 5,711<br>-<br>-<br>-<br>30,659<br>32,394                                 | 5,711<br>17,026<br>87,521<br>588<br>30,659<br>35,319     |
| Administrative expenses exceeded the 20% cap.   | 3             | Bell Gardens (Finding #2016-007)<br>Huntington Park (Finding #2016-015)<br>La Puente (Finding #2016-017)  | -<br>-<br>6,353  | 48,325<br>5,081<br>-   | 48,325<br>5,081<br>6,353                                 |
| On-going and carryover projects were not reported in Form B.  | 1             | Rosemead (Finding #2016-024)  | -  | 7,517  | 7,517  |
| Annual Project Summary Report (Form B) was not submitted on time.   | 1             | Irwindale (Finding #2016-016)   | None   | None   | None   |
| Annual Expenditure Report (Form C) was not submitted on time.   | 1             | South El Monte (Finding #2016-027)  | None   | None   | None   |
| No adequate evidence that funds were expended for transportation purposes.  | 8             | Bell Gardens (Finding #2016-008)<br>Compton (Finding #2016-012)<br>La Puente (Finding #2016-018)<br>Maywood (Finding #2016-020)<br>Maywood (Finding #2016-021)<br>Montebello (Finding #2016-022)<br>Monterey Park (Finding #2016-023)<br>South El Monte (Finding #2016-028) | 123,021<br>119,606<br>-<br>-<br>-<br>-<br>100,000<br>- | 184,313<br>703,774<br>96,424<br>13,416<br>64,214<br>50,000<br>-<br>9,302 | -<br>-<br>96,424<br>13,416<br>64,214<br>50,000<br>-<br>- |
| Recreational trips costs were claimed for trips to locations not within the eligible recreation service area map. | 1             | Baldwin Park (Finding #2016-003)  | 7,309  | -  | 7,309  |
| Recreational Transit form was not submitted on time.  | 6             | Baldwin Park (Finding #2016-004)<br>Bell Gardens (Finding #2016-009)<br>Calabasas (Finding #2016-010)<br>Lynwood (Finding #2016-019)<br>San Fernando (Finding #2016-025)<br>Santa Monica (Finding #2016-026)  | None<br>None<br>None<br>None<br>None<br>None           | None<br>None<br>None<br>None<br>None<br>None                             | None<br>None<br>None<br>None<br>None<br>None             |
| <b>Total Findings and Questioned Costs</b>  | <b>29</b>     |   | <b>\$ 511,466</b>                                      | <b>\$ 1,925,657</b>  | <b>\$ 1,149,990</b>                                      |

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016**

| <b>Compliance Area Tested</b>   | <b>Agoura Hills</b>   | <b>Azusa</b>   | <b>Baldwin Park</b>    |
|---|-----------------------|----------------|------------------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                       |                |                        |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant      | Compliant              |
| Timely use of funds.  | Compliant             | Compliant      | Compliant              |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant      | Compliant              |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | See Finding #2016-001 | Compliant      | See Finding #2016-002  |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant      | Compliant              |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant      | Compliant              |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant      | Compliant              |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant      | Compliant              |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant      | Compliant              |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant             | Compliant      | See Findings #2016-003 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Not Applicable        | Compliant      | Compliant              |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable        | Compliant      | Not Applicable         |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable        | Not Applicable | Not Applicable         |
| Assurances and Understandings form was on file.   | Compliant             | Compliant      | Compliant              |
| Recreational Transit Form was submitted on time.  | Not Applicable        | Compliant      | See Findings #2016-004 |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested<br/>Proposition A and Proposition C Local Return Funds</b>                                  | <b>Bell</b>    | <b>Bell Gardens</b>   | <b>Beverly Hills</b> |
|---|----------------|-----------------------|----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant      | Compliant             | Compliant            |
| Timely use of funds.  | Compliant      | Compliant             | Compliant            |
| Funds expended were approved and have not been substituted for property tax.  | Compliant      | See Finding #2016-005 | Compliant            |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant      | See Finding #2016-006 | Compliant            |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant      | See Finding #2016-007 | Compliant            |
| All on-going and carryover projects were reported in Form B.  | Compliant      | Compliant             | Compliant            |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant      | Compliant             | Compliant            |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant      | Compliant             | Compliant            |
| Cash or cash equivalents are maintained.  | Compliant      | Compliant             | Compliant            |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant      | See Finding #2016-008 | Compliant            |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant      | Compliant             | Compliant            |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable | Not Applicable        | Not Applicable       |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable | Not Applicable        | Not Applicable       |
| Assurances and Understandings form was on file.   | Compliant      | Compliant             | Compliant            |
| Recreational Transit Form was submitted on time.  | Compliant      | See Finding #2016-009 | Not Applicable       |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Calabasas</b>      | <b>Carson</b>  | <b>Commerce</b> |
|---|-----------------------|----------------|-----------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                       |                |                 |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant      | Compliant       |
| Timely use of funds.  | Compliant             | Compliant      | Compliant       |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant      | Compliant       |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant             | Compliant      | Compliant       |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant      | Not Applicable  |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant      | Compliant       |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant      | Compliant       |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant      | Compliant       |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant      | Compliant       |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant             | Compliant      | Compliant       |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Not Applicable | Not Applicable  |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable        | Not Applicable | Not Applicable  |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable        | Not Applicable | Not Applicable  |
| Assurances and Understandings form was on file.   | Compliant             | Compliant      | Compliant       |
| Recreational Transit Form was submitted on time.  | See Finding #2016-010 | Not Applicable | Compliant       |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Compton</b>        | <b>Cudahy</b>  | <b>Culver City</b> |
|---|-----------------------|----------------|--------------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                       |                |                    |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant      | Compliant          |
| Timely use of funds.  | Compliant             | Compliant      | Compliant          |
| Funds expended were approved and have not been substituted for property tax.  | See Finding #2016-011 | Compliant      | Compliant          |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant             | Compliant      | Compliant          |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Not Applicable        | Compliant      | Compliant          |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant      | Compliant          |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant      | Compliant          |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant      | Compliant          |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant      | Compliant          |
| Accounting procedures, record keeping and documentation are adequate.   | See Finding #2016-012 | Compliant      | Compliant          |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant      | Not Applicable     |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable        | Not Applicable | Not Applicable     |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable        | Not Applicable | Not Applicable     |
| Assurances and Understandings form was on file.   | Compliant             | Compliant      | Compliant          |
| Recreational Transit Form was submitted on time.  | Compliant             | Compliant      | Compliant          |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>El Monte</b> | <b>Gardena</b> | <b>Hawthorne</b>      |
|---|-----------------|----------------|-----------------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                 |                |                       |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant       | Compliant      | Compliant             |
| Timely use of funds.  | Compliant       | Compliant      | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant       | Compliant      | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant       | Compliant      | See Finding #2016-013 |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant       | Compliant      | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant       | Compliant      | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant       | Compliant      | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant       | Compliant      | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant       | Compliant      | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant       | Compliant      | Compliant             |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant       | Compliant      | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable  | Not Applicable | Not Applicable        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable  | Not Applicable | Not Applicable        |
| Assurances and Understandings form was on file.   | Compliant       | Compliant      | Compliant             |
| Recreational Transit Form was submitted on time.  | Compliant       | Not Applicable | Not Applicable        |



**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested<br/>Proposition A and Proposition C Local Return Funds</b>                                  | <b>Hidden Hills</b> | <b>Huntington<br/>Park</b> | <b>Industry</b> |
|---|---------------------|----------------------------|-----------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant           | Compliant                  | Compliant       |
| Timely use of funds.  | Compliant           | Compliant                  | Compliant       |
| Funds expended were approved and have not been substituted for property tax.  | Compliant           | Compliant                  | Compliant       |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant           | See Finding #2016-014      | Compliant       |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant           | See Finding #2016-015      | Compliant       |
| All on-going and carryover projects were reported in Form B.  | Compliant           | Compliant                  | Compliant       |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant           | Compliant                  | Compliant       |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant           | Compliant                  | Compliant       |
| Cash or cash equivalents are maintained.  | Compliant           | Compliant                  | Compliant       |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant           | Compliant                  | Compliant       |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant           | Compliant                  | Compliant       |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable      | Not Applicable             | Not Applicable  |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable      | Not Applicable             | Not Applicable  |
| Assurances and Understandings form was on file.   | Compliant           | Compliant                  | Compliant       |
| Recreational Transit Form was submitted on time.  | Not Applicable      | Compliant                  | Not Applicable  |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Inglewood</b> | <b>Irwindale</b>      | <b>La Puente</b>      |
|---|------------------|-----------------------|-----------------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                  |                       |                       |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant        | Compliant             | Compliant             |
| Timely use of funds.  | Compliant        | Compliant             | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant        | Compliant             | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant        | Compliant             | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant        | Not Applicable        | See Finding #2016-017 |
| All on-going and carryover projects were reported in Form B.  | Compliant        | Compliant             | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant        | See Finding #2016-016 | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant        | Compliant             | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant        | Compliant             | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant        | Compliant             | See Finding #2016-018 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant        | Not Applicable        | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable   | Not Applicable        | Not Applicable        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable   | Not Applicable        | Not Applicable        |
| Assurances and Understandings form was on file.   | Compliant        | Compliant             | Compliant             |
| Recreational Transit Form was submitted on time.  | Compliant        | Not Applicable        | Compliant             |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested<br/>Proposition A and Proposition C Local Return Funds</b>                                  | <b>Lawndale</b> | <b>Los Angeles<br/>County</b> | <b>Lynwood</b>        |
|---|-----------------|-------------------------------|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant       | Compliant                     | Compliant             |
| Timely use of funds.  | Compliant       | Compliant                     | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant       | Compliant                     | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant       | Compliant                     | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant       | Compliant                     | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant       | Compliant                     | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant       | Compliant                     | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant       | Compliant                     | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant       | Compliant                     | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant       | Compliant                     | Compliant             |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant       | Not Applicable                | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable  | Not Applicable                | Not Applicable        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable  | Not Applicable                | Not Applicable        |
| Assurances and Understandings form was on file.   | Compliant       | Compliant                     | Compliant             |
| Recreational Transit Form was submitted on time.  | Not Applicable  | Compliant                     | See Finding #2016-019 |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Malibu</b>  | <b>Maywood</b>                       | <b>Montebello</b>     |
|---|----------------|--------------------------------------|-----------------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                |                                      |                       |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant      | Compliant                            | Compliant             |
| Timely use of funds.  | Compliant      | Compliant                            | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant      | Compliant                            | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant      | Compliant                            | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant      | Compliant                            | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant      | Compliant                            | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant      | Compliant                            | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant      | Compliant                            | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant      | Compliant                            | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant      | See Findings #2016-020 and #2016-021 | See Finding #2016-022 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant      | Not Applicable                       | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable | Not Applicable                       | Not Applicable        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable | Not Applicable                       | Not Applicable        |
| Assurances and Understandings form was on file.   | Compliant      | Compliant                            | Compliant             |
| Recreational Transit Form was submitted on time.  | Compliant      | Not Applicable                       | Compliant             |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Monterey Park</b>  | <b>Pico Rivera</b> | <b>Pomona</b>  |
|---|-----------------------|--------------------|----------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                       |                    |                |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant          | Compliant      |
| Timely use of funds.  | Compliant             | Compliant          | Compliant      |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant          | Compliant      |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant             | Compliant          | Compliant      |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant          | Compliant      |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant          | Compliant      |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant          | Compliant      |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant          | Compliant      |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant          | Compliant      |
| Accounting procedures, record keeping and documentation are adequate.   | See Finding #2016-023 | Compliant          | Compliant      |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant          | Compliant      |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable        | Not Applicable     | Compliant      |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable        | Not Applicable     | Not Applicable |
| Assurances and Understandings form was on file.   | Compliant             | Compliant          | Compliant      |
| Recreational Transit Form was submitted on time.  | Compliant             | Not Applicable     | Compliant      |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Rosemead</b>       | <b>San Fernando</b>   | <b>Santa Monica</b>   |
|---|-----------------------|-----------------------|-----------------------|
| <b>Proposition A and Proposition C Local Return Funds</b>   |                       |                       |                       |
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant             | Compliant             |
| Timely use of funds.  | Compliant             | Compliant             | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant             | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant             | Compliant             | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant             | Compliant             |
| All on-going and carryover projects were reported in Form B.  | See Finding #2016-024 | Compliant             | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant             | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant             | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant             | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant             | Compliant             | Compliant             |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant             | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable        | Not Applicable        | Not Applicable        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable        | Not Applicable        | Not Applicable        |
| Assurances and Understandings form was on file.   | Compliant             | Compliant             | Compliant             |
| Recreational Transit Form was submitted on time.  | Compliant             | See Finding #2016-025 | See Finding #2016-026 |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested<br/>Proposition A and Proposition C Local Return Funds</b>                                  | <b>Santa Fe<br/>Springs</b> | <b>South<br/>El Monte</b> | <b>South Gate</b>     |
|---|-----------------------------|---------------------------|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant                   | Compliant                 | Compliant             |
| Timely use of funds.  | Compliant                   | Compliant                 | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant                   | Compliant                 | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant                   | Compliant                 | See Finding #2016-029 |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant                   | Compliant                 | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant                   | Compliant                 | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant                   | Compliant                 | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant                   | See Finding #2016-027     | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant                   | Compliant                 | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant                   | See Finding #2016-028     | Compliant             |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Not Applicable              | Compliant                 | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable              | Not Applicable            | Not Applicable        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable              | Not Applicable            | Not Applicable        |
| Assurances and Understandings form was on file.   | Compliant                   | Compliant                 | Compliant             |
| Recreational Transit Form was submitted on time.  | Compliant                   | Compliant                 | Not Applicable        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested<br/>Proposition A and Proposition C Local Return Funds</b>                                  | <b>Vernon</b>  | <b>Walnut</b>  | <b>West<br/>Hollywood</b> |
|---|----------------|----------------|---------------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant      | Compliant      | Compliant                 |
| Timely use of funds.  | Compliant      | Compliant      | Compliant                 |
| Funds expended were approved and have not been substituted for property tax.  | Compliant      | Compliant      | Compliant                 |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant      | Compliant      | Compliant                 |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant      | Compliant      | Compliant                 |
| All on-going and carryover projects were reported in Form B.  | Compliant      | Compliant      | Compliant                 |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant      | Compliant      | Compliant                 |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant      | Compliant      | Compliant                 |
| Cash or cash equivalents are maintained.  | Compliant      | Compliant      | Compliant                 |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant      | Compliant      | Compliant                 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Not Applicable | Compliant      | Compliant                 |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable | Not Applicable | Not Applicable            |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable | Not Applicable | Not Applicable            |
| Assurances and Understandings form was on file.   | Compliant      | Compliant      | Compliant                 |
| Recreational Transit Form was submitted on time.  | Not Applicable | Compliant      | Compliant                 |



**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and Proposition C Audit Results  
Fiscal Year ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested<br/>Proposition A and Proposition C Local Return Funds</b>                                  | <b>Westlake<br/>Village</b> |
|---|-----------------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant                   |
| Timely use of funds.  | Compliant                   |
| Funds expended were approved and have not been substituted for property tax.  | Compliant                   |
| Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).    | Compliant                   |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Not Applicable              |
| All on-going and carryover projects were reported in Form B.  | Compliant                   |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant                   |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant                   |
| Cash or cash equivalents are maintained.  | Compliant                   |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant                   |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Not Applicable              |
| Local Return Account is credited for reimbursable expenditures.   | Not Applicable              |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Not Applicable              |
| Assurances and Understandings form was on file.   | Compliant                   |
| Recreational Transit Form was submitted on time.  | Not Applicable              |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year ended June 30, 2016**

|   |   |
|---|---|
| <b>PCLRF Finding #2016-001</b>            | <b>City of Agoura Hills</b>   |
| <b>Compliance Reference</b>               | Section 1(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects." |
| <b>Condition</b>                          | <p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PCLRF's Project code 400-02, Traffic Signal Sync – Management/Maintenance. Amount in excess of 25% of the approved budget was \$5,711.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>   |
| <b>Cause</b>                              | The City experienced unanticipated expenditures associated with the Traffic Signal Sync project which resulted in the exceedance of the LACMTA approved budget.   |
| <b>Effect</b>                             | The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.  |
| <b>Recommendation</b>                     | We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.  |
| <b>Management's Response</b>              | <p>The City Management has spoken with the responsible Department to keep the Administrator advised so proper approval and Form A's can be submitted to LACMTA.</p> <p>Executive Management and the LACMTA Administrator will continually review the expenditures throughout the fiscal year, and work with Department Heads to monitor and ensure expenditures remain within budget.</p> <p>Management did submit the appropriate Form A and received approval from LACMTA for the revised budget on October 27, 2016.</p>   |
| <b>Finding Corrected During the Audit</b> | The City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

|   |   |
|---|---|
| <b>PALRF Finding #2016-002</b>            | <b>City of Baldwin Park</b>   |
| <b>Compliance Reference</b>               | Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects." |
| <b>Condition</b>                          | <p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PALRF's Project code 480-02, Prop A Administration. Amount in excess of 25% of the approved budget was \$17,026.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>This is a repeat finding in FY 2014/15 audit.</p>  |
| <b>Cause</b>                              | The City noted increases in two of its local return projects expenditure, but did not submit an amended Form A to LACMTA on time.   |
| <b>Effect</b>                             | The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.  |
| <b>Recommendation</b>                     | We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement controls to ensure compliance with this requirement at all times.   |
| <b>Management's Response</b>              | Finance Department will assign a staff to monitor compliance with expenditure guidelines and reporting deadlines and assist the City's LACMTA Coordinator to ensure required forms are submitted on time, including any amended forms and budgets.  |
| <b>Finding Corrected During the Audit</b> | On December 19, 2016, the City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year ended June 30, 2016  
(Continued)**

|   |   |
|---|---|
| <b>PALRF Finding #2016-003</b>            | <b>City of Baldwin Park</b>   |
| <b>Compliance Reference</b>               | Under Section II (A)(1)(1.3) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year. Recreational Transit Service projects must meet the following conditions:<br><br>Travel within the area of Los Angeles, Orange and Ventura Counties, and portions of Kern, Riverside and San Bernardino Counties are eligible expenditures. Trip segments to areas shown on the proportionately eligible areas of the map must be funded through other sources. Trips to locations not within either the eligible or proportionately eligible area are not eligible. |
| <b>Condition</b>                          | The City claimed the full recreational trip costs to Las Vegas, NV, which is clearly outside the recreational service area map. The cost of the trips that was not eligible for PALRF funding amounts to \$7,309.   |
| <b>Cause</b>                              | The Associate Engineer, who is also the LACMTA Coordinator, was not able to fully perform his due diligence review on the list of recreational trips report.  |
| <b>Effect</b>                             | The City was not in compliance with the use of the local return funds under the Local Return Guidelines.  |
| <b>Recommendation</b>                     | We recommend for the City to reimburse the PALRF account the amount of \$7,309. We also recommend for the City to establish procedures and controls to ensure that the location of the recreational trips are within the service area map as prescribed in the Guidelines. If trips are outside the eligible areas, the City should only claim the portion that is proportionately eligible for local return funding.   |
| <b>Management's Response</b>              | The City, through its LACMTA Coordinator, will issue a memo to the Program Coordinator and Recreation Department to remind them regarding the Recreational Transit eligible trip destinations and allowed expenditures. Finance Department will assist the LACMTA Coordinator in reviewing the Recreational Transit report prior to submission to LACMTA.   |
| <b>Finding Corrected During the Audit</b> | The City has reimbursed the City's PALRF account the amount of \$7,309 in FY 2016/17. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

|                                |  |
|--------------------------------|--|
| <b>PALRF Finding #2016-004</b> | <b>City of Baldwin Park</b>  |
| <b>Compliance Reference</b>    | Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.   |
| <b>Condition</b>               | The Recreational Transit report was submitted on November 14, 2016, which is beyond the due date of October 15, 2016.<br><br>This is a repeat finding in FY 2014/15 audit.   |
| <b>Cause</b>                   | With the resignation of the former Public Works Director in July 2016, the Engineering Manager assumed the function of the Director position and the LACMTA Coordinator and Associate Engineer, partly assumed the Engineering Manager function as well. The Engineering Manager forgot to forward the Recreational Transit report that was sent to him by the Program Coordinator prior to the October 15 deadline. |
| <b>Effect</b>                  | The City was not in compliance with the reporting requirements of the Local Return Guidelines.   |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>   | Although the Recreational Transit report was timely prepared, staff forgot to forward the report to LACMTA before the deadline. Finance Department will assign a staff to monitor compliance with reporting deadlines and assist the City's LACMTA coordinator in ensuring that the required forms and reports are submitted within the deadline in the future.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

|   |   |
|---|---|
| <b>PCLRF Finding #2016-005</b>            | <b>City of Bell Gardens</b>   |
| <b>Compliance Reference</b>               | Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."                          |
| <b>Condition</b>                          | <p>The City claimed expenditures under the following PCLRF projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> <li>a. Project code 110-05, Fixed Route Transit, totaling \$480,714;</li> <li>b. Project code 270-01, Garfield and Clara Safety Improvements, totaling \$9,500; and</li> <li>c. Project 480-01, Direct Administration, totaling \$184,313.</li> </ul> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p> |
| <b>Cause</b>                              | The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.  |
| <b>Effect</b>                             | Proposition C funds of \$674,527 were expended towards project expenditures without prior approval by the LACMTA.   |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.   |
| <b>Management's Response</b>              | The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA and prior approval is received prior to the expenditure of funds.   |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted a retroactive approval of the said projects on October 14, 2016 and December 22, 2016.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

|   |   |
|---|---|
| <b>PALRF Finding #2016-006</b>            | <b>City of Bell Gardens</b>   |
| <b>Compliance Reference</b>               | Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects." |
| <b>Condition</b>                          | <p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PALRF's project code 480-01, Direct Administration. Amount in excess of 25% of the approved budget was \$87,521.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>   |
| <b>Cause</b>                              | The City concurs with the finding that an amended Project Form A should have been submitted for approval for the projects that would exceed 25% of the approved budget. The finding was caused by an oversight by City staff.   |
| <b>Effect</b>                             | The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines. This may result in the City's return of the funds to LACMTA.   |
| <b>Recommendation</b>                     | We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.  |
| <b>Management's Response</b>              | The City is going to reevaluate the processes that are in place to ensure amended forms are submitted to LACMTA for projects that will exceed 25% of the approved budget.   |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted a retroactive approval on the amended budget for these projects on December 22, 2016.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-007</b>            | <b>City of Bell Gardens</b>  |
| <b>Compliance Reference</b>               | Proposition A and Proposition C Local Return Guidelines Section II(A)(15) states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on the year-end expenditures, and will be subject to an audit finding if the amount exceeds 20 percent". |
| <b>Condition</b>                          | The City's administration expenditures exceeded more than 20 percent of its PCLRF total annual local return expenditures by \$48,325.  |
| <b>Cause</b>                              | The City is aware of the 20% limit of actual expenditures on Direct Administration. However, budgeted project expenditures were lower than expected which reduced the threshold for allowable administrative costs.  |
| <b>Effect</b>                             | Administrative expenses exceeded over 20% of the total annual local return expenditures. The City is required to return the questioned cost of \$48,325 to the PCLRF account.  |
| <b>Recommendation</b>                     | We recommend for the City to reimburse the questioned cost of \$48,325 to the PCLRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.                     |
| <b>Management's Response</b>              | The City has reimbursed PCLRF \$48,325 for the excess amount of Direct Administration. A journal entry has been booked to transfers the funds from the City's General Fund, and a copy of the recorded journal entry has been provided to the auditors.  |
| <b>Finding Corrected During the Audit</b> | The City has reimbursed the City's PCLRF account the amount of \$48,325 in FY 2016/17. No follow up is required.   |



**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF and PCLRF Finding<br/>         #2016-008</b></p> | <p><b>City of Bell Gardens</b></p>   |
| <p><b>Compliance Reference</b></p>                           | <p>Proposition A and Proposition C Local Return Guidelines Section II states that, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> <li>2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).</li> </ol> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF and PCLRF Finding #2016-008 (continued)</b></p> | <p><b>City of Bell Gardens</b></p>  |
| <p><b>Compliance Reference</b></p>                          | <p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted annual audit kickoff workshops attended by representatives from the Jurisdictions. During these workshops, Auditors and LACMTA emphasized the importance of maintaining proper documentation that would support allowability of expenditures charged to local return funds including supports for payroll and administration charges.</p>  |
| <p><b>Condition</b></p>                                     | <p>The City charged payroll expenditures to project code 480-01, Direct Administration, for both PALRF and PCLRF funds. Indirect costs allocated amounting to \$123,021 under PALRF and \$184,313 under PCLRF were not supported by actual time charges, documented time study, or overhead cost allocation plan.</p>   |
| <p><b>Cause</b></p>   | <p>When the City contemplated the indirect costs charged to PALRF and PCLRF, the City was focused on ensuring compliance with the 20% limit along with establishing a system that distributed expenditures based on causal or beneficial relationships. This resulted in the reasonable allocation of salaries to Direct Administration. The salary allocation was based on the direct and indirect necessity of the individual to the success of transit related programs. These individuals include the City's finance director, accounting manager, human resources manager, personnel analyst, payroll analyst, accounts payable and receivable technicians, public works director, administrative specialist, and clerk typist. Without these individuals the programs would not be able to function. There are other individuals who are essential to the programs like the city manager, assistant city manager, city attorney and city council who are not allocated. Based on this process and application of the guidelines for PALRF and PCLRF, the City felt compliance was achieved, as the guidelines state:</p> <p>Direct Administration is defined as those fully burdened costs which are directly associated with administering Local Return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs...Expenditures must be reasonable and appropriate to the activities undertaken by the locality...The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures (Guidelines PALRF and PCLRF, p.12).</p> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF and PCLRF Finding<br/>#2016-008 (continued)</b> | <b>City of Bell Gardens</b>   |
| <b>Effect</b>  | The amount charged to PALRF and PCLRF may not reflect the most reasonable cost relating to these funds.   |
| <b>Recommendation</b>                                    | We recommend for the City to use the actual time charges to record the payroll costs incurred for the project pertaining to these funds.  |
| <b>Management's Response</b>                             | The auditors noted that the Direct Administration cost, which will include indirect costs, was not supported by actual time charges, documented time study, or overhead cost allocation plan. The City would appreciate additional direction from LACMTA in regards to achieving compliance to the noted compliance reference for this finding. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-009</b> | <b>City of Bell Gardens</b>   |
| <b>Compliance Reference</b>    | Section III(A) states that "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year." |
| <b>Condition</b>               | The Recreational Transit report was submitted on October 27, 2016, which is beyond the due date of October 15, 2016.  |
| <b>Cause</b>                   | The finding was caused by an oversight, as the form was submitted 12 days beyond the due date.  |
| <b>Effect</b>                  | The City was not in compliance with the reporting requirements of the Local Return Guidelines.  |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.  |
| <b>Management's Response</b>   | The City is going to reevaluate the processes to ensure forms are submitted on time.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year ended June 30, 2016  
(Continued)**

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| <b>PALRF Finding #2016-010</b> | <b>City of Calabasas</b>   |
| <b>Compliance Reference</b>    | Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year. |
| <b>Condition</b>               | The Recreational Transit report was submitted on December 8, 2016, which is beyond the due date of October 15, 2016.   |
| <b>Cause</b>                   | The City Staff inadvertently overlooked this paperwork that needed to be filed by the deadline of October 15, 2016.  |
| <b>Effect</b>                  | The City was not in compliance with the reporting requirements of the Local Return Guidelines.   |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>   | Going forward, it is in the City Staff calendar to file this document along with Form C and Form Two by the deadline of October 15.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-011</b> | <b>City of Compton</b>   |
| <b>Compliance Reference</b>    | Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects." |
| <b>Condition</b>               | The City claimed expenditures under the following PALRF projects with no prior approval from LACMTA.<br><br>d. Project code 440-28, Street Improvement and Maintenance, totaling \$6; and<br>e. Project code 480-10, Contractual Services Proposition C Support, totaling \$47,111   |
| <b>Cause</b>                   | The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.   |
| <b>Effect</b>                  | Proposition A funds of \$47,117 were expended towards project expenditures without prior approval by the LACMTA.   |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.  |
| <b>Management's Response</b>   | The City is in the process of evaluating the audit findings and gathering records to validate the local return fund expenditures. The City expects to complete its research in the next 30 days, upon which time an official response will be provided to LACMTA on February 17, 2017.   |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF and PCLRF Finding<br/>         #2016-012</b></p> | <p><b>City of Compton</b></p>  |
| <p><b>Compliance Reference</b></p>                           | <p>Proposition A and Proposition C Local Return Guidelines Section II states that, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> <li>2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).</li> </ol> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year ended June 30, 2016  
 (Continued)**

| <b>PALRF and PCLRF Finding #2016-012 (Continued)</b> | <b>City of Compton</b>  |
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| <b>Condition</b>                                     | <p>The City claimed salaries and benefits expenditures under the following projects:</p> <p><u>PALRF:</u></p> <ul style="list-style-type: none"> <li>a) Project code 110-07, Fixed Route Transit System, totaling \$65,198;</li> <li>b) Project code 240-17, Dial-A-Taxi, totaling \$7,291;</li> <li>c) Project code 440-28, Street Improvement and Maintenance, totaling \$6; and</li> <li>d) Project code 480-10, Contractual Services Proposition C Support, totaling \$47,111</li> </ul> <p><u>PCLRF:</u></p> <ul style="list-style-type: none"> <li>a) Project code 430-01, Bikeway Maintenance, totaling \$2,311;</li> <li>b) Project code 440-28, Street Improvement and Maintenance, totaling \$431,470; and</li> <li>c) Project code, 440-50, Central Avenue Pavement Rehabilitation, totaling \$269,993.</li> </ul> <p>The City was not able to provide the timesheets, payroll registers, labor distribution reports and other related documents to support the charges. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p> |
| <b>Cause</b>   | <p>There was a breakdown in internal controls over compliance to ensure that all necessary documentation was retained supporting the costs charged to the Local Return funds.</p>   |
| <b>Effect</b>  | <p>The salaries and benefits claimed under PALRF and PCLRF may include unallowable payroll costs and therefore, we question the total amount of \$119,606 and \$703,774, respectively.</p>  |
| <b>Recommendation</b>                                | <p>We recommend that the City reimburse its PALRF and PCLRF accounts the amount of \$119,606 and \$703,774, respectively. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p>  |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF and PCLRF Finding<br/>#2016-012 (Continued)</b> | <b>City of Compton</b>   |
| <b>Management's Response</b>                             | The City is in the process of evaluating the audit findings and gathering records to validate the local return fund expenditures. The City expects to complete its research in the next 30 days, upon which time an official response will be provided to LACMTA on February 17, 2017. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-013</b>            | <b>City of Hawthorne</b>  |
| <b>Compliance Reference</b>               | Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects." |
| <b>Condition</b>                          | <p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for Project code 140-04, Recreational Transit. Amount in excess of 25% of the approved budget was \$588.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>   |
| <b>Cause</b>                              | This year, the City provided more services to the Senior Citizens and Disabled Hawthorne Residents which includes assistance with bus passes to use for MTA transit. The remaining funds were reimbursed towards the end of FY 2015/16. Because of these reasons, the Amended Project Description Form A was not timely submitted for approval.   |
| <b>Effect</b>                             | The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.  |
| <b>Recommendation</b>                     | We recommend the City submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.   |
| <b>Management's Response</b>              | The City has submitted an amended Project Description Form (Form A) for Project Coe 140-04 to LACMTA and received a retroactive approval for the revised budget. The City will implement a review process to ensure compliance with the requirement that expenditures should not exceed 25% of LACMTA's approved budget.  |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted a retroactive approval on the amended budget for the said project on October 19, 2016.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-014</b> | <b>City of Huntington Park</b>  |
| <b>Compliance Reference</b>    | Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects." |
| <b>Condition</b>               | <p>The City exceeded LACMTA's approved budget by more than 25 percent without obtaining prior approval through a revised Form A for Project code 110-02, Fixed Rout Public Transit Services. The amount in excess of 25 percent of the approved budget was \$30,659.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>This is a repeat finding from prior year audit.</p>  |
| <b>Cause</b>                   | Transitions have unintended consequences in the organization; this is evidenced in the particular circumstances relating to LACMTA's Proposition A and Proposition C. The Public Works department has been in flux for the past 2+ years, and only recently (in the last 30 days) has there been an appointment of a permanent Public Works Director. This appointment should serve to provide stability within the organization for projects and reporting within the capital projects sphere, and should facilitate more timely reporting to grantors.  |
| <b>Effect</b>                  | The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.  |
| <b>Recommendation</b>          | We recommend the City submit Form A to obtain LACMTA's approval for any changes in the project's originally approved budget. Also, we recommend the City implement controls to ensure compliance with this requirement.   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year ended June 30, 2016  
(Continued)**

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| <b>PCLRF Finding #2016-014<br/>(continued)</b> | <b>City of Huntington Park</b>   |
| <b>Management's Response</b>                   | Given that, this past week, we drafted and distributed an Administrative Instruction (AI) regarding Proposition A and Proposition C funds. The AI articulates the responsibilities for time and responsibility reporting to MTA. The Public Works Director has the responsibility for the submission of Capital Project Information and budgetary changes, with Financial Reporting (CFO) providing year-end expenditure data. |
| <b>Findings Resolved During the Audit</b>      | LACMTA Program Manager granted a retroactive approval of the increase in project budget on December 21, 2016. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-015</b>            | <b>City of Huntington Park</b>   |
| <b>Compliance Reference</b>               | Section II (A)(15) of Proposition C Local Return Program Guideline states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent."  |
| <b>Condition</b>                          | The City's administrative expenditures exceeded more than 20 percent of its total Proposition C Local Return expenditures in the amount of \$5,081.<br><br>This is a repeat finding from prior year audit.   |
| <b>Cause</b>                              | Transitions have unintended consequences in the organization; this is evidenced in the particular circumstances relating to LACMTA's Proposition A and Proposition C. The Public Works department has been in flux for the past 2+ years, and only recently (in the last 30 days) has there been an appointment of a permanent Public Works Director. This appointment should serve to provide stability within the organization for projects and reporting within the capital projects sphere, and should facilitate more timely reporting to grantors.<br><br>Transitions also matter in this regard; lack of program familiarity also has an impact as to the understanding of limitations on administrative expenses |
| <b>Effect</b>                             | The City's PCLRF administrative expenditures exceeded 20 percent of its local return annual expenditure and the City did not comply with the Guidelines.   |
| <b>Recommendation</b>                     | We recommend the City establish procedures and controls to ensure administrative charges do not exceed 20 percent of the local return annual expenditures. Also, we recommend the City return the excess to PCLRF.   |
| <b>Management's Response</b>              | The Finance Department is very much aware of this requirement and via Administrative Instruction, has communicated the same to the City Manager and the Public Works Department.   |
| <b>Findings Resolved During the Audit</b> | The City has reimbursed the City's PCLRF account the amount of \$5,081 in FY 2016/17. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF and PCLRF Finding<br/>#2016-016</b> | <b>City of Irwindale</b>   |
| <b>Compliance Reference</b>                  | Section I(C) of the Proposition A and Proposition C Local Return (LR) Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR Projects".  |
| <b>Condition</b>                             | The City submitted its Annual Project Update (Form B) on August 5, 2015, which is beyond the due date set under the Guidelines.  |
| <b>Cause</b>                                 | The condition was due to oversight by City Staff.  |
| <b>Effect</b>                                | The City's Annual Project Update (Form B) was not submitted timely. The City was not in compliance with the Local Return Guidelines.   |
| <b>Recommendation</b>                        | We recommend for the City to establish procedures and controls to ensure that Form B is submitted by August 1 as required by the Guidelines.   |
| <b>Management's Response</b>                 | The City of Irwindale recognizes the importance of submitting all MTA Forms timely, and has always met its deadlines in the past. Unfortunately, the City submitted this Form 4 days late this year. We believe this oversight was an isolated incident caused by extenuating circumstances, as the City was undergoing a major State Audit at the time. City Staff will ensure all deadlines are met in the future. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-017</b>            | <b>City of La Puente</b>   |
| <b>Compliance Reference</b>               | Proposition A and Proposition C Local Return Guidelines Section II(A)(15) states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on the year-end expenditures, and will be subject to an audit finding if the amount exceeds 20 percent". |
| <b>Condition</b>                          | The City's Administrative expenditures exceeded more than 20 percent of its PALRF total annual expenditures by \$6,353.  |
| <b>Cause</b>                              | There appears to be lack of interim review of the City's compliance with the Local Return Guidelines' 20 percent cap on the administrative expenditures that can be claimed under the local return fund.   |
| <b>Effect</b>                             | Administrative expenses exceeded over 20% of the total annual local return expenditures. The City is required to return the questioned cost of \$6,353 to the PALRF account.   |
| <b>Recommendation</b>                     | We recommend for the City to reimburse the questioned cost of \$6,353 to the PALRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.                      |
| <b>Management's Response</b>              | The City understands this finding and the City will reimburse the PALRF account the excess costs. In the future, administrative costs will be reviewed to ensure that they do not exceed 20% of the total Local Return Annual Expenditures.  |
| <b>Finding Corrected During the Audit</b> | The City has reimbursed the City's PALRF account the amount of \$6,353 in FY 2016/17. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year ended June 30, 2016  
 (Continued)**

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| <b>PCLRF Finding #2016-018</b> | <b>City of La Puente</b>   |
| <b>Compliance Reference</b>    | <p>Proposition A and Proposition C Local Return Guidelines Section II states that, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> <li>2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).</li> </ol> |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-018</b><br><b>(continued)</b> | <b>City of La Puente</b>  |
| <b>Condition</b>                                     | The City claimed expenditures under project code 480-02, Administration – Prop C, amounting to \$96,424 has no supporting documentation as to the nature of the expenditures. We were informed that the amount was derived from a calculation based on 20 percent of the total local return annual expenditures. We were not able to verify the reasonableness and allowability of the expenditures under the Guidelines.   |
| <b>Cause</b>   | The City was not aware that its practice of calculating 20 percent of the total annual expenditure and charging this amount to administrative expenditures without adequate support was a noncompliance with the requirements of the Guidelines.  |
| <b>Effect</b>  | The unsupported administrative expenditures claimed under the PCLRF is disallowed under the Proposition A and Proposition C Local Return Guidelines.  |
| <b>Recommendation</b>                                | We recommend that the City reimburse its PCLRF account the amount of \$96,424. In addition, we recommend that the City establish controls to ensure that the costs charged to the Local Return funds are adequately supported by contracts, invoices, cancelled checks or similar documentation and that it revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation so that Local Return expenditures are in compliance with the Guidelines. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-018<br/>(continued)</b> | <b>City of La Puente</b>   |
| <b>Management's Response</b>                   | <p>The Proposition A and Proposition C Local Return Guidelines (Guidelines) issued by the Los Angeles County Metropolitan Transit Authority (LACMTA) do not stipulate that actual administrative hours are to be documented and staff is confident the City is in compliance with existing Guidelines. Current staff was unaware of the letter that was sent out by MTA in April 2014 <i>recommending</i> specific documentation for administrative costs. The letter referenced above was provided to the City at the time of the FY 15-16 audit. Furthermore, no mention of additional required documentation for administrative costs was made during the prior (FY 14-15) LACMTA audit. City staff is now aware of the recommendation and will ensure adequate evidence to support administrative charges in the future (beginning in fiscal year 2016-2017).</p> <p>Beginning in fiscal year 2016-2017, a system will be developed and maintained that will ensure that administrative costs charged to Local Return funds are adequately supported by time sheets, payroll registers or other documentation so that it is in compliance with the LACMTA's recommendation for documenting administrative costs.</p> |
| <b>Auditors' Rejoinder</b>                     | <p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted annual kickoff workshops attended by representatives from the Jurisdictions. During these workshops, Auditors and LACMTA emphasized the importance of maintaining proper documentation that would support allowability of expenditures charged to local return funds including supports for payroll and administration charges.</p>   |
| <b>Finding Corrected During the Audit</b>      | <p>The City has reimbursed the City's PCLRF account the amount of \$96,424 in FY 2016/17. No follow up is required.</p>  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year ended June 30, 2016  
(Continued)**

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| <b>PALRF Finding #2016-019</b> | <b>City of Lynwood</b>  |
| <b>Compliance Reference</b>    | Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.  |
| <b>Condition</b>               | The Recreational Transit report was submitted on October 26, 2016, which is beyond the due date of October 15, 2016.  |
| <b>Cause</b>                   | Division staffing limits caused delay in collection of the trip background information needed to complete forms in time to meet deadline.   |
| <b>Effect</b>                  | The City was not in compliance with the reporting requirements of the Local Return Guidelines.  |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.  |
| <b>Management's Response</b>   | Future forms will be submitted by the due date. As the form is due at the same time every year (October), the Facility and Program Supervisor responsible for submittal will be reminded of the need to submit the certificate by the 15th of September, one month before the actual October deadline. The Department Deputy Director will be responsible for this notice in order to comply with the requirement in a timely manner. Reminders will be issued in person, via email and Outlook system reminders. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-020</b> | <b>City of Maywood</b>   |
| <b>Compliance Reference</b>    | Under Section II(C) of the Proposition A and Proposition C Local Return Guidelines, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation".   |
| <b>Condition</b>               | <p>The City claimed expenditures under the following PCLRF projects without proper authorization:</p> <p>a. Project code 110-01, Maywood Area Transit - \$6,708<br/> b. Project code 120-01, Dial-A-Ride - \$6,708</p> <p>Based on the available information provided during the audit, these are portions of the professional billings of Urban Associates for providing services as Interim City Manager.</p> <p>The City was unable to provide proper documentation supporting the procurement of the contracted service and there was also no signed contract. In addition, the City was not able to provide the basis for the allocation of the monthly fees to the projects.</p> |
| <b>Cause</b>                   | The City's management failed to effectively oversee its procurement process which allows numerous instances of noncompliance with competitive bidding requirements and with other provisions of the municipal code, state law, and the terms of the City's contracts with its service providers.   |
| <b>Effect</b>                  | The expenditures charged to the PCLRF projects without proper supporting documentation and/or prior written authorization resulted in total questioned costs of \$13,416 and is required to be returned to the PCLRF account.  |
| <b>Recommendation</b>          | <p>In accordance with the Guidelines, we recommend that the City reimburse its PCLRF account in the amount of \$13,416.</p> <p>We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation to ensure that charges are properly authorized and in compliance with the Guidelines.</p>  |
| <b>Management's Response</b>   | We agree with this recommendation. The City is in the process of reviewing Internal Controls to ensure all present and future expenditures charged to the Local Return funds are adequately supported to ensure that charges are properly authorized and in compliance with the Guidelines.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year ended June 30, 2016  
(Continued)**

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| <b>PCLRF Finding #2016-020<br/>(continued)</b> | <b>City of Maywood</b>   |
| <b>Finding Corrected During the<br/>Audit</b>  | The City has reimbursed the City's PCLRF account the amount of \$13,416 in FY 2016/17. No follow up is required. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-021</b> | <b>City of Maywood</b>   |
| <b>Compliance Reference</b>    | <p>Under Section II(A)(15) of the Proposition A and Proposition C Local Return Guidelines, "Jurisdictions are required to report all administrative charges to Direct Administration in order to verify compliance of 20% administration cap."</p> <p>Direct Administration is defined as those fully burdened costs which are directly associated with administering Local Return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs.</p>   |
| <b>Condition</b>               | <p>The City claimed expenditures under the following PCLRF projects are directly associated with administering the Local Return projects and therefore, should be reported under Project code 480, Direct Administration.</p> <p>c. Project code 110-01, Maywood Area Transit - \$29,280<br/> d. Project code 120-01, Dial-A-Ride - \$26,574<br/> e. Project code 250-01, Bus Pass Subsidy Program - \$8,360</p> <p>Although we found the expenditures to be eligible and allowable for LR funding and did not exceed the 20% cap, the expenditures were not reported under the proper project code.</p> |
| <b>Cause</b>                   | There appears to be lack of oversight by management on the compliance with the requirements of the Guidelines.   |
| <b>Effect</b>                  | The City did not comply with the Local Return Guidelines when the administration costs were not reported in the proper project code as defined in the Guidelines.  |
| <b>Recommendation</b>          | We recommend for the City to submit a Form A to LACMTA for Project code 480, Direct Administration, and establish controls to ensure that all administrative costs related to the local return projects are reported under this project code to verify compliance with the 20% administration cap.   |
| <b>Management's Response</b>   | We agree with this recommendation. Going forward the City will submit a Form A to LACMTA for Project code 480, Direct Administration. The City is currently in the process of reviewing all accounting process and internal controls and will ensure that all administrative costs related to the local return projects are reported under this code.  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year ended June 30, 2016  
 (Continued)**

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| <b>PCLRF Finding #2016-022</b> | <b>City of Montebello</b>   |
| <b>Compliance Reference</b>    | <p>According to Proposition A and Proposition C Local Return Program Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, “Transportation Administration expenditures require that administrative costs associated with and incurred have to be for the eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering local return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific local return projects. Expenditure must be reasonable and appropriate to the activities undertaken by the locality”</p> <p>Further, on April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> </ol> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-022<br/>(continued)</b> | <b>City of Montebello</b>  |
| <b>Compliance Reference</b>                    | 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure). |
| <b>Condition</b>                               | The City claimed expenditures under PCLRF project code 480-01, Direct Administration, amounting to \$50,000. We were informed that the amount was based on budget derived from a time study conducted 5 years ago. Per discussion with management, with the increasing labor and administrative cost, this amount is significantly lower than the actual administration cost that should have been charged to the program.   |
| <b>Cause</b>                                   | The City has not yet updated its overhead allocation rates based on current year information.  |
| <b>Effect</b>                                  | The administrative costs charged to these funds are not supported with an updated cost allocation plan.  |
| <b>Recommendation</b>                          | We recommend that the City reimburse its PCLRF account the amount of \$50,000. In addition, we recommend that the City perform a more recent time study analysis to assess a more realistic estimate of the overhead costs for this program. The City may also perform a true-up analysis at year-end to ensure the overhead costs charged to the local return fund approximate the actual cost incurred.  |
| <b>Management Response</b>                     | City will repay and charge appropriate administrative overhead after the cost allocation model is updated.   |
| <b>Finding Corrected During the Audit</b>      | The City has reimbursed the City's PCLRF account the amount of \$50,000 in FY 2016/17. No follow up is required.   |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-023</b> | <b>City of Monterey Park</b>   |
| <b>Compliance Reference</b>    | According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdiction's responsibility to maintain proper accounting records and documentation." |
| <b>Condition</b>               | The City charged general liability insurance expenditure amounting to \$100,000 to PALRF project code 110-01, Fixed Route Transit, based on budget. An analysis to true-up the amount claimed was not performed at yearend to support and substantiate the reasonableness of the amount charged to this project.   |
| <b>Cause</b>                   | An analysis was performed a few years ago but it was never revisited since the actual general liability insurance is always higher than the amount claimed under PALRF.  |
| <b>Effect</b>                  | The amount charged to PALRF may not reflect the most reasonable cost relating to PALRF had an analysis is performed by the City at yearend.  |
| <b>Recommendation</b>          | We recommend for the City to revisit its methodology for allocating the general liability insurance costs to all the funds and once it is established, the City does not necessarily have to update the methodology on an annual basis if the parameters did not change significantly from year to year.   |
| <b>Management's Response</b>   | The City concurred with this recommendation and will look into a solution to revisit the allocation methodology in FY 2017.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year ended June 30, 2016  
(Continued)**

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| <b>PCLRF Finding #2016-024</b>            | <b>City of Rosemead</b>  |
| <b>Compliance Reference</b>               | <p>Section III (A) states that, "Jurisdiction shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide Metro with an update of all approved, on-going and carryover LR projects. Jurisdiction will be informed in writing of approval for project continuance. Metro will review the report and accept or return the report for changes. Staff review will consist of verification that the status of the projects listed corresponds to the originally approved projects. All projects should have their own identifying code.</p> <p>Projects for service operations, whose anticipated start-up date is in the middle of the fiscal year, should be budgeted for services through the end of the fiscal year only. After the first year of service operation, project updates should be submitted annually, by August 1 of the new fiscal year."</p> |
| <b>Condition</b>                          | <p>The City claimed expenditures for PCLRF project code 440-05, Montebello Blvd/Towne Center Drive, for \$7,517 with no prior approval from LACMTA.</p> <p>Although this project was previously approved in FY 2014/15, the City is still required to carry over the budget in Form B and have it approved for FY 2015/16.</p>   |
| <b>Cause</b>                              | This finding was due to the City's understanding that this Montebello project was complete; however, there was a final invoice to be paid.   |
| <b>Effect</b>                             | Proposition C funds of \$7,517 were expended towards project expenditures without prior approval by the LACMTA.  |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.  |
| <b>Management's Response</b>              | The City subsequently obtained LACMTA Program Manager's approval in December 2016. The City has established procedures and controls to ensure that approval is obtained prior to spending funds. These procedures include Finance staff will set up and maintain a calendar for LACMTA deadlines, and also, PCLRF warrant requests and invoices will be reviewed to make sure these approvals are in place before issuing a payment.   |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted a retroactive approval of this project on December 15, 2016. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-025</b> | <b>City of San Fernando</b>  |
| <b>Compliance Reference</b>    | Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.   |
| <b>Condition</b>               | The Recreational Transit Report was submitted on November 8, 2016, which is beyond the due date of October 15, 2016.<br><br>In addition, the Recreational Trips Program was coded under Project code 200 instead of Project code 140.  |
| <b>Cause</b>                   | The City was not aware that the incorrect project code for "Recreational Transit" was being used. The City has been using project code 200 rather than project code 140 for a number of years without being corrected. Project Code 200 does not require annual submission of a Recreational Transit Services form; consequently one was not submitted by the City.  |
| <b>Effect</b>                  | The City was not in compliance with the reporting requirements of the Local Return Guidelines.   |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.<br><br>In addition, the City should revise the Project code used for the Recreational Trips Program to align with the Local Return Guidelines.  |
| <b>Management's Response</b>   | Now that the City is aware that Recreation Transit activities were being incorrectly categorized, staff will correctly categorize the budget/expenditures as project code 140 on the appropriate forms (Form I and Form B).<br><br>To ensure the Recreational Transit Services form is completed and submitted timely going forward, the City will add it to the reference checklist maintained by Public Works staff identifying all forms/documents that are required by LACMTA along with the associated due dates. This sheet will be provided to all relevant staff.<br><br>Staff submitted the Fiscal Year 2015-2016 Recreational Transit Services form to LACMTA on November 8, 2016. |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
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(Continued)**

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| <b>PALRF Finding #2016-026</b> | <b>City of Santa Monica</b>  |
| <b>Compliance Reference</b>    | Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year. |
| <b>Condition</b>               | The Recreational Transit report was submitted on October 18, 2016, which is beyond the due date of October 15, 2016.   |
| <b>Cause</b>                   | The October 15 due date fell on a Saturday and the Form should have been submitted the following Monday. There was an oversight on the due dates that resulted in late submission of the Form on October 18, 2016.   |
| <b>Effect</b>                  | The City was not in compliance with the reporting requirements of the Local Return Guidelines.   |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>   | Management agrees with the finding and acknowledges that the Recreational Transit Form was filed one day after the due date. The City's program manager has revised the existing process to request and review required forms well in advance of the October 15 <sup>th</sup> submission date in order to meet Metro due dates in the future                               |

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(Continued)**

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| <b>PCLRF Finding #2016-027</b> | <b>City of South El Monte</b>   |
| <b>Compliance Reference</b>    | Proposition A and Proposition C Local Return Program Guidelines Section III(A) states that "To maintain eligibility and meet LR program compliance requirements, jurisdictions shall submit to LACMTA an Annual Expenditure Report (Form C) annually by October 15 of each year". |
| <b>Condition</b>               | The City submitted its Form C on November 7, 2016, which is beyond the due date set under the Guidelines.   |
| <b>Cause</b>                   | The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form C) is submitted on time.  |
| <b>Effect</b>                  | Form Two (Expenditure Report) was not submitted timely as required by the Guidelines.   |
| <b>Recommendation</b>          | We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form C) is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>   | The City agrees with this finding. The City is in the process of setting up a calendar that lists all deadlines established for financial reporting to the various agencies.  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year ended June 30, 2016  
 (Continued)**

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| <b>PCLRF Finding #2016-028</b> | <b>City of South El Monte</b>  |
| <b>Compliance Reference</b>    | <p>The Proposition A and Proposition C Ordinances specify that LR funds are to be used for “public transit purposes” as defined by the following: “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance”.</p> <p>Under Section V of the Proposition A and Proposition C Local Return Guidelines, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit....”</p>  |
| <b>Condition</b>               | <p>During the fiscal year 2016, the City made payments to ECM Group, Inc. under the PCLRF project code 450-01, Durfee Median Improvement and Striping project, totaling \$9,302.</p> <p>On June 2, 2016 the City of South El Monte ("City") provided a response to each finding in the Draft Report of Forensic Accountants, dated February 26, 2016 ("Draft Report"). The Draft Report was prepared to address issues identified by the City's independent auditor in a letter dated September 8, 2015 ("VLF Letter"). There are 14 findings in the Draft Report. In general, the findings relate to various contracts (i) between the City and OH Consulting Services, Inc. dba Arroyo Strategy Group ("Arroyo") and (ii) between the City and ECM Group, Inc. ("ECM"). The City has terminated its contract with Arroyo, effective June 30, 2016. With one exception, the City has terminated all contracts with ECM effective April 30, 2016.</p> <p>Below are the findings identified in the Draft Report prepared by the Forensic Accountants:</p> <p><b>Finding 1:</b> City management failed to subject Arroyo and ECM contracts to competition.</p> <p><b>Finding 2:</b> City management failed to require and inspect proper record keeping and document retention policies related to contractors' performance of contract.</p> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
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 (Continued)**

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| <p><b>PCLRF Finding #2016-028<br/>(continued)</b></p> | <p><b>City of South El Monte</b></p>   |
| <p><b>Condition (Continued)</b></p>                   | <p><b>Finding 3:</b> City management failed to institute and enforce control procedures that would assure payments were not made in excess of contractual limits. City management failed to institute and enforce control procedures that would assure compliance with contractual hourly rates.</p> <p><b>Finding 4:</b> City management failed to maintain sufficient control over accounts payable and check disbursement procedures.</p> <p><b>Finding 5:</b> The City Manager executed three contracts (each in excess of \$25,000) and authorized payments of \$110,000 to Arroyo without City Council's approval.</p> <p><b>Finding 6:</b> With City Council's unanimous approval, the City Manager executed a separate contract with Arroyo, with a three-year term, which contains no maximum fee provision, and which fails to grant the City customary audit rights. Although present at the meeting where this contract was approved, the City Attorney did not sign this contract.</p> <p><b>Finding 7:</b> Arroyo failed to allow inspection of its records, although obligated to do so in accordance with six of the contracts effective during the report period. In response to our inspection request, Arroyo asserted that it does not maintain any physical office location. Consequently, we were unable to perform an inspection of Arroyo's records, and were unable to analyze important quantitative aspects of Arroyo's performance, such as the hours of labor provided, the dates 011 which labor was supplied, and details of tasks performed.</p> <p><b>Finding 8:</b> With reference to contracts executed or pending during the fiscal year ended 06/30/15, between the City and ECM: the City Manager executed one contract and authorized payments of \$29,376 to ECM wit/rout City Council's approval.</p> <p><b>Finding 9:</b> ECM submitted false time and billing reports to the City, and received public funds on the basis of such false information.</p> <p><b>Finding 10:</b> No contract or supporting documents exist related to a number of special projects assigned to Arroyo, and for which Arroyo was paid.</p> |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
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(Continued)**

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| <b>PCLRF Finding #2016-028<br/>(continued)</b> | <b>City of South El Monte</b>  |
| <b>Condition (Continued)</b>                   | <p><b>Finding 11:</b> Although specifically prohibited from reimbursement of expenses without prior written authorization, Arroyo tendered reimbursement claims, and was paid reimbursements of \$3,283 including expenses related to a trip to Sacramento, cables and electronics, and a room fee for the SR-60 Coalition meeting, without prior written authorization.</p> <p><b>Finding 12:</b> Timesheets submitted by Arroyo are unsubstantiated.</p> <p><b>Finding 13:</b> The ECM contracts were altered substantially without approval of the City Council.</p> <p><b>Finding 14:</b> Certain timesheets submitted by ECM are unsubstantiated.</p> |
| <b>Cause</b>                                   | There was a breakdown in the internal controls over procurement at the City.   |
| <b>Effect</b>                                  | For fiscal year 2016, the reimbursements without proper supporting documentation and/or prior written authorization resulted in questioned costs of \$9,302. However, it is uncertain at this point how much of the expenditures in prior years should be questioned due to the findings enumerated above.   |
| <b>Recommendation</b>                          | In accordance with the Guidelines, we recommend that the City reimburse its Proposition C Local Return account the amount of \$9,302. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation and properly authorized so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.  |
| <b>Management's Response</b>                   | As mentioned in the Finding, the City had a forensic audit performed and responded to the findings. In addition, the City has adopted numerous policies including a comprehensive Purchasing Manual that ensures proper controls over purchasing, processing and the ultimate paying of expenditures related to the City. This policy was adopted and approved by the City Council in March 2016 and was provided to the auditors at the time of the audit. The City will refund to the Proposition C Local Return Fund \$9,302 during the current fiscal year.  |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

|   |   |
|---|---|
| <b>PALRF and PCLRF: Finding #2016-029</b> | <b>City of South Gate</b>   |
| <b>Compliance Reference</b>               | Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects." |
| <b>Condition</b>                          | <p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for the following projects:</p> <ul style="list-style-type: none"> <li>a. PALRF Project Code 110-17, Fixed Route Bus Service to Local Destinations, \$2,925.</li> <li>b. PCLRF Project Code 160-03, Trash Receptacles at Bus Stop, totaling \$32,394.</li> </ul> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p>  |
| <b>Cause</b>                              | The City noted increases in two of its local return projects expenditure, but did not submit an amended Form A to LACMTA on time.   |
| <b>Effect</b>                             | The City's PALRF and PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.  |
| <b>Recommendation</b>                     | We recommend for the City submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance to this requirement at all times.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year ended June 30, 2016**  
**(Continued)**

|   |   |
|---|---|
| <b>PALRF and PCLRF: Finding #2016-029 (continued)</b> | <b>City of South Gate</b>   |
| <b>Management's Response</b>                          | To correct the oversight, the City submitted Form A's for both Prop A and Prop C projects to LACMTA and was granted a retroactive approval on the amended budget for Prop A on December 15, 2016, and on the amended budget for Prop C on December 20, 2016. Going forward, to prevent project expenditure from exceeding 25% of LACMTA's approved budget, the City will ensure that PALR and PCLR projects are timely reviewed, and when applicable, file an amended Form A with LACMTA. |
| <b>Finding Corrected During the Audit</b>             | LACMTA Program Manager granted a retroactive approval on the amended budget for the said projects on December 15, 2016 and December 20, 2016, respectively.   |



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS  
APPLICABLE TO PROPOSITION A AND PROPOSITION C  
ORDINANCES AND PROPOSITION A AND PROPOSITION C  
LOCAL RETURN GUIDELINES**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



Simpson & Simpson, LLP  
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority  
Proposition A and Proposition C Consolidated Audit Report  
Fiscal Year Ended June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority  
and Proposition A and Proposition C Oversight Committee

### **Report on Compliance**

We have audited the compliance of the forty-nine (49) Cities identified in Schedule 1, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County (the County) voter approved law in November 1980 and November 1990, respectively, and; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and 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; 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 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 Proposition A and Proposition C Local Return programs occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and 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 with the Guidelines and Requirements.





### ***Opinion***

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return Programs for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Proposition A and Proposition C Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-033. 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 Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and the Requirements that could have a direct and material effect on the Proposition A and Proposition C 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 Guidelines and 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.

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 might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-001, #2016-007 (related to PCLRF), #2016-013, #2016-025 (related to PALRF), and #2016-030 to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-004, #2016-007 (related to PALRF), #2016-022, 2016-025 (related to PCLRF), and #2016-026 that we consider to be significant deficiencies.

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

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 of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
December 30, 2016



**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2016**

The audit of the 49 cities identified in Schedule 1 have resulted in 33 findings. The table below shows a summary of the findings:

| Finding  | # of Findings | Responsible Cities/ Finding No. Reference | Questioned Costs |           | Resolved During the Audit |
|--|---------------|---|------------------|-----------|---------------------------|
|  |               |   | PALRF            | PCLRF     |                           |
| No adequate evidence that funds were expended for transportation purposes. | 17            | Artesia (#2016-001)                       | \$ 84,379        | \$ 49,458 | None                      |
|  |               | Covina (#2016-002)                        | 46,290           | -         | None                      |
|  |               | Downey (#2016-004)                        | 137,000          | 25,366    | None                      |
|  |               | Hawaiian Gardens (#2016-007)              | 38,388           | 36,268    | None                      |
|  |               | Hawaiian Gardens (#2016-010)              | None             | None      | None                      |
|  |               | La Cañada Flintridge (#2016-012)          | None             | None      | None                      |
|  |               | La Mirada (#2016-013)                     | 81,786           | -         | None                      |
|  |               | Lomita (#2016-015)                        | 20,513           | -         | None                      |
|  |               | Norwalk (#2016-019)                       | None             | 2,982     | None                      |
|  |               | Rolling Hills Estates (#2016-020)         | 26,145           | -         | None                      |
|  |               | San Dimas (#2016-022)                     | 61,714           | None      | None                      |
|  |               | South Pasadena (#2016-025)                | 90,718           | 13,911    | None                      |
|  |               | South Pasadena (#2016-027)                | 9,604            | None      | None                      |
|  |               | Temple City (#2016-029)                   | None             | None      | None                      |
|  |               | West Covina (#2016-030)                   | -                | 312,345   | None                      |
|  |               | West Covina (#2016-031)                   | None             | None      | None                      |
|  |               | Whittier (#2016-033)                      | None             | None      | None                      |
| Funds were expended without LACMTA's approval.                             | 5             | Downey (#2016-003)                        | -                | 80,856    | 80,856                    |
|  |               | Long Beach (#2016-016)                    | 618,743          | 2,706,406 | None                      |
|  |               | San Dimas (#2016-021)                     | -                | 31,730    | 31,730                    |
|  |               | South Pasadena (#2016-024)                | -                | 8,842     | 8,842                     |
|  |               | Whittier (#2016-32)                       | -                | 405       | 405                       |
| Annual Expenditure Report (Form C) was not submitted on time.              | 2             | El Segundo (#2016-005)                    | None             | None      | None                      |
|  |               | Hawaiian Gardens (#2016-009)              | None             | None      | None                      |
| Total annual expenditures exceeded more than 25% of the approved budget.   | 3             | La Cañada Flintridge(#2016-011)           | None             | None      | None                      |
|  |               | Monrovia (#2016-017)                      | None             | None      | None                      |
|  |               | South Pasadena (#2016-026)                | None             | None      | None                      |

**Los Angeles County Metropolitan Transportation Authority  
 Summary of Compliance Findings  
 Fiscal Year Ended June 30, 2016**

| Finding  | # of Findings | Responsible Cities/ Finding Reference                                   | Questioned Costs     |                      | Resolved During the Audit |
|--|---------------|---|----------------------|----------------------|---------------------------|
|  |               |   | PALRF                | PCLRF                |                           |
| Administrative expenses exceeded the 20% cap.        | 2             | Glendora (#2016-006)<br>Hawaiian Gardens (#2016-008)                    | -<br>-               | 11,395<br>7,029      | None<br>None              |
| Recreational transit form was not submitted on time. | 3             | La Verne (#2016-014)<br>Monrovia (#2016-018)<br>Temple City (#2016-028) | None<br>None<br>None | None<br>None<br>None | None<br>None<br>None      |
| No timely use of funds.                              | 1             | Signal Hill (#2016-023)   | 11,724               | None                 | 11,724                    |
|  |               |   |                      |                      |                           |
| <b>Total Findings and Questioned Cost</b>            | <b>33</b>     |   | <b>\$ 1,227,004</b>  | <b>\$ 3,286,993</b>  | <b>\$ 133,557</b>         |

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016**

| <b>Compliance Area Tested</b>   | <b>Alhambra</b> | <b>Arcadia</b> | <b>Artesia</b>        |
|---|-----------------|----------------|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant       | Compliant      | Compliant             |
| Timely use of funds.  | Compliant       | Compliant      | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant       | Compliant      | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant       | Compliant      | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant       | Compliant      | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant       | Compliant      | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant       | Compliant      | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant       | Compliant      | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant       | Compliant      | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant       | Compliant      | See Finding #2016-001 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant       | Compliant      | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Compliant       | Compliant      | Compliant             |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant       | Compliant      | Compliant             |
| Assurances and Understandings form was on file.   | Compliant       | Compliant      | Compliant             |
| Recreational transit form was submitted on time.  | Compliant       | Compliant      | Not Applicable        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Avalon</b> | <b>Bellflower</b> | <b>Bradbury</b>                     |
|---|---------------|-------------------|-------------------------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant     | Compliant         | Compliant                           |
| Timely use of funds.  | Compliant     | Compliant         | Compliant                           |
| Funds expended were approved and have not been substituted for property tax.  | Compliant     | Compliant         | PA: Not Applicable<br>PC: Compliant |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant     | Compliant         | Compliant                           |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant     | Compliant         | PA: Not Applicable<br>PC: Compliant |
| All on-going and carryover projects were reported in Form B.  | Compliant     | Compliant         | Compliant                           |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant     | Compliant         | Compliant                           |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant     | Compliant         | Compliant                           |
| Cash or cash equivalents are maintained.  | Compliant     | Compliant         | Compliant                           |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant     | Compliant         | Compliant                           |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant     | Compliant         | Compliant                           |
| Local Return Account is credited for reimbursable expenditures.   | Compliant     | Compliant         | Compliant                           |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant     | Compliant         | Compliant                           |
| Assurances and Understandings form was on file.   | Compliant     | Compliant         | Compliant                           |
| Recreational transit form was submitted on time.  | Compliant     | Compliant         | PA: Not Applicable<br>PC: Compliant |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Burbank</b> | <b>Cerritos</b> | <b>Claremont</b> |
|---|----------------|-----------------|------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant      | Compliant       | Compliant        |
| Timely use of funds.  | Compliant      | Compliant       | Compliant        |
| Funds expended were approved and have not been substituted for property tax.  | Compliant      | Compliant       | Compliant        |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant      | Compliant       | Compliant        |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant      | Compliant       | Compliant        |
| All on-going and carryover projects were reported in Form B.  | Compliant      | Compliant       | Compliant        |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant      | Compliant       | Compliant        |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant      | Compliant       | Compliant        |
| Cash or cash equivalents are maintained.  | Compliant      | Compliant       | Compliant        |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant      | Compliant       | Compliant        |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant      | Compliant       | Compliant        |
| Local Return Account is credited for reimbursable expenditures.   | Compliant      | Compliant       | Compliant        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant      | Compliant       | Compliant        |
| Assurances and Understandings form was on file.   | Compliant      | Compliant       | Compliant        |
| Recreational transit form was submitted on time.  | Compliant      | Compliant       | Compliant        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Covina</b>         | <b>Diamond Bar</b> | <b>Downey</b>         |
|---|-----------------------|--------------------|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant          | Compliant             |
| Timely use of funds.  | Compliant             | Compliant          | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant          | See Finding #2016-003 |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant             | Compliant          | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant          | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant          | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant          | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant          | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant          | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | See Finding #2016-002 | Compliant          | See Finding #2016-004 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant          | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Compliant             | Compliant          | Compliant             |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant             | Compliant          | Compliant             |
| Assurances and Understandings form was on file.   | Compliant             | Compliant          | Compliant             |
| Recreational transit form was submitted on time.  | Compliant             | Compliant          | Compliant             |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Duarte</b> | <b>El Segundo</b>     | <b>Glendale</b> |
|---|---------------|-----------------------|-----------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant     | Compliant             | Compliant       |
| Timely use of funds.  | Compliant     | Compliant             | Compliant       |
| Funds expended were approved and have not been substituted for property tax.  | Compliant     | Compliant             | Compliant       |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant     | Compliant             | Compliant       |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant     | Compliant             | Compliant       |
| All on-going and carryover projects were reported in Form B.  | Compliant     | Compliant             | Compliant       |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant     | Compliant             | Compliant       |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant     | See Finding #2016-005 | Compliant       |
| Cash or cash equivalents are maintained.  | Compliant     | Compliant             | Compliant       |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant     | Compliant             | Compliant       |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant     | Compliant             | Compliant       |
| Local Return Account is credited for reimbursable expenditures.   | Compliant     | Compliant             | Compliant       |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant     | Compliant             | Compliant       |
| Assurances and Understandings form was on file.   | Compliant     | Compliant             | Compliant       |
| Recreational transit form was submitted on time.  | Compliant     | Compliant             | Compliant       |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Glendora</b>       | <b>Hawaiian<br/>Gardens</b>        | <b>Hermosa<br/>Beach</b> |
|---|-----------------------|------------------------------------|--------------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant                          | Compliant                |
| Timely use of funds.  | Compliant             | Compliant                          | Compliant                |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant                          | Compliant                |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant             | Compliant                          | Compliant                |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | See Finding #2016-006 | See Finding #2016-008              | Compliant                |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant                          | Compliant                |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant                          | Compliant                |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | See Finding #2016-009              | Compliant                |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant                          | Compliant                |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant             | See Finding #2016-007<br>#2016-010 | Compliant                |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant                          | Compliant                |
| Local Return Account is credited for reimbursable expenditures.   | Compliant             | Compliant                          | Compliant                |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant             | Compliant                          | Compliant                |
| Assurances and Understandings form was on file.   | Compliant             | Compliant                          | Compliant                |
| Recreational transit form was submitted on time.  | Compliant             | Compliant                          | Compliant                |



**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>La Cañada<br/>Flintridge</b> | <b>La Habra<br/>Heights</b> | <b>La Mirada</b>      |
|---|---------------------------------|-----------------------------|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant                       | Compliant                   | Compliant             |
| Timely use of funds.  | Compliant                       | Compliant                   | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant                       | Compliant                   | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | See Finding #2016-011           | Compliant                   | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant                       | Compliant                   | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant                       | Compliant                   | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant                       | Compliant                   | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant                       | Compliant                   | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant                       | Compliant                   | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | See Finding #2016-012           | Compliant                   | See Finding #2016-013 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant                       | Compliant                   | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Compliant                       | Compliant                   | Compliant             |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant                       | Compliant                   | Compliant             |
| Assurances and Understandings form was on file.   | Compliant                       | Compliant                   | Compliant             |
| Recreational transit form was submitted on time.  | Compliant                       | Compliant                   | Compliant             |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>La Verne</b>       | <b>Lakewood</b> | <b>Lancaster</b> |
|---|-----------------------|-----------------|------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant       | Compliant        |
| Timely use of funds.  | Compliant             | Compliant       | Compliant        |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant       | Compliant        |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant             | Compliant       | Compliant        |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant       | Compliant        |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant       | Compliant        |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant       | Compliant        |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant       | Compliant        |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant       | Compliant        |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant             | Compliant       | Compliant        |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant       | Compliant        |
| Local Return Account is credited for reimbursable expenditures.   | Compliant             | Compliant       | Compliant        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant             | Compliant       | Compliant        |
| Assurances and Understandings form was on file.   | Compliant             | Compliant       | Compliant        |
| Recreational transit form was submitted on time.  | See Finding #2016-014 | Compliant       | Compliant        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Lomita</b>         | <b>Long Beach</b>     | <b>Los Angeles</b> |
|---|-----------------------|-----------------------|--------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant             | Compliant          |
| Timely use of funds.  | Compliant             | Compliant             | Compliant          |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | See Finding #2016-016 | Compliant          |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant             | Compliant             | Compliant          |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant             | Compliant          |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant             | Compliant          |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant             | Compliant          |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant             | Compliant          |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant             | Compliant          |
| Accounting procedures, record keeping and documentation are adequate.   | See Finding #2016-015 | Compliant             | Compliant          |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant             | Compliant          |
| Local Return Account is credited for reimbursable expenditures.   | Compliant             | Compliant             | Compliant          |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant             | Compliant             | Compliant          |
| Assurances and Understandings form was on file.   | Compliant             | Compliant             | Compliant          |
| Recreational transit form was submitted on time.  | Compliant             | Compliant             | Compliant          |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Manhattan Beach</b> | <b>Monrovia</b>       | <b>Norwalk</b>        |
|---|------------------------|-----------------------|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant              | Compliant             | Compliant             |
| Timely use of funds.  | Compliant              | Compliant             | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Compliant              | Compliant             | Compliant             |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant              | See Finding #2016-017 | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant              | Compliant             | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant              | Compliant             | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant              | Compliant             | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant              | Compliant             | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant              | Compliant             | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant              | Compliant             | See Finding #2016-019 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant              | Compliant             | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Compliant              | Compliant             | Compliant             |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant              | Compliant             | Compliant             |
| Assurances and Understandings form was on file.   | Compliant              | Compliant             | Compliant             |
| Recreational transit form was submitted on time.  | Compliant              | See Finding #2016-018 | Compliant             |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Palmdale</b> | <b>Palos Verdes<br/>Estates</b> | <b>Paramount</b> |
|---|-----------------|---------------------------------|------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant       | Compliant                       | Compliant        |
| Timely use of funds.  | Compliant       | Compliant                       | Compliant        |
| Funds expended were approved and have not been substituted for property tax.  | Compliant       | Compliant                       | Compliant        |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant       | Compliant                       | Compliant        |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant       | Compliant                       | Compliant        |
| All on-going and carryover projects were reported in Form B.  | Compliant       | Compliant                       | Compliant        |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant       | Compliant                       | Compliant        |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant       | Compliant                       | Compliant        |
| Cash or cash equivalents are maintained.  | Compliant       | Compliant                       | Compliant        |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant       | Compliant                       | Compliant        |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant       | Compliant                       | Compliant        |
| Local Return Account is credited for reimbursable expenditures.   | Compliant       | Compliant                       | Compliant        |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant       | Compliant                       | Compliant        |
| Assurances and Understandings form was on file.   | Compliant       | Compliant                       | Compliant        |
| Recreational transit form was submitted on time.  | Compliant       | Compliant                       | Compliant        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Pasadena</b> | <b>Rancho<br/>Palos Verdes</b> | <b>Redondo<br/>Beach</b> |
|---|-----------------|--------------------------------|--------------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant       | Compliant                      | Compliant                |
| Timely use of funds.  | Compliant       | Compliant                      | Compliant                |
| Funds expended were approved and have not been substituted for property tax.  | Compliant       | Compliant                      | Compliant                |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant       | Compliant                      | Compliant                |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant       | Compliant                      | Compliant                |
| All on-going and carryover projects were reported in Form B.  | Compliant       | Compliant                      | Compliant                |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant       | Compliant                      | Compliant                |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant       | Compliant                      | Compliant                |
| Cash or cash equivalents are maintained.  | Compliant       | Compliant                      | Compliant                |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant       | Compliant                      | Compliant                |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant       | Compliant                      | Compliant                |
| Local Return Account is credited for reimbursable expenditures.   | Compliant       | Compliant                      | Compliant                |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant       | Compliant                      | Compliant                |
| Assurances and Understandings form was on file.   | Compliant       | Compliant                      | Compliant                |
| Recreational transit form was submitted on time.  | Compliant       | Compliant                      | Compliant                |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Rolling Hills</b> | <b>Rolling Hills<br/>Estates</b> | <b>San Dimas</b>      |
|---|----------------------|----------------------------------|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant            | Compliant                        | Compliant             |
| Timely use of funds.  | Compliant            | Compliant                        | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | Not Applicable       | Compliant                        | See Finding #2016-021 |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant            | Compliant                        | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Not Applicable       | Compliant                        | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant            | Compliant                        | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant            | Compliant                        | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant            | Compliant                        | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant            | Compliant                        | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant            | See Finding #2016-020            | See Finding #2016-022 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant            | Compliant                        | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Compliant            | Compliant                        | Compliant             |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant            | Compliant                        | Compliant             |
| Assurances and Understandings form was on file.   | Compliant            | Compliant                        | Compliant             |
| Recreational transit form was submitted on time.  | Not Applicable       | Compliant                        | Compliant             |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>San Gabriel</b> | <b>San Marino</b> | <b>Santa Clarita</b> |
|---|--------------------|-------------------|----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant          | Compliant         | Compliant            |
| Timely use of funds.  | Compliant          | Compliant         | Compliant            |
| Funds expended were approved and have not been substituted for property tax.  | Compliant          | Compliant         | Compliant            |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant          | Compliant         | Compliant            |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant          | Compliant         | Compliant            |
| All on-going and carryover projects were reported in Form B.  | Compliant          | Compliant         | Compliant            |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant          | Compliant         | Compliant            |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant          | Compliant         | Compliant            |
| Cash or cash equivalents are maintained.  | Compliant          | Compliant         | Compliant            |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant          | Compliant         | Compliant            |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant          | Compliant         | Compliant            |
| Local Return Account is credited for reimbursable expenditures.   | Compliant          | Compliant         | Compliant            |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant          | Compliant         | Compliant            |
| Assurances and Understandings form was on file.   | Compliant          | Compliant         | Compliant            |
| Recreational transit form was submitted on time.  | Compliant          | Compliant         | Compliant            |



**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Sierra Madre</b>                 | <b>Signal Hill</b>    | <b>South Pasadena</b>              |
|---|-------------------------------------|-----------------------|------------------------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant                           | Compliant             | Compliant                          |
| Timely use of funds.  | Compliant                           | See Finding #2016-023 | Compliant                          |
| Funds expended were approved and have not been substituted for property tax.  | PA: Compliant<br>PC: Not Applicable | Compliant             | See Finding #2016-024              |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant                           | Compliant             | See Finding #2016-026              |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | PA: Compliant<br>PC: Not Applicable | Compliant             | Compliant                          |
| All on-going and carryover projects were reported in Form B.  | Compliant                           | Compliant             | Compliant                          |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant                           | Compliant             | Compliant                          |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant                           | Compliant             | Compliant                          |
| Cash or cash equivalents are maintained.  | Compliant                           | Compliant             | Compliant                          |
| Accounting procedures, record keeping and documentation are adequate.   | Compliant                           | Compliant             | See Finding #2016-025<br>#2016-027 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant                           | Compliant             | Compliant                          |
| Local Return Account is credited for reimbursable expenditures.   | Compliant                           | Compliant             | Compliant                          |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant                           | Compliant             | Compliant                          |
| Assurances and Understandings form was on file.   | Compliant                           | Compliant             | Compliant                          |
| Recreational transit form was submitted on time.  | PA: Compliant<br>PC: Not Applicable | Compliant             | Compliant                          |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Temple City</b>    | <b>Torrance</b> | <b>West Covina</b>                 |
|---|-----------------------|-----------------|------------------------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             | Compliant       | Compliant                          |
| Timely use of funds.  | Compliant             | Compliant       | Compliant                          |
| Funds expended were approved and have not been substituted for property tax.  | Compliant             | Compliant       | Compliant                          |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant             | Compliant       | Compliant                          |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             | Compliant       | Compliant                          |
| All on-going and carryover projects were reported in Form B.  | Compliant             | Compliant       | Compliant                          |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             | Compliant       | Compliant                          |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             | Compliant       | Compliant                          |
| Cash or cash equivalents are maintained.  | Compliant             | Compliant       | Compliant                          |
| Accounting procedures, record keeping and documentation are adequate.   | See Finding #2016-029 | Compliant       | See Finding #2016-030<br>#2016-031 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             | Compliant       | Compliant                          |
| Local Return Account is credited for reimbursable expenditures.   | Compliant             | Compliant       | Compliant                          |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant             | Compliant       | Compliant                          |
| Assurances and Understandings form was on file.   | Compliant             | Compliant       | Compliant                          |
| Recreational transit form was submitted on time.  | See Finding #2016-028 | Compliant       | Compliant                          |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>   | <b>Whittier</b>       |
|---|-----------------------|
| Uses the State Controller's Uniform System of Accounts and Records.   | Compliant             |
| Timely use of funds.  | Compliant             |
| Funds expended were approved and have not been substituted for property tax.  | See Finding #2016-032 |
| Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).    | Compliant             |
| Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.                         | Compliant             |
| All on-going and carryover projects were reported in Form B.  | Compliant             |
| Annual Project Summary Report (Form B) was submitted on time.   | Compliant             |
| Annual Expenditure Report (Form C) was submitted on time.   | Compliant             |
| Cash or cash equivalents are maintained.  | Compliant             |
| Accounting procedures, record keeping and documentation are adequate.   | See Finding #2016-033 |
| Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures. | Compliant             |
| Local Return Account is credited for reimbursable expenditures.   | Compliant             |
| Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.           | Compliant             |
| Assurances and Understandings form was on file.   | Compliant             |
| Recreational transit form was submitted on time.  | Compliant             |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016**

|  |  |
|--|--|
| <p><b>PALRF &amp; PCLRF<br/>         Finding #2016-001</b></p> | <p><b>City of Artesia</b></p>  |
| <p><b>Compliance Reference</b></p>                             | <p>According to Proposition A &amp; C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...” In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p> <p>According to Proposition A and C Local Return Guidelines, Section II (A. 15), “The administrative expenditures for any year shall not exceed 20 percent of the total Local Return annual expenditures, based on year-end expenditures.”</p> |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016**

|  |   |
|--|---|
| <b>PALRF &amp; PCLRF<br/>Finding #2016-001<br/>(Continued)</b> | <b>City of Artesia</b>  |
| <b>Condition</b>   | To support the propriety of expenditures being charged to Proposition A & C Local Return Funds, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the total payroll expenditures of \$56,082 for Proposition A General Program Administration which exceeds the 20% administration cap by \$27,542, \$28,297 for the Prop A Vehicle Project and \$49,458 for Proposition C General Program Administration which exceeds the 20% administration cap by \$14,482 were based on an estimate of a percentage of time spent on Proposition A & C activity rather than employee's actual working hours spent for the Proposition A and Proposition C projects. The City provided us with the payroll register and the timesheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project. |
| <b>Cause</b>   | The City did not comply with the Guidelines and indicated that it was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.  |
| <b>Effect</b>  | The payroll costs claimed under the Proposition A & C Local Return Funds projects may include expenditures which may not be an allowable Proposition A project expenditures or Proposition C project expenditures, resulting in questioned costs of \$84,379 and \$49,458, respectively.  |
| <b>Recommendation</b>  | In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund and Proposition C Local Return Fund accounts by \$84,379 and \$49,458, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.  |
| <b>Management's Response</b>                                   | The City's long time Finance Manager, who we believe was aware of the guidelines issued in 2014, developed a reporting system. This reporting system, according to the legacy accounting staff still in place, was reflective of three factors: (1) the City's payroll system, which is a profoundly antiquated system that supports a percentage distribution entry system; (2) submission to Metro last year (fall 2015) and approval by Metro representatives of this recordation and reporting system (hence the City being unaware that it would be unacceptable this year); and (3) the City's inability to access remotely stored personnel work record and also, personal work logs, in what on the City's side is very short notice (we basically tried to be responsive within a day).  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

|  |   |
|--|---|
| <b>PALRF &amp; PCLRF<br/>Finding #2016-001<br/>(Continued)</b> | <b>City of Artesia</b>  |
| <b>Management's Response<br/>(Continued)</b>                   | <p>We understand that Metro has given their auditor's deadlines, but the effect of those deadlines is that Artesia isn't being given a reasonable amount of time to produce records that were not required last year. Artesia is a tiny city with very simple systems and very few employees, but it's also closed every other Friday, and the two employees who spend the most time on Metro items are both gone for the holidays. The City of Artesia would very much like to be able to retrieve and submit documentation that would meet the new requirements, but it needs to be given a chance to do so. Plainly put, we have to wait until the relevant staff people return to work so that we can get their logs.</p> |
| <b>Auditor Rejoinder</b>                                       | <p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted an annual kickoff meeting attended by representatives from the Jurisdictions. During the meeting, the Auditors and LACMTA emphasized the importance of maintaining proper documentation that would support allowable expenditures charged to the local return funds, which includes support for payroll and administration charges.</p> <p>Furthermore, we provided the City an additional week to provide the payroll charges and no additional supporting documents were provided, therefore, the finding is valid.</p>  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

|   |   |
|---|---|
| <p><b>PALRF<br/>Finding #2016-002</b></p> | <p><b>City of Covina</b></p>  |
| <p><b>Compliance Reference</b></p>        | <p>According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance. “ and Section V “ It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6) ) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distribution based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</li> </ul> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <b>PALRF Finding #2016-002 (Continued)</b> | <b>City of Covina</b>   |
| <b>Condition</b>                           | To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Administration Project Code 480-04 amounting to \$46,290 were based on distribution percentages determined before the services were performed rather than employee's actual working hours spent for the Proposition A projects. In addition, there were no timesheets provided to support the actual hours or payroll expenditures charged to the project. |
| <b>Cause</b>                               | Time cards were not required for department directors prior to October 2015.  |
| <b>Effect</b>                              | The payroll cost claimed under the Proposition A Local Return Fund projects may include expenditures which may not be an allowable Proposition A project expenditure. This resulted in questioned costs of \$46,290.  |
| <b>Recommendation</b>                      | In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$46,290. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.  |
| <b>Management's Response</b>               | Management agrees. Time allocations for the Public Works Director were based on a percentage of actual salary as determined during the budget process and re-evaluated during the mid-year analysis. As of October 2015, time cards are required for all City employees.  |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-003</b>            | <b>City of Downey</b>   |
| <b>Compliance Reference</b>               | According to Proposition C Local Return Guidelines, Section I (B.3), "If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition C Local Return account..."  |
| <b>Condition</b>                          | The expenditures for PCLRF's Project Code 420-01, Downeylink Fixed Route Transit Services, and Project Code 450-26, Lakewood Boulevard Improvements Phase 3B (Florence Avenue – Gallatin Road), in the amounts of \$12,613 and \$68,243, respectively, were incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the PCLRF projects on December 1, 2016 and November 17, 2016, respectively.  |
| <b>Cause</b>                              | The City staff believed that the prior year's budget approval would be carried forward in the fiscal year 2015-16 and therefore, did not include the request for the project's approval in Form B submitted to LACMTA.  |
| <b>Effect</b>                             | The City did not comply with the Guidelines when expenditures for PALRF projects are incurred without LACMTA's approval.  |
| <b>Recommendation</b>                     | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A Local Return projects. Form B (Annual Project Summary Report) should be properly prepared and submitted before the due date of August 1st so that the City's expenditures of Proposition A Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form B. |
| <b>Management's Response</b>              | Management agrees with the audit results and has adopted internal procedures to ensure that LACMTA approval is obtained prior to incurring expenditures on a project.   |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted retroactive approval of the projects on December 1, 2016 and November 17, 2016, respectively. No additional follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF &amp; PCLRF<br/>         Finding #2016-004</b></p> | <p><b>City of Downey</b></p>   |
| <p><b>Compliance Reference</b></p>                             | <p>According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PALRF &amp; PCLRF Finding#2016-004 (Continued)</b> | <b>City of Downey</b>  |
| <b>Condition</b>                                      | To support the propriety of expenditures being charged to Proposition A and C Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to PALRF's Senior/Handicapped Transit Program Administration Project Code 480-03 and PCLRF's Local Return Fund Administration (Public Works) Project Code 480-28 in the amounts of \$137,000 and \$25,366, respectively, were based on an estimate of a percentage of time spent on PALRF and PCLRF activity rather than the employee's actual working hours spent on the projects. Although the City provided a time study listing the employees charged to PALRF and PCLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2015-16. |
| <b>Cause</b>  | The City allocates administrative charges for management that was based on a time study performed by the City in prior years. Those same percentages have been used in prior fiscal years and also, in fiscal year 2015-16.  |
| <b>Effect</b>   | The payroll costs claimed under the Proposition A and C Local Return Fund project may include expenditures which may not be an allowable Proposition A and C project expenditures. This resulted in questioned costs of \$137,000 and \$25,366 for PALRF and PCLRF, respectively.  |
| <b>Recommendation</b>                                 | In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Fund accounts by \$137,000 and \$25,366, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.  |
| <b>Management's Response</b>                          | Management agrees with the audit results. The City has engaged Matrix Consulting to complete a cost allocation study which started in November 2016. The cost allocation study will be completed by March 2017 and submitted to our cognizant agency for OMB approval.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PALRF &amp; PCLRF Finding#2016-005</b> | <b>City of El Segundo</b>   |
| <b>Compliance Reference</b>               | According to Proposition A and C Local Return Guidelines, Section I (C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."          |
| <b>Condition</b>                          | The City did not meet the October 15, 2016 deadline for submission of Form C. The City submitted the final Form C to the LACMTA on February 1, 2017.  |
| <b>Cause</b>                              | The City has gone through a turnover of staff in various departments which has caused the oversight.  |
| <b>Effect</b>                             | The City's Form C was not submitted timely, in accordance with the Guidelines.  |
| <b>Recommendation</b>                     | We recommend that the City establish procedures to ensure that the Form C (Annual Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines. |
| <b>Management's Response</b>              | The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-006</b> | <b>City of Glendora</b>  |
| <b>Compliance Reference</b>    | According to Proposition C Local Return Guidelines, Section II.A.15, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent;" |
| <b>Condition</b>               | The City's administrative expenditures exceeded more than twenty percent of its total Proposition C local return annual expenditures in the amount of \$11,395. The amount of \$11,395 represents the excess over 20 percent of the Proposition C's total local return annual expenditures.    |
| <b>Cause</b>                   | Staff made a miscalculation in regards to the administrative allocation amount.  |
| <b>Effect</b>                  | The City's PCLRF Administration project expenditures exceeded 20 percent of its Proposition C local return annual expenditures. Therefore, the City did not comply with the Guidelines, resulting in questioned costs of \$11,395.   |
| <b>Recommendation</b>          | We recommend that the City reimburse its PCLRF in the amounts of \$11,395. Furthermore, we recommend the City to establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF's total annual expenditures.                                       |
| <b>Management's Response</b>   | The error was caught by staff which occurred after the submission deadline to LACMTA. Moving forward, allocations will be scrutinized in a more timely fashion to avoid future timing issues.  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF &amp; PCLRF<br/>         Finding #2016-007</b></p> | <p><b>City of Hawaiian Gardens</b></p>   |
| <p><b>Compliance Reference</b></p>                             | <p>According to Proposition A and C Local Return Guidelines, Section II, “ A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance. “ and Section V “ It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports an after the fact distribution of the actual activity of each employee,</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:             <ul style="list-style-type: none"> <li>(i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distribution based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</li> </ul> </li> </ul> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-007 (Continued)</b> | <b>City of Hawaiian Gardens</b>   |
| <b>Condition</b>                                       | To support the propriety of expenditures being charged to Proposition A and C Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Administration Project Code 480-02 amounting to \$38,388 for Proposition A and Administration Project Code 480-03 amounting to \$36,268 for Proposition C were based on distribution percentages determined before the services were performed rather than employee's actual working hours spent for the Proposition A and C projects. The City provided us with the payroll register and the time sheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project. |
| <b>Cause</b>   | The City stated that it was not aware that its practice of allocating salaries and benefits to a project was not adequate support for labor costs claimed.  |
| <b>Effect</b>  | The payroll cost claimed under the Proposition A and C Local Return Fund projects may include expenditures which may not be allowable Proposition A and C project expenditures. This resulted in questioned costs of \$38,388 and \$36,268 for PALRF and PCLRF, respectively.   |
| <b>Recommendation</b>                                  | In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Funds accounts by \$38,388 and \$36,268, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.   |
| <b>Management's Response</b>                           | Management is currently reviewing the process of establishing the percentage allocations for employee services within each project. The current method has been to estimate the amount of time to be allocated to each project. The City will be establishing a quarterly review with employees providing signed documentation on the time spent on each project.   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

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| <b>PCLRF Finding #2016-008</b> | <b>City of Hawaiian Gardens</b>  |
| <b>Compliance Reference</b>    | According to Proposition A and C Local Return Guidelines, Section II A-15 “The administrative expenditures for any year shall not exceed 20 percent of total Local Return annual expenditures. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or Local Return funds received in fund exchanges;” |
| <b>Condition</b>               | The City’s administrative expenditures exceeded more than twenty percent of its total Proposition C Local Return Fund annual expenditures in the amount of \$7,029. The amount of \$7,029 represents the excess over 20 percent of the Proposition C total Local Return annual expenditures.   |
| <b>Cause</b>                   | The City was not able to monitor its administrative expenses to determine that they did not exceed 20 percent of its total PCLRF expenditures due to limited staffing.   |
| <b>Effect</b>                  | The City’s PCLRF Administration project expenditures exceeded 20 percent of its Proposition C Local Return annual expenditures. Therefore, the City did not comply with the Guidelines. The total questioned costs is \$7,029.   |
| <b>Recommendation</b>          | We recommend that the City reimburse its PCLRF in the amounts of \$7,029. Furthermore, we recommend the City to establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF’s total expenditures.   |
| <b>Management’s Response</b>   | The staffing changes and limited staffing required staff to focus on other areas and the review of this limit was not done prior to the end of fiscal year 2015-16. However, the City management will monitor the expenditures more closely during the current fiscal year in order to ensure compliance.  |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
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**(Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-009</b> | <b>City of Hawaiian Gardens</b>  |
| <b>Compliance Reference</b>                | According to Proposition A and C Local Return Guidelines, Section I-C “On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year Local Return fund receipts and expenditures.”  |
| <b>Condition</b>                           | The City did not meet the October 15, 2016 deadline for submission of Annual Expenditure Report (Form C). The City subsequently submitted the Form C on October 31, 2016.  |
| <b>Cause</b>                               | The City was not able to complete the form on time for its submission to LACMTA due to insufficient staffing during a transitional period.   |
| <b>Effect</b>                              | The City’s Form C was not submitted timely.  |
| <b>Recommendation</b>                      | We recommend that the City establish procedures to ensure that the Form C (Expenditure Report) is properly prepared and submitted before the due date of October 15th so that the City’s expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with LACMTA’s approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner. |
| <b>Management’s Response</b>               | The Finance Director took on the City Manager responsibilities when the City Manager resigned and this resulted in some items being missed, including the submission of the form. When the form was submitted to LACMTA, the City encountered some difficulties with the emails not going through. The City faxed the forms, instead.  |

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 (Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-010</b> | <b>City of Hawaiian Gardens</b>   |
| <b>Compliance Reference</b>                | Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions and handling any related assets. No one individual should control all key aspects of a transaction or event.  |
| <b>Condition</b>                           | There is a lack of separation of duties in a) Payroll – The same employee enters and updates employee information in the payroll system; processes payroll; and records payroll transactions; b) Cash Disbursements – The same employee processes invoices for payments; records disbursements; prepares checks; and places the checks in the envelopes and handles mailing.  |
| <b>Cause</b>                               | The City does not have enough budget to employ additional employees.  |
| <b>Effect</b>                              | There is a potential for higher risk of erroneous, fraudulent or unauthorized transactions and/or payments.   |
| <b>Recommendation</b>                      | We recommend the City a) separate the duties of initial entering and updating of employee information from the payroll processing b) separate the duties for processing voucher packages, record disbursements in the general ledger, preparing and mailing checks.<br>To the extent possible, duties should be segregated to serve as checks and balances on the employees’ integrity and maintain the best internal control system possible. Adequate segregation of duties helps prevent one person from falsifying accounting documentation and preparing a payment for the misuse of funds.  |
| <b>Management’s Response</b>               | Payroll – Currently, the Accountant prepares the payroll and enters all changes to the employee files within the system. At year end, a review was done of all employee rates to verify that they were accurately entered. There is no exception report available in the Fund Balance system, but the City staff is working to develop one that will allow the City to use a change report to confirm updates. In addition, now that a Human Resource (HR) Manager was hired, the City is developing a plan to have the HR Department enter all changes to employee records. The HR department will enter the changes and Accountant will verify those changes against the documents forwarded to payroll. The staff size will continue to make segregating duties difficult, but the City staff will continue to look for ways to provide more segregation and to place points of review and reconciliation that will improve the ability to prevent fraud. By using the Staff Assistant (SA) and with the hiring of another Accountant, the City will be able to make some substantial changes to provide additional segregation and control points. Consideration of risk versus cost, must also be considered as these procedures are reviewed. |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
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 (Continued)**

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| <p><b>PALRF &amp; PCLRF<br/>                 Finding #2016-010<br/>                 (Continued)</b></p> | <p align="center"><b>City of Hawaiian Gardens</b></p>  |
| <p><b>Management's Response<br/>                 (Continued)</b></p>                                    | <p>Cash Disbursement – The Senior Account Specialist has been the person to enter invoices, print checks and distribute those checks, either to individuals or via mail. Currently, there are reviews and controls in place to detect fraud and these procedures are being reviewed to improve the controls to prevent and reduce the risk of fraudulent activities in the area of Cash Disbursements. The current procedure provides that all invoices are to be approved by department heads and/or City Manager according to defined spending levels. Once invoices are entered and checks are processed, the Finance Director reviews the issued checks and confirms the supporting documents contain this approval. These reviews provide opportunity to identify any fraudulent payments. In addition, recent procedure change has a SA distributing the checks once they are prepared. The SA reviews the checks and supporting documents and then, mails or issues checks to individuals. The check copy packages are returned to the Finance Director for a final review.</p> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-011</b> | <b>City of La Cañada Flintridge</b>   |
| <b>Compliance Reference</b>    | According to Proposition A and C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."   |
| <b>Condition</b>               | The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 130-01 Dial-A-Ride in the amount of \$1,525. However, the City filed the Project Description Form (Form A) to obtain approval on the budget amendment for the project from LACMTA. The Form A was subsequently approved by LACMTA on October 19, 2016.  |
| <b>Cause</b>                   | The City was unable to determine the proper budget of the expenditures incurred for the project since the amount is based on ridership, which fluctuates. Total cost of services is not known until the monthly billings for the full year are received from the City of Glendale. Billings for later months are normally not received until after the fiscal year ends   |
| <b>Effect</b>                  | The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.  |
| <b>Recommendation</b>          | We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects. Also, we recommend the City request frequent billings from the City of Glendale, i.e., quarterly or semi-annually, in order to monitor the expenditures incurred on the project. This would enable the City to monitor the expenditures and ensure that they do not exceed 25 percent of the approved budget. |
| <b>Management's Response</b>   | The City received the new contracted cost for the Dial-A-Ride service after the start of the fiscal year. In the future, we will request the City of Glendale to provide the contracted cost before the year end so that we can properly review and submit Form A to LACMTA earlier with a more reasonable budget.  |

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 Schedule of Findings and Questioned Costs  
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 (Continued)**

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| <b>PALRF &amp; PCLRF<br/>Finding #2016-012</b> | <b>City of La Cañada Flintridge</b>  |
| <b>Compliance Reference</b>                    | According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance.” And Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”.   |
| <b>Condition</b>                               | To support the propriety of expenditures being charged to the Proposition A and C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, payments to City of Glendale in the total amounts of \$223,086 and \$148,724, under Proposition A and Proposition C, respectively, were based on an expired contract agreement and were charged to the respective LCF Shuttle (Route 3) Project Code 110-03. No amendments were issued since Amendment No. 9 dated September 23, 1999 in which the term of the extension ended on January 31, 2000. |
| <b>Cause</b>                                   | The City have relied on the statement in the amended contract that both cities, if mutually agreed to, are allowed to extend the contract beyond the initial period as to the level of service, type of service, and rates.  |
| <b>Effect</b>                                  | No documentation to support that both Cities agree to extend the terms of the agreement indicates a weakness in the City’s internal control.   |
| <b>Recommendation</b>                          | We recommend that the City update the contract annually and issue an extension or amendment to provide proper documentation that both parties, Cities of La Cañada and Glendale, mutually agreed to the terms and conditions of the contract, including but not limited to, level of service, type of service, and rates.  |
| <b>Management’s Response</b>                   | The City and the City of Glendale have agreed to extend the agreement beyond the initial period under Amendment No. 9 with respect to level of service, type of service and rates. These extensions have been made through correspondence between the parties. In the future, the City will initiate deliberations with the City of Glendale on another contract amendment.  |

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 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF<br/>Finding #2016-013</b></p> | <p><b>City of La Mirada</b></p>   |
| <p><b>Compliance Reference</b></p>        | <p>According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance.” and Section V “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:             <ul style="list-style-type: none"> <li>(i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distribution based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</li> </ul> </li> </ul> |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

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| <b>PALRF Finding #2016-013 (Continued)</b> | <b>City of La Mirada</b>  |
| <b>Condition</b>                           | To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Administration Project Code 480-02 in the amount of \$81,786 were based on distribution percentages determined before the services were performed. |
| <b>Cause</b>                               | In 2012, the City of La Mirada initiated a Cost Allocation Plan (CAP) with Wildan Financial Services. The CAP was not completed and eventually became an in-house project. The CAP was completed by the City in October 2016.   |
| <b>Effect</b>                              | The cost claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditure. This resulted in questioned costs of \$81,786.   |
| <b>Recommendation</b>                      | In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$81,786. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.  |
| <b>Management's Response</b>               | In the future, the City of La Mirada will continue to use the budgeted allocation percentage with quarterly comparisons between actual hours and budgeted hours. The City will adjust accordingly to the "true" hours worked on the program   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-014</b> | <b>City of La Verne</b>   |
| <b>Compliance Reference</b>    | According to Proposition A & C Guidelines, Section II, 1.3, Recreational Transit Service: "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15th after the fiscal year."   |
| <b>Condition</b>               | The City did not meet the October 15, 2016 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 3, 2016.  |
| <b>Cause</b>                   | The Community Services Administrator who was responsible for the submission of the listing was not able to submit the form to LACMTA by its due date.   |
| <b>Effect</b>                  | The City's Listing of Recreational Transit Services was not submitted timely.   |
| <b>Recommendation</b>          | We recommend that the City establish procedures to ensure that the Recreational Transit Services listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition C Local Return Fund will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| <b>Management's Response</b>   | The Finance Department will coordinate with the Community Services Administrator to ensure that the Listing of Recreational Transit Services form is submitted by October 15th of each year. The Finance Department will verify that the Recreational Transit Form has been submitted to LACMTA in a timely manner.   |



**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF<br/>Finding #2016-015</b></p> | <p><b>City of Lomita</b></p>  |
| <p><b>Compliance Reference</b></p>        | <p>According to Proposition A Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”.</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF<br/>                 Finding #2016-015<br/>                 (Continued)</b></p> | <p><b>City of Lomita</b></p>   |
| <p><b>Condition</b></p>   | <p>To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. For the first 6 months of the year the City did not maintain any payroll records, however, the City conducted a time study to support the second 6 months of the fiscal year. The total payroll expenditures of \$20,513 for Proposition A for Administration were based on an estimate of a percentage of time spent on Proposition A activity rather than employee’s actual working hours spent for the Proposition A project. The City provided us with the supporting documentation for the time study; however, it did not adequately support the actual hours or payroll expenditures charged to the project for the first 6 months of the fiscal year.</p> |
| <p><b>Cause</b></p>   | <p>The City did not comply with LACMTA Guidelines and indicated that it was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.</p>   |
| <p><b>Effect</b></p>  | <p>The payroll costs claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditures, resulting in questioned costs of \$20,513.</p>   |
| <p><b>Recommendation</b></p>  | <p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$20,513. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.</p>  |
| <p><b>Management’s Response</b></p>   | <p>Management understands that the City did not fully comply with LACMTA Guidelines with regards to timekeeping for the Proposition A project. During the fiscal year there have been changes in the Finance Department, with the retirement of the Administrative Services Director and Accounting Manager. Management believed that a time study for a three month period would be sufficient evidence for payroll expenditures. Starting in fiscal year 2016/2017, management will ensure that timesheets are kept to charge actual time for the Proposition A project.</p>   |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

| <b>PALRF &amp; PCLRF<br/>Finding #2016-016</b> | <b>City of Long Beach</b>   |
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| <b>Compliance Reference</b>                    | <p>The City incurred expenditures in the amounts of \$618,743 and \$2,706,406 for PALRF and PCLRF, respectively, for a total amount of \$3,325,149, prior to receiving approval from LACMTA for the following projects: However, the City subsequently received LACMTA’s approval on January 20, 2017.</p> <ul style="list-style-type: none"> <li>(a) PALRF’s Project Code 150-20, Bus Improvements at 8 Locations on Long Beach Boulevard, Atlantic Avenue and the corner of 5th and Magnolia Street, in the amount of \$577.</li> <li>(b) PALRF’s Project Code 150-99, Long Beach Boulevard and 5th Street Bus Stop, in the amount of \$6,605.</li> <li>(c) PALRF’s Project Code 150-100, 7th Street Bus Stop Improvements, in the amount of \$180,942.</li> <li>(d) PALRF’s Project Code 160-02, Bus Stop Improvements on Studebaker Road Between Spring Street and Wardlow Road, in the amount of \$111,189.</li> <li>(e) PALRF’s Project Code 160-03, Bus Stop Improvements on Pacific Between PCH and Wardlow Road, in the amount of \$92,987.</li> <li>(f) PALRF’s Project Code 160-06, Bus Stop Improvements on Easy Avenue Between 27th Street and Spring Street, in the amount of \$12,738.</li> <li>(g) PALRF’s Project Code 160-09, Bus Stop Improvements on 10th Street Between Cherry Avenue and Temple Avenue, in the amount of \$93,506.</li> <li>(h) PALRF’s Project Code 320-01, Long Beach Blue Line Priority Project, in the amount of \$120,199.</li> <li>(i) PCLRF’s Project Code 440-300, Studebaker Road from Spring Street to Wardlow Road, in the amount of \$693,560.</li> <li>(j) PCLRF’s Project Code 440-301, Pacific Avenue from PCH to Willow Street, in the amount of \$1,148,489.</li> <li>(k) PCLRF’s Project Code 440-302, Easy Avenue from 27th Street to Spring Street, in the amount of \$542,353.</li> <li>(l) PCLRF’s Project Code 440-303, Orange Avenue from 52nd Street to 64th Street, in the amount of \$48,366.</li> <li>(m) PCLRF’s Project Code 440-304, Del Amo Boulevard Between West City Limits and Long Beach Boulevard, in the amount of \$19,774.</li> <li>(n) PCLRF’s Project Code 440-305, Orange Avenue Between Artesia Boulevard and 72nd Street, in the amount of \$64,050.</li> </ul> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-016</b> | <b>City of Long Beach</b>   |
| <b>Condition (Continued)</b>               | <p>(o) PCLRF's Project Code 440-306, Redondo Avenue Between Reservoir Drive and Stearns Street, in the amount of \$58,269.</p> <p>(p) PCLRF's Project Code 440-307, Studebaker Road Between Keynote Street and Los Coyotes Diagonal, in the amount of \$15,582.</p> <p>(q) PCLRF's Project Code 440-308, Ximeno Avenue between Atherton Street and Los Coyotes Diagonal, in the amount of \$24,952.</p> <p>(r) PCLRF's Project Code 440-309, Anaheim Street between Oregon Avenue and Pacific Avenue, in the amount of \$91,011.</p>  |
| <b>Cause</b>                               | The City stated that above projects were pre-approved in fiscal years 2013-14 and 2014-15 through the Form A process. However, the said projects were not included in the request for the project's approval on fiscal year 2015-16's Form B submitted to LACMTA.   |
| <b>Effect</b>                              | The City did not comply with the Guidelines when expenditures for PALRF and PCLRF projects are incurred without LACMTA's approval.  |
| <b>Recommendation</b>                      | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A and Proposition C Local Return projects. Form B (Annual Project Summary Report) should be properly prepared and submitted before the due date of November 1st so that the City's expenditures of Proposition A and Proposition C Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form B. |
| <b>Management's Response</b>               | The Form As were resubmitted for each of the projects to ensure Metro has noted that the projects were still open during the fiscal year. Future Form B submittals will include more rigorous review to ensure that all open projects are listed.   |

**Los Angeles County Metropolitan Transportation Authority**  
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**(Continued)**

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| <b>PALRF Finding #2016-017</b> | <b>City of Monrovia</b>  |
| <b>Compliance Reference</b>    | According to Proposition A and C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."  |
| <b>Condition</b>               | The expenditures for PALRF Project Code 170-03, Bus Stop Improvement exceeded 25% or more of its LACMTA approved budget in the amount of \$5,546. However, the City filed the Project Description Form (Form A) to obtain the approval for this project from LACMTA. The revised Form A was subsequently approved by LACMTA on November 16, 2016.  |
| <b>Cause</b>                   | The Bus Stop Improvement Project exceeded 25% of the approved budget due to unanticipated expenditures that the City incurred during the course of the project.  |
| <b>Effect</b>                  | The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.   |
| <b>Recommendation</b>          | We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.  |
| <b>Management Response</b>     | We agree with this finding. We acknowledge that the PALRF's Bus Stop Improvement Project exceeded 25% of its approved budget in the amount of \$5,546. Going forward, we will implement a Local Return Fund Oversight Program to effectively track all Proposition A, Proposition C, Measure R, and Transportation Development Act expenditures to ensure that actual project costs do not exceed 25% of the approved budget. This compliance program will involve quarterly expense tracking that will help identify projects that could potentially exceed the 25% cap. This would allow the City to amend the budget forms to reflect anticipated expenses. |

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(Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-018</b> | <b>City of Monrovia</b>  |
| <b>Compliance Reference</b>                | According to Proposition A and C Local Return Guidelines, Section II.1.3, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."  |
| <b>Condition</b>                           | The City did not meet the October 15, 2016 deadline for submission of the listing of Recreational Transit Services. However, the City submitted the listing to LACMTA on November 3, 2016.   |
| <b>Cause</b>                               | The listing of Recreational Transit Services was not submitted on time due to changes in staffing and transition of personnel responsible for gathering the recreation transit data and information.   |
| <b>Effect</b>                              | The City's listing of Recreational Transit Services was not submitted timely.  |
| <b>Recommendation</b>                      | We recommend that the City establish procedures to ensure that the listing of Recreational Transit Services is properly prepared and submitted prior to the October 15th deadline and the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.   |
| <b>Management Response</b>                 | We agree with this finding. We acknowledge that the listing of Recreational Transit Services was not submitted by its intended deadline. Going forward, we will implement a Local Return Fund Oversight Program to effectively track all PALRF, PCLRF, MRLRF and TDAA3F to ensure that the annual approval and reporting deadlines are met. The City plans to use the annual Metro Audit Request List as a basis for the compliance program. |

**Los Angeles County Metropolitan Transportation Authority  
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 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PCLRF<br/>Finding #2016-019</b></p> | <p><b>City of Norwalk</b></p>  |
| <p><b>Compliance Reference</b></p>        | <p>According to Proposition A &amp; C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”.</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non- timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:</p> <p style="padding-left: 80px;">(i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p> |

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Schedule of Findings and Questioned Costs  
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(Continued)**

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| <b>PCLRF Finding #2016-019 (Continued)</b> | <b>City of Norwalk</b>   |
| <b>Condition</b>                           | The salaries and benefits totaling \$2,982 under Project 310-08 Transportation Center Operation, was based on percentages determined by the City departments to be attributable to the LACMTA projects. However, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Proposition C Local Return projects. |
| <b>Cause</b>                               | The City received the same finding during FY 2014-15 and has subsequently implemented internal control procedures to ensure that the salaries charged to Proposition C Local Return projects are properly supported. However, the City did not have this internal control in place during the payroll periods included in our testing.   |
| <b>Effect</b>                              | The City did not comply with the LACMTA Guidelines. The payroll costs claimed under the Proposition C Local Return Funds projects may include expenditures which may not be an allowable Proposition C project, resulting in questioned cost in the amount of \$2,982.   |
| <b>Recommendation</b>                      | As the City has subsequently modified its time sheet reporting format and implemented internal controls to ensure compliance with guidelines, we recommend that the City implement a monitoring and review process to ensure that the internal controls in place operate effectively to ensure proper reporting of salaries charged to approved Proposition C Local Return projects.   |
| <b>Management's Response</b>               | Management will ensure that all staff time charged to Proposition C Local Return Projects are supported by timesheets or similar documentation.  |



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 (Continued)**

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| <p><b>PALRF<br/>Finding #2016-020</b></p> | <p><b>City of Rolling Hills Estates</b></p>  |
| <p><b>Compliance Reference</b></p>        | <p>According to Proposition A Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p> |

**Los Angeles County Metropolitan Transportation Authority  
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 (Continued)**

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| <p><b>PALRF<br/>                 Finding #2016-020<br/>                 (Continued)</b></p> | <p><b>City of Rolling Hills Estates</b></p>  |
| <p><b>Condition</b></p>   | <p>To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the total payroll expenditures of \$26,145 for Proposition A for Administration were based on an estimate of a percentage of time spent on Proposition A activity rather than employee’s actual working hours spent for the Proposition A project. The City provided us with the payroll register and the timesheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project.</p> <p>During the fiscal year, there was only one employee’s payroll being charged to Proposition A Local Return Fund.</p> |
| <p><b>Cause</b></p>   | <p>The City did not comply with LACMTA Guidelines and indicated that it was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.</p>   |
| <p><b>Effect</b></p>  | <p>The payroll costs claimed under the Proposition A Local Return Fund project may include expenditures which may not be allowable Proposition A project expenditures, resulting in questioned costs of \$26,145.</p>  |
| <p><b>Recommendation</b></p>  | <p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$26,145. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.</p>  |
| <p><b>Management’s Response</b></p>   | <p>Now that we have been made aware of the change for the reporting Prop. A on time sheets, the time sheets will be modified from an estimated percentage to the actual employee’s working hours.</p>  |

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**(Continued)**

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| <b>PCLRF Finding #2016-021</b>            | <b>City of San Dimas</b>   |
| <b>Compliance Reference</b>               | According to Proposition A and C Local Return Guidelines, Section I (B.3), "If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, jurisdictions will be required to reimburse their Proposition A or C Local Return account..."  |
| <b>Condition</b>                          | The expenditures for PCLRF's Bonita Avenue Street Reconstruction project in the amount of \$31,730 was incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the PCLRF project on September 12, 2016.   |
| <b>Cause</b>                              | The submission of the form for the project was overlooked during the submittal of Form A's to LACMTA.  |
| <b>Effect</b>                             | The City did not comply with the Guidelines when expenditures for PCLRF projects are incurred without LACMTA's approval.   |
| <b>Recommendation</b>                     | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A and Proposition C Local Return projects, and Form B (Annual Project Summary Report) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Proposition A and Proposition C Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form B. |
| <b>Management Response</b>                | The project was reported in the original Form C submitted. However, the Form A for the project was mistakenly omitted when submitting the necessary Form A's to LACMTA. Once the City was notified by Metro, the City immediately rectified the missing Form A and the project was approved. In the future, additional measures, such as second reviewer as part of the process, will be put in place to assure that all necessary Form A's are completed and turned in on time.   |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted retroactive approval of the project on September 12, 2016. No additional follow up is required.   |

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 (Continued)**

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| <p><b>PALRF<br/>Finding #2016-022</b></p> | <p><b>City of San Dimas</b></p>  |
| <p><b>Compliance Reference</b></p>        | <p>According to Proposition A Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p> |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

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| <b>PALRF Finding #2016-022 (Continued)</b> | <b>City of San Dimas</b>  |
| <b>Condition</b>                           | To support the propriety of expenditures being charged to the Proposition A and C Local Return Funds, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, payroll charges to PALRF's Administration, Project Code 480-01 in the amount of \$61,714 were based on budget estimates. The City provided us with the payroll register and the timesheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project. |
| <b>Cause</b>                               | The City followed a practice that was in place and continued to charge payroll based on budget estimates. Moreover, the City did not follow the recommended procedures for acceptable personnel activity reports or equivalent documentation by LACMTA that was issued on April 29, 2014.   |
| <b>Effect</b>                              | The payroll costs claimed under Proposition A Local Return Fund project may include expenditures which may not be allowable Proposition A project expenditures.   |
| <b>Recommendation</b>                      | In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Account \$61,714. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.  |
| <b>Management's Response</b>               | The prior management process was to charge time based on scheduled time to work on PALRF functions. The City has now adjusted this practice to have all time worked related to Metro funds to be reflected on the time cards to meet the requirements for time keeping and expenditure tracking per PALRF guidelines.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-023</b>            | <b>City of Signal Hill</b>   |
| <b>Compliance Reference</b>               | According to Proposition A & C Guidelines, Section B paragraph (1), "Under the Proposition A and Proposition C Ordinances, Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."  |
| <b>Condition</b>                          | At June 30, 2016, the City had unspent PALRF fund balance from FY 2013 in the amount of \$11,724. The City received subsequent approval from LACMTA on December 15, 2016 to transfer expenditures incorrectly posted to Proposition A- FY16/17 to Proposition A - FY 15/16 to cover the lapsed fund amount.  |
| <b>Cause</b>                              | The City was not aware of the importance of monitoring lapsing Proposition A funds and spending funds within three years to meet the compliance requirements.  |
| <b>Effect</b>                             | The City is obligated to expend the funds within three years and the City did not expend the Proposition A fund balance from FY 2013 as of June 30, 2016. Therefore, the City was not in compliance with the Guidelines.   |
| <b>Recommendation</b>                     | We recommend that the City establish controls to ensure that the funds will be spent in a timely manner as required by the Guidelines.   |
| <b>Management Response</b>                | Please be aware that the City of Signal Hill did expend all Prop A funds, including the \$11,724 fund balance "Condition" mentioned in your attached finding. Because of the challenges involved in the City's recent conversion to new Accounting Software and an accounting oversight, FY 15-16 Prop A fund expenditures were paid and erroneously posted to the subsequent 16-17 FY. These expenditures, in the amount of \$21,719.92 for your invoice 10006231 for "Prop A- 1st half FY Fixed Route", were incurred in FY 15-16. Additionally, this correction will reflect in our FY 15-16 CAFR and Single Audit Reports. |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted retroactive approval of the expenditure transfer to the correct fiscal year on December 15, 2016. No additional follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-024</b>            | <b>City of South Pasadena</b>   |
| <b>Compliance Reference</b>               | According to Proposition A and C Local Return Guidelines, Section I (B.3), "If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition A or C Local Return account..."   |
| <b>Condition</b>                          | The expenditure for PCLRF's Bus Stop Improvement Project with Project Code 150-01 in the amount of \$8,842 was incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on PCLRF project on November 9, 2016.  |
| <b>Cause</b>                              | The City inadvertently did not include the budget for the Bus Stop Improvement Project on the Form B submitted to LACMTA.   |
| <b>Effect</b>                             | The City did not comply with the Guidelines when expenditures for PCLRF projects are incurred without LACMTA's approval.  |
| <b>Recommendation</b>                     | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A and Proposition C Local Return projects, and Form B (Annual Project Summary Report) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Proposition A and Proposition C Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved ongoing and carryover Local Return projects in Form B. |
| <b>Management Response</b>                | Management concurs with the finding.  |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted retroactive approval of the project on November 9, 2016. No additional follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PALRF &amp; PCLRF<br/>         Finding #2016-025</b></p> | <p><b>City of South Pasadena</b></p>   |
| <p><b>Compliance Reference</b></p>                             | <p>According to Proposition A and C Local Return Guidelines, Section II, “ A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance. “ and Section V “ It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</li> </ul> |



**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-025 (Continued)</b> | <b>City of South Pasadena</b>  |
| <b>Condition</b>                                       | To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Proposition A Administration Project Code 480-01 totaled \$22,486 and Senior Dial-A-Ride, Project Code 130-05 totaled \$68,232 and Proposition C Administration Project Code 480-01 totaled \$13,911 were based on distribution percentages determined before the services were performed rather than employee’s actual working hours spent for the Proposition A and C projects. The City provided us with the payroll register and the time sheets; however, the documents did not adequately support the actual hours or payroll expenditures charged to the project. This finding is read in conjunction with Finding No. 2016-024. |
| <b>Cause</b>   | The City was not aware that its method of charging salaries and benefits was not an adequate support for labor costs claimed.  |
| <b>Effect</b>  | The payroll costs claimed under the Proposition A and C Local Return Fund projects may include expenditures which may not be allowable for Proposition A and C project expenditures. This resulted in questioned costs of \$90,718 and \$13,911 for PALRF and PCLRF, respectively.   |
| <b>Recommendation</b>                                  | In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Funds accounts by \$90,718 and \$13,911, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.  |
| <b>Management’s Response</b>                           | Percentages are used so a budget can be prepared for the new fiscal year. Once the year starts, the payroll and benefit charges for administration are based on actual hours worked as listed on the time cards. We understand that one employee who worked for the City for 7 months neglected to put down actual hours, though the percentage used (2% combined for PALRF and PCLRF) would have represented approximately \$1,000 total charged to PALRF and PCLRF. Purely programmatic personnel such as Dial-A-Ride drivers are always 100% funded by PALRF and PCLRF so the payroll system will show them as 100% allocated to PALRF and PCLRF.   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-026</b> | <b>City of South Pasadena</b>   |
| <b>Compliance Reference</b>                | According to Proposition A and C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."   |
| <b>Condition</b>                           | The City exceeded more than 25 percent of Metro's approved budget on PALRF's and PCLRF's Administration Project Code 480-01 in the amount of \$7,163 and \$17,667, respectively. The Project Description Form (Form A) was not submitted to LACMTA to amend the budget. This finding is read in conjunction with Finding No. 2016-025.<br>This condition was a repeat finding in fiscal year ended June 30, 2015 for PCLRF.         |
| <b>Cause</b>                               | Originally the City had enough Administration project budget. However, during the fiscal year there were multiple budget adjustments which caused the fiscal year ending June 30, 2016 Administration project budget to be lower than the initially approved Administration project budget amount. As a result, the actual cost exceeded the 25 percent excess budget allowance.  |
| <b>Effect</b>                              | The City's PALRF and PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.  |
| <b>Recommendation</b>                      | We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects. |
| <b>Management Response</b>                 | The overage was due to a one-time charge related to retiree health insurance costs. Without the charge, the cap would not have been exceeded. Upon reviewing these charges, the allocation methodology does not appear to have been accurate, and such charges will not appear in future.   |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <b>PALRF Finding #2016-027</b> | <b>City of South Pasadena</b>  |
| <b>Compliance Reference</b>    | According to Proposition A and C Local Return Guidelines, Section V “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation.” In addition, the City’s accounts payable procedures states that “All invoices \$500 up to \$10,000 must have a purchase order to disencumber except for: refunds out of a revenue account; payments out of a rehab or trust account; and petty cash replenishment. The above three exceptions must have a check request with the proper approval signature.” |
| <b>Condition</b>               | Purchase orders were not issued as required by the City’s policies and procedures.   |
| <b>Cause</b>                   | The City was not consistent in complying with the purchasing policies and procedures.  |
| <b>Effect</b>                  | The cost claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditure. Total disbursement tested that were not covered by purchase order amounted to \$ 9,604.   |
| <b>Recommendation</b>          | In accordance with the Guidelines, we recommend the City establish controls to ensure compliance with the City’s purchasing procedures at all times.   |
| <b>Management Response</b>     | Management agrees that this has been the case, and has instituted procedures to ensure that Purchase Order policies are being correctly followed.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

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| <b>PALRF Finding #2016-028</b> | <b>City of Temple City</b>  |
| <b>Compliance Reference</b>    | According to Proposition A & C Guidelines, Section II, 1.3, Recreational Transit Service: "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15th after the fiscal year."   |
| <b>Condition</b>               | The City did not meet the October 15, 2016 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 4, 2016.  |
| <b>Cause</b>                   | The City employee who is responsible for the submission of the form missed the deadline set by LACMTA.  |
| <b>Effect</b>                  | The City's Listing of Recreational Transit Services was not submitted timely.   |
| <b>Recommendation</b>          | We recommend that the City establish procedures to ensure that the Recreational Transit Services listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner. |
| <b>Management Response</b>     | The staff will ensure the timely submission of the Listing of Recreational Transit Services in the future and follow-up with LACMTA for confirmation.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PALRF Finding #2016-029</b> | <b>City of Temple City</b>  |
| <b>Compliance Reference</b>    | According to Proposition A Local Return Guidelines, Section I (C), "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."   |
| <b>Condition</b>               | The City had a debit balance on its employee benefits payable that relates to prior years' administration costs and was not adjusted to properly account for them. The debit balance was created due to the change of the payroll system in fiscal year 2012-13. This unadjusted balance resulted to a total of \$36,546 at June 30, 2016.  |
| <b>Cause</b>                   | The City did not make a timely adjustment to correct the debit balance of the liability for prior fiscal years after terminating outside payroll services during the conversion of the payroll system.  |
| <b>Effect</b>                  | PALRF financials do not reflect the proper financial condition of the local return fund and may lead to weak internal accounting controls.  |
| <b>Recommendation</b>          | We recommend that the City establish procedures to ensure that the financial records reflect the true and accurate condition of the local return funds in order to provide a more meaningful presentation to the users in compliance with the guidelines.   |
| <b>Management Response</b>     | The amount of \$36,546 is a result of the conversion from an outside payroll service to an in-house payroll process which occurred in fiscal year 2012-13. The City made changes to the Accounts Payable process so that the liabilities are paid out of the corresponding fund and clears out the proper liability amount on a monthly basis. The City has made the necessary adjustments to reconcile the debit balance related to prior years. |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PCLRF<br/>Finding #2016-030</b></p> | <p><b>City of West Covina</b></p>   |
| <p><b>Compliance Reference</b></p>        | <p>According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance.” and Section V “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</li> </ul> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <p><b>PCLRF<br/>                 Finding #2016-030<br/>                 (Continued)</b></p> | <p><b>City of West Covina</b></p>  |
| <p><b>Condition</b></p>   | <p>To support the propriety of expenditures being charged to Proposition C Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Transportation Planning Project Code 270-05 amounting to \$120,215, Pavement Management Project Code 470-06 amounting to \$96,286, and Administration Project Code 480-01 in the amount of \$95,844 were based on distribution percentages determined before the services were performed. In addition, there were several timesheets, and/or leave requests that were not approved by the supervisor.</p>  |
| <p><b>Cause</b></p>   | <p>The payroll and budgeting process has been the same for a number of years with no mention that it was incorrect from any prior audit reports. The new cost allocation plan was delayed for numerous reasons: 1) The City attempted to hire a consultant to prepare a new cost allocation plan in July 2014, but was unable to settle on a contract with the vendor; 2) The Finance Director at the time then left the City and a new one was not hired until April 15; and 3) in July 2015, the new Finance Director got direction from the City Council to issue a new RFP and continue with the project.</p>  |
| <p><b>Effect</b></p>  | <p>The cost claimed under the Proposition C Local Return Fund project may include expenditures which may not be allowable Proposition C project expenditures. This resulted in questioned costs of \$312,345.</p>  |
| <p><b>Recommendation</b></p>  | <p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition C Local Return Fund account by \$312,345. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.</p>   |
| <p><b>Management's Response</b></p>   | <p>This compliance issue was not previously presented to the City and the City's practice has been consistent for numerous years. Since receiving the letter in April 2014, which is mentioned in the Compliance Reference section, City staff issued a RFP to hire a consultant to develop a new cost allocation plan for the City. The contract was awarded in September 2015 and the plan was completed in time to be incorporation in FY 2016-17 budget. As a result of another audit finding, staff is now tracking their time on timesheets as oppose to being allocated automatically in payroll. In June 2016, Finance staff conducted a timesheet audit and has incorporated proper internal controls to ensure approved timesheet are submitted to Finance. All of these issues have been resolved moving forward, but the recommendation to return \$312,345 would be a hardship on the City.</p> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-031</b> | <b>City of West Covina</b>   |
| <b>Compliance Reference</b>                | According to Proposition A & C Local Return Guidelines, Section V and Measure R Local Return Guidelines, Section VII “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines...” In addition, Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: “e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared.” Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported.”   |
| <b>Condition</b>                           | During our review of the June 30, 2016 bank reconciliation, we noted that the bank balance and accounting records had an unreconciling difference of \$93,951. Therefore, the bank reconciliation was not prepared properly and may not reflect the actual City-wide cash account balance at June 30, 2016.  |
| <b>Cause</b>                               | In 2014, the Finance Department lost most of their Accounting staff due to retirement and attrition. It was not until mid-2015 that most of the Accounting positions were permanently filled. This caused delays in performing the bank reconciliations.   |
| <b>Effect</b>                              | The cash balance cannot be validated at June 30, 2016. Without a June 30, 2016 reconciliation of cash, there is a high risk of material errors.  |
| <b>Recommendation</b>                      | In accordance with the Guidelines, we recommend the City establish procedures and controls to ensure all bank reconciliations are properly performed and supported on a timely basis. In addition, we recommend the City to ensure that the individual(s) responsible for reconciling the bank balance to the general ledger cash balance have adequate training and knowledge of bank reconciliations.  |
| <b>Management Response</b>                 | The City acknowledges the importance of bank reconciliations that are completed, reviewed and approved timely. A new and improved bank reconciliation format is in place and is reviewed upon completion by the Accounting Manager. While staff has prepared the bank reconciliation for the general account through June 2016, there are variances that still need to be reconciled. On October 17, 2016, the consultant that is familiar with the software and who last reconciled the general checking account provided training to the Accountants to help resolve the remaining variances. It is anticipated that the bank reconciliations will be completed and timely for the FY 2016-17 audit. |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>PCLRF Finding #2016-032</b>            | <b>City of Whittier</b>  |
| <b>Compliance Reference</b>               | According to Proposition A and C Local Return Guidelines, Section I (B.3), "If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition A or C Local Return account..."  |
| <b>Condition</b>                          | The expenditure for PCLRF's Project Code 430-903, Whittier Greenway Trail – East Extension Work, in the amount of \$405 was incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the PCLRF project on October 6, 2016.   |
| <b>Cause</b>                              | The City staff believed that the prior year's budget approval would be carried forward in the fiscal year 2015-16 and therefore, did not include the request for the project's approval in Form B submitted to LACMTA.   |
| <b>Effect</b>                             | The City did not comply with the Guidelines when expenditures for PCLRF projects are incurred without LACMTA's approval.   |
| <b>Recommendation</b>                     | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A and Proposition C Local Return projects, and Form B (Annual Project Summary Report) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Proposition A and Proposition C Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form B. |
| <b>Management Response</b>                | The City ensures that it will direct staff to obtain LACMTA's authorization before expenditures are incurred on the project.   |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted retroactive approval of the project on October 6, 2016. No additional follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
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**(Continued)**

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| <b>PALRF &amp; PCLRF Finding #2016-033</b> | <b>City of Whittier</b>  |
| <b>Compliance Reference</b>                | According to Local Return Guidelines, Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation..." and this requires a system of internal control that can be carried out as prescribed by the established accounting policies and procedures. Written accounting policies and procedures provide a system that accurately measures business activities, processes that information into reports, and communicates these findings to decision makers. |
| <b>Condition</b>                           | The City did not provide written accounting policies and procedures when requested.  |
| <b>Cause</b>                               | City has written desk procedures for the various accounting functions.   |
| <b>Effect</b>                              | Without written accounting policies and procedures, there is the potential for increased risk of inaccurate and unreliable financial records and misstated financial reports.  |
| <b>Recommendation</b>                      | We recommend that the City establish written accounting policies and procedures to ensure accurate recording and reporting of financial activities.  |
| <b>Management Response</b>                 | City has desk procedures in place and management will re-evaluate policies and procedures.   |



**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, 2016**

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**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 County of Los Angeles (County) and the thirty-eight (38) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles 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 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on the County's and the Cities' compliance with the Guidelines and 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 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 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 the County and each City's compliance with the Guidelines and 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 the County and each City's compliance with the Guidelines and Requirements.



## **Opinion**

In our opinion, except for the City of Compton, as described in Schedule 2 as Finding #2016-005, the Cities and the County complied, in all material respects, with the Guidelines and 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, 2016.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-018. 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 the County and each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered the County and each City's internal control over compliance with the Guidelines and 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 Guidelines and 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 the County and each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

*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 Guidelines and Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001, #2016-002, #2016-005, #2016-009, #2016-010, #2016-013, #2016-015, #2016-016 and #2016-017, that we consider to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and 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. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding #2016-004, that we consider to be a significant deficiency.

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

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 of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

*Vacquez & Company LLP*

Los Angeles, California  
December 29, 2016

**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2016**

The audits of the 38 cities and the County of Los Angeles identified in Schedule 1 have resulted in 18 findings. The table below shows a summary of the findings:

| <b>Finding</b>   | <b># of Findings</b> | <b>Responsible Cities/ Finding No. Reference</b>   | <b>Questioned Costs</b>                     | <b>Resolved During the Audit</b>        |
|--|----------------------|--|---|---|
| No adequate evidence that funds were expended for transportation purposes. | 4                    | Compton (#2016-005)<br>La Puente (#2016-009)<br>Montebello (#2016-013)<br>South El Monte (#2016-016)                           | \$ 1,129,557<br>30,950<br>49,280<br>4,015   | \$ -<br>30,950<br>49,280<br>-           |
| Funds were expended without LACMTA's approval.                             | 5                    | Bell Gardens (#2016-001)<br>La Puente (#2016-010)<br>Lynwood (#2016-011)<br>Rosemead (#2016-014)<br>South El Monte (#2016-017) | 140,694<br>5,836<br>1,079<br>5,443<br>4,960 | 140,694<br>5,836<br>-<br>5,443<br>4,960 |
| Expenditure Plan (Form One) was not submitted on time.                     | 2                    | Compton (#2016-006)<br>Irwindale (#2016-008)   | None<br>None                                | -<br>-                                  |
| Expenditure Report (Form Two) was not submitted on time.                   | 3                    | Compton (#2016-007)<br>Lynwood (#2016-012)<br>South El Monte (#2016-018)   | None<br>None<br>None                        | -<br>-<br>-                             |
| Administrative expenses exceeded the 20% cap.                              | 3                    | Bell Gardens (#2016-002)<br>Carson (#2016-004)<br>Rosemead (#2016-015)   | 12,146<br>4,594<br>20,830                   | 12,146<br>4,594<br>20,830               |
| Recreational Transit form was not submitted on time.                       | 1                    | Calabasas (#2016-003)  | None  | -                                       |
| <b>Total Findings and Questioned Costs</b>                                 | <b>18</b>            |  | <b>\$ 1,409,384</b>                         | <b>\$ 274,733</b>                       |

Details of the findings are in Schedule 2.



**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016**

| <b>Compliance Area Tested</b>  | <b>Agoura Hills</b> | <b>Azusa</b>   | <b>Baldwin Park</b> |
|--|---------------------|----------------|---------------------|
| Funds were expended for transportation purposes.   | Compliant           | Compliant      | Compliant           |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant           | Compliant      | Compliant           |
| Signed Assurances and Understandings on file.  | Compliant           | Compliant      | Compliant           |
| Separate Measure R Local Return Account was established.   | Compliant           | Compliant      | Compliant           |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant           | Compliant      | Compliant           |
| Funds were expended with LACMTA's approval.  | Compliant           | Compliant      | Compliant           |
| Expenditure Plan (Form One) was submitted on time.   | Compliant           | Compliant      | Compliant           |
| Expenditure Report (Form Two) was submitted on time.   | Compliant           | Compliant      | Compliant           |
| Timely use of funds.   | Compliant           | Compliant      | Compliant           |
| Administrative expenses are within the 20% cap.  | Compliant           | Compliant      | Compliant           |
| Fund exchanges were approved by LACMTA.  | Not Applicable      | Not Applicable | Not Applicable      |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable      | Compliant      | Not Applicable      |
| Recreational transit form was submitted on time.   | Not Applicable      | Not Applicable | Not Applicable      |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Bell</b>    | <b>Bell Gardens</b>   | <b>Beverly Hills</b> |
|--|----------------|-----------------------|----------------------|
| Funds were expended for transportation purposes.   | Compliant      | Compliant             | Compliant            |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant      | Compliant             | Compliant            |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant             | Compliant            |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant             | Compliant            |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant             | Compliant            |
| Funds were expended with LACMTA's approval.  | Compliant      | See Finding #2016-001 | Compliant            |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | Compliant             | Compliant            |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | Compliant             | Compliant            |
| Timely use of funds.   | Compliant      | Compliant             | Compliant            |
| Administrative expenses are within the 20% cap.  | Compliant      | See Finding #2016-002 | Compliant            |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable        | Not Applicable       |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable        | Not Applicable       |
| Recreational transit form was submitted on time.   | Not Applicable | Compliant             | Not Applicable       |

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

| <b>Compliance Area Tested</b>  | <b>Calabasas</b>      | <b>Carson</b>         | <b>Commerce</b> |
|--|-----------------------|-----------------------|-----------------|
| Funds were expended for transportation purposes.   | Compliant             | Compliant             | Compliant       |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant             | Compliant             | Compliant       |
| Signed Assurances and Understandings on file.  | Compliant             | Compliant             | Compliant       |
| Separate Measure R Local Return Account was established.   | Compliant             | Compliant             | Compliant       |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant             | Compliant             | Compliant       |
| Funds were expended with LACMTA's approval.  | Compliant             | Compliant             | Compliant       |
| Expenditure Plan (Form One) was submitted on time.   | Compliant             | Compliant             | Compliant       |
| Expenditure Report (Form Two) was submitted on time.   | Compliant             | Compliant             | Compliant       |
| Timely use of funds.   | Compliant             | Compliant             | Compliant       |
| Administrative expenses are within the 20% cap.  | Compliant             | See Finding #2016-004 | Not Applicable  |
| Fund exchanges were approved by LACMTA.  | Not Applicable        | Not Applicable        | Not Applicable  |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable        | Not Applicable        | Not Applicable  |
| Recreational transit form was submitted on time.   | See Finding #2016-003 | Not Applicable        | Compliant       |

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

| <b>Compliance Area Tested</b>  | <b>Compton</b>        | <b>Cudahy</b>  | <b>Culver City</b> |
|--|-----------------------|----------------|--------------------|
| Funds were expended for transportation purposes.   | See Finding #2016-005 | Compliant      | Compliant          |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant             | Compliant      | Compliant          |
| Signed Assurances and Understandings on file.  | Compliant             | Compliant      | Compliant          |
| Separate Measure R Local Return Account was established.   | Compliant             | Compliant      | Compliant          |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant             | Compliant      | Compliant          |
| Funds were expended with LACMTA's approval.  | Compliant             | Compliant      | Compliant          |
| Expenditure Plan (Form One) was submitted on time.   | See Finding #2016-006 | Compliant      | Compliant          |
| Expenditure Report (Form Two) was submitted on time.   | See Finding #2016-007 | Compliant      | Compliant          |
| Timely use of funds.   | Compliant             | Compliant      | Compliant          |
| Administrative expenses are within the 20% cap.  | Compliant             | Compliant      | Compliant          |
| Fund exchanges were approved by LACMTA.  | Not Applicable        | Not Applicable | Not Applicable     |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable        | Not Applicable | Not Applicable     |
| Recreational transit form was submitted on time.   | Not Applicable        | Not Applicable | Not Applicable     |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>El Monte</b> | <b>Gardena</b> | <b>Hawthorne</b> |
|--|-----------------|----------------|------------------|
| Funds were expended for transportation purposes.   | Compliant       | Compliant      | Compliant        |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant       | Compliant      | Compliant        |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant      | Compliant        |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant      | Compliant        |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant      | Compliant        |
| Funds were expended with LACMTA's approval.  | Compliant       | Compliant      | Compliant        |
| Expenditure Plan (Form One) was submitted on time.   | Compliant       | Compliant      | Compliant        |
| Expenditure Report (Form Two) was submitted on time.   | Compliant       | Compliant      | Compliant        |
| Timely use of funds.   | Compliant       | Compliant      | Compliant        |
| Administrative expenses are within the 20% cap.  | Compliant       | Compliant      | Compliant        |
| Fund exchanges were approved by LACMTA.  | Not Applicable  | Not Applicable | Not Applicable   |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Compliant       | Not Applicable | Not Applicable   |
| Recreational transit form was submitted on time.   | Not Applicable  | Not Applicable | Not Applicable   |

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

| <b>Compliance Area Tested</b>  | <b>Hidden Hills</b> | <b>Huntington<br/>Park</b> | <b>Industry</b> |
|--|---------------------|----------------------------|-----------------|
| Funds were expended for transportation purposes.   | Compliant           | Compliant                  | Compliant       |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant           | Compliant                  | Compliant       |
| Signed Assurances and Understandings on file.  | Compliant           | Compliant                  | Compliant       |
| Separate Measure R Local Return Account was established.   | Compliant           | Compliant                  | Compliant       |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant           | Compliant                  | Compliant       |
| Funds were expended with LACMTA's approval.  | Compliant           | Compliant                  | Compliant       |
| Expenditure Plan (Form One) was submitted on time.   | Compliant           | Compliant                  | Compliant       |
| Expenditure Report (Form Two) was submitted on time.   | Compliant           | Compliant                  | Compliant       |
| Timely use of funds.   | Compliant           | Compliant                  | Compliant       |
| Administrative expenses are within the 20% cap.  | Compliant           | Compliant                  | Compliant       |
| Fund exchanges were approved by LACMTA.  | Not Applicable      | Not Applicable             | Not Applicable  |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable      | Not Applicable             | Not Applicable  |
| Recreational transit form was submitted on time.   | Not Applicable      | Not Applicable             | Not Applicable  |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Inglewood</b> | <b>Irwindale</b>      | <b>La Puente</b>      |
|--|------------------|-----------------------|-----------------------|
| Funds were expended for transportation purposes.   | Compliant        | Not Applicable        | See Finding #2016-009 |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant        | Not Applicable        | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant        | Compliant             | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant        | Compliant             | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant        | Compliant             | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant        | Not Applicable        | See Finding #2016-010 |
| Expenditure Plan (Form One) was submitted on time.   | Compliant        | See Finding #2016-008 | Compliant             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant        | Compliant             | Compliant             |
| Timely use of funds.   | Compliant        | Compliant             | Compliant             |
| Administrative expenses are within the 20% cap.  | Compliant        | Not Applicable        | Compliant             |
| Fund exchanges were approved by LACMTA.  | Not Applicable   | Not Applicable        | Not applicable        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable   | Not Applicable        | Not applicable        |
| Recreational transit form was submitted on time.   | Not Applicable   | Not Applicable        | Not applicable        |

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

| <b>Compliance Area Tested</b>  | <b>Lawndale</b> | <b>Los Angeles<br/>County</b> | <b>Lynwood</b>        |
|--|-----------------|-------------------------------|-----------------------|
| Funds were expended for transportation purposes.   | Compliant       | Compliant                     | Compliant             |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant       | Compliant                     | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant                     | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant                     | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant                     | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant       | Compliant                     | See Finding #2016-011 |
| Expenditure Plan (Form One) was submitted on time.   | Compliant       | Compliant                     | Compliant             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant       | Compliant                     | See Finding #2016-012 |
| Timely use of funds.   | Compliant       | Compliant                     | Compliant             |
| Administrative expenses are within the 20% cap.  | Compliant       | Not Applicable                | Compliant             |
| Fund exchanges were approved by LACMTA.  | Not Applicable  | Not Applicable                | Not Applicable        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable  | Not Applicable                | Not Applicable        |
| Recreational transit form was submitted on time.   | Not Applicable  | Not Applicable                | Not Applicable        |



**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

| <b>Compliance Area Tested</b>  | <b>Malibu</b>  | <b>Maywood</b> | <b>Montebello</b>     |
|--|----------------|----------------|-----------------------|
| Funds were expended for transportation purposes.   | Compliant      | Compliant      | See Finding #2016-013 |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant      | Compliant      | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant      | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant      | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant      | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant      | Compliant             |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | Compliant      | Compliant             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | Compliant      | Compliant             |
| Timely use of funds.   | Compliant      | Compliant      | Compliant             |
| Administrative expenses are within the 20% cap.  | Compliant      | Compliant      | Compliant             |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable | Not Applicable        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable | Not Applicable        |
| Recreational transit form was submitted on time.   | Not Applicable | Not Applicable | Not Applicable        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Monterey Park</b> | <b>Pico Rivera</b> | <b>Pomona</b>  |
|--|----------------------|--------------------|----------------|
| Funds were expended for transportation purposes.   | Compliant            | Compliant          | Compliant      |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant            | Compliant          | Compliant      |
| Signed Assurances and Understandings on file.  | Compliant            | Compliant          | Compliant      |
| Separate Measure R Local Return Account was established.   | Compliant            | Compliant          | Compliant      |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant            | Compliant          | Compliant      |
| Funds were expended with LACMTA's approval.  | Compliant            | Compliant          | Compliant      |
| Expenditure Plan (Form One) was submitted on time.   | Compliant            | Compliant          | Compliant      |
| Expenditure Report (Form Two) was submitted on time.   | Compliant            | Compliant          | Compliant      |
| Timely use of funds.   | Compliant            | Compliant          | Compliant      |
| Administrative expenses are within the 20% cap.  | Compliant            | Compliant          | Compliant      |
| Fund exchanges were approved by LACMTA.  | Not Applicable       | Not Applicable     | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable       | Not Applicable     | Compliant      |
| Recreational transit form was submitted on time.   | Not Applicable       | Not Applicable     | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Rosemead</b>       | <b>San Fernando</b> | <b>Santa Monica</b> |
|--|-----------------------|---------------------|---------------------|
| Funds were expended for transportation purposes.   | Compliant             | Compliant           | Compliant           |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant             | Compliant           | Compliant           |
| Signed Assurances and Understandings on file.  | Compliant             | Compliant           | Compliant           |
| Separate Measure R Local Return Account was established.   | Compliant             | Compliant           | Compliant           |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant             | Compliant           | Compliant           |
| Funds were expended with LACMTA's approval.  | See Finding #2016-014 | Compliant           | Compliant           |
| Expenditure Plan (Form One) was submitted on time.   | Compliant             | Compliant           | Compliant           |
| Expenditure Report (Form Two) was submitted on time.   | Compliant             | Compliant           | Compliant           |
| Timely use of funds.   | Compliant             | Compliant           | Compliant           |
| Administrative expenses are within the 20% cap.  | See Finding #2016-015 | Compliant           | Compliant           |
| Fund exchanges were approved by LACMTA.  | Not Applicable        | Not Applicable      | Not Applicable      |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable        | Not Applicable      | Not Applicable      |
| Recreational transit form was submitted on time.   | Not Applicable        | Not Applicable      | Not Applicable      |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Santa Fe Springs</b> | <b>South El Monte</b> | <b>South Gate</b> |
|--|-------------------------|-----------------------|-------------------|
| Funds were expended for transportation purposes.   | Compliant               | See Finding #2016-016 | Compliant         |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant               | Compliant             | Compliant         |
| Signed Assurances and Understandings on file.  | Compliant               | Compliant             | Compliant         |
| Separate Measure R Local Return Account was established.   | Compliant               | Compliant             | Compliant         |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant               | Compliant             | Compliant         |
| Funds were expended with LACMTA's approval.  | Compliant               | See Finding #2016-017 | Compliant         |
| Expenditure Plan (Form One) was submitted on time.   | Compliant               | Compliant             | Compliant         |
| Expenditure Report (Form Two) was submitted on time.   | Compliant               | See Finding #2016-018 | Compliant         |
| Timely use of funds.   | Compliant               | Compliant             | Compliant         |
| Administrative expenses are within the 20% cap.  | Compliant               | Compliant             | Compliant         |
| Fund exchanges were approved by LACMTA.  | Not Applicable          | Not Applicable        | Not Applicable    |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable          | Not Applicable        | Not Applicable    |
| Recreational transit form was submitted on time.   | Not Applicable          | Not Applicable        | Not Applicable    |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Walnut</b>  | <b>West<br/>Hollywood</b> | <b>Westlake<br/>Village</b> |
|--|----------------|---------------------------|-----------------------------|
| Funds were expended for transportation purposes.   | Compliant      | Compliant                 | Compliant                   |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant      | Compliant                 | Compliant                   |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant                 | Compliant                   |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant                 | Compliant                   |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant                 | Compliant                   |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant                 | Compliant                   |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | Compliant                 | Compliant                   |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | Compliant                 | Compliant                   |
| Timely use of funds.   | Compliant      | Compliant                 | Compliant                   |
| Administrative expenses are within the 20% cap.  | Compliant      | Compliant                 | Not Applicable              |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable            | Not Applicable              |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable            | Not Applicable              |
| Recreational transit form was submitted on time.   | Not Applicable | Not Applicable            | Not Applicable              |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016**

|   |  |
|---|--|
| <b>Finding #2016-001</b>                  | <b>City of Bell Gardens</b>  |
| <b>Compliance Reference</b>               | <p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p> |
| <b>Condition</b>                          | <p>The City claimed expenditures for MRLRF project code 8.10, Fund Administration, for \$140,694 with no prior approval from LACMTA.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 22, 2016.</p>   |
| <b>Cause</b>                              | The City concurs with the finding that an Expenditure Plan (Form One) should have been submitted by August 1 for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.  |
| <b>Effect</b>                             | The City claimed expenditures totaling \$140,694 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.   |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.   |
| <b>Management's Response</b>              | The City is in the process of submitting a revised Expenditure Plan (Form One) to LACMTA for retroactive approval. Additionally, the City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA by August 1st.  |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted retroactive approval of the said project on December 22, 2016. No additional follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016**

|   |   |
|---|---|
| <b>Finding #2016-002</b>                  | <b>City of Bell Gardens</b>   |
| <b>Compliance Reference</b>               | Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures". |
| <b>Condition</b>                          | The City's administration expenditures exceeded more than 20 percent of its MRLRF total annual local return expenditures by \$12,146.   |
| <b>Cause</b>                              | The City is aware of the 20% limit of actual expenditures on Direct Administration. However, budgeted project expenditures were lower than expected which reduced the threshold for allowable administrative costs.   |
| <b>Effect</b>                             | Administrative expenses that exceeded 20% of the total annual local return expenditures are not allowable expenditures under the Measure R Local Return Program Guidelines.   |
| <b>Recommendation</b>                     | We recommend for the City to reimburse the questioned cost of \$12,146 to the MRLRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.  |
| <b>Management's Response</b>              | The City has reimbursed MRLRF \$12,146 for the excess amount of Direct Administration. A journal entry has been booked to transfer the funds from the City's General Fund, and a copy of the recorded journal entry has been provided to the auditors.  |
| <b>Finding Corrected During the Audit</b> | The City has reimbursed the City's MRLRF account the amount of \$12,146 in FY 2016/17. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016**

|   |  |
|---|--|
| <b>Finding #2016-003</b>                  | <b>City of Calabasas</b>   |
| <b>Compliance Reference</b>               | Section B(II)(3) of the Measure R Local Return Program Guidelines also states that, "Jurisdictions that use their Measure R LR funds for recreational transit services must fill out, sign and submit this form no later than October 15 after the fiscal year in which the services were rendered". |
| <b>Condition</b>                          | The Recreational Transit report was submitted on December 8, 2016, which is beyond the due date of October 15, 2016.   |
| <b>Cause</b>                              | The City Staff inadvertently overlooked this paperwork that needed to be filed by the deadline of October 15, 2016.  |
| <b>Effect</b>                             | The City was not in compliance with the reporting requirements of the Local Return Guidelines.   |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>              | Going forward, it is in the City Staff calendar to file this document along with the Expenditure Report (Form Two) by the deadline of October 15.  |
| <b>Finding Corrected During the Audit</b> | The City subsequently submitted the form. No follow up is required.  |



**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|   |   |
|---|---|
| <b>Finding #2016-004</b>                  | <b>City of Carson</b>   |
| <b>Compliance Reference</b>               | Section II(A)(15) of Measure R Local Return Program Guideline states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%."     |
| <b>Condition</b>                          | The City's administrative expenditures exceeded more than 20% of its total Measure R Local Return expenditures in the amount of \$4,594.  |
| <b>Cause</b>                              | The City uses its best estimate of percentage of its project and administrative employees' salaries to determine the administrative payroll charges to MRLRF.   |
| <b>Effect</b>                             | The City's MRLRF administrative expenditures exceeded 20 percent of its local return annual expenditure. The City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned cost of \$4,594. The City is required to reimburse the MRLRF account for this amount. |
| <b>Recommendation</b>                     | We recommend that the City establish procedures and controls to ensure that administrative expenditures are within the 20 percent cap of the MRLRF's total annual expenditures. Also, the City should return the amount of \$4,594, the amount over the 20% cap, to the MRLRF account.            |
| <b>Management's Response</b>              | The City will establish a review process to periodically perform a comparison of actual hours to budgeted/charged amount to ensure that the administrative expenditures reported to MRLRF are within the 20% cap.   |
| <b>Finding Corrected During the Audit</b> | The City has reimbursed the City's MRLRF account the amount of \$4,594 in FY 2016/17. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

|                             |   |
|-----------------------------|---|
| <b>Finding #2016-005</b>    | <b>City of Compton</b>  |
| <b>Compliance Reference</b> | <p>Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> </ol> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|   |  |
|---|--|
| <b>Finding #2016-005<br/>(Continued)</b>    | <b>City of Compton</b>   |
| <b>Compliance Reference<br/>(Continued)</b> | 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure). |
| <b>Condition</b>                            | <p>The City claimed salaries and benefits expenditures under project code 2.05, Traffic Signal, amounting to \$949,974 and project code 8.10, Fund Administration, amounting to \$179,583.</p> <p>The City was not able to provide the timesheets, payroll registers, labor distribution reports and other related documents to support the charges. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p>   |
| <b>Cause</b>                                | There was a breakdown in internal controls over compliance to ensure that all necessary documentation was retained supporting the costs charged to Measure R.  |
| <b>Effect</b>                               | The salaries and benefits claimed under Measure R may include unallowable payroll costs and therefore, we question the total amount of \$1,129,557.  |
| <b>Recommendation</b>                       | We recommend that the City reimburse its MRLRF account the amount of \$1,129,557. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.   |
| <b>Management's Response</b>                | As of the date of this report, the City management has not provided a response to this finding.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|   |  |
|---|--|
| <b>Finding #2016-006</b>                  | <b>City of Compton</b>   |
| <b>Compliance Reference</b>               | Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 <sup>st</sup> of each year". |
| <b>Condition</b>                          | The City submitted its Expenditure Plan (Form One) on November 23, 2016, which is beyond the due date set under the Guidelines.  |
| <b>Cause</b>                              | The City lacks adequate procedures and controls to ensure that the Expenditure Plan (Form One) is submitted on time.   |
| <b>Effect</b>                             | The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.  |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that Expenditure Plan (Form One) is submitted by August 1 as required by the Guidelines.  |
| <b>Management's Response</b>              | As of the date of this report, the City management has not provided a response to this finding.  |
| <b>Finding Corrected During the Audit</b> | The City subsequently submitted the form. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|   |   |
|---|---|
| <b>Finding #2016-007</b>                  | <b>City of Compton</b>  |
| <b>Compliance Reference</b>               | Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...." |
| <b>Condition</b>                          | The City submitted its Form Two on December 2, 2016, which is beyond the due date set under the Guidelines.   |
| <b>Cause</b>                              | The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.  |
| <b>Effect</b>                             | Expenditure Report (Form Two) was not submitted timely as required by the Guidelines.   |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>              | As of the date of this report, the City management has not provided a response to this finding.   |
| <b>Finding Corrected During the Audit</b> | The City subsequently submitted the form. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|   |  |
|---|--|
| <b>Finding #2016-008</b>                  | <b>City of Irwindale</b>   |
| <b>Compliance Reference</b>               | Section B (II) (I) of the Measure R Local Return Program Guidelines states that, "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1 <sup>st</sup> of each year".   |
| <b>Condition</b>                          | The City submitted its Expenditure Plan (Form One) on August 5, 2015, which is beyond the due date set under the Guidelines.   |
| <b>Cause</b>                              | The condition was due to oversight by City Staff.  |
| <b>Effect</b>                             | The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.  |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that Form One is submitted by August 1 as required by the Guidelines.   |
| <b>Management's Response</b>              | The City of Irwindale recognizes the importance of submitting all MTA Forms timely, and has always met its deadlines in the past. Unfortunately, the City submitted this Form 4 days late this year. We believe this oversight was an isolated incident caused by extenuating circumstances, as the City was undergoing a major State Audit at the time. City Staff will ensure all deadlines are met in the future. |
| <b>Finding Corrected During the Audit</b> | The City subsequently submitted the form. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

|                             |   |
|-----------------------------|---|
| <b>Finding #2016-009</b>    | <b>City of La Puente</b>  |
| <b>Compliance Reference</b> | <p>Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> <li>2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).</li> </ol> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|  |   |
|--|---|
| <b>Finding #2016-009<br/>(Continued)</b> | <b>City of La Puente</b>  |
| <b>Condition</b>                         | The claimed expenditures under project codes 08-001 to 08-006, Administration, amounting to \$30,950 had no supporting documentation as to the nature of the expenditures. We were informed that the amount was derived from a calculation based on 20 percent of the total local return annual expenditures. We were not able to verify the reasonableness and allowability of the expenditures under the Guidelines.  |
| <b>Cause</b>                             | The City was not aware that its practice of calculating 20 percent of the total annual expenditure and charging this amount to administrative expenditures without adequate support was a noncompliance with the requirements of the Guidelines.  |
| <b>Effect</b>                            | The unsupported administrative expenditures claimed under the MRLRF are disallowed under the Measure R Local Return Program Guidelines.   |
| <b>Recommendation</b>                    | We recommend that the City reimburse its MRLRF account the amount of \$30,950. In addition, we recommend that the City establish controls to ensure that the costs charged to the Local Return funds are adequately supported by contracts, invoices, cancelled checks or similar documentation and that it revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation so that Local Return expenditures are in compliance with the Guidelines. |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|   |   |
|---|---|
| <b>Finding #2016-009<br/>(Continued)</b>  | <b>City of La Puente</b>  |
| <b>Management's Response</b>              | <p>The Measure R Local Return Guidelines (Guidelines) issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA) do not stipulate that actual administrative hours are to be documented and staff is confident the City is in compliance with existing Guidelines. Current staff was unaware of the letter that was sent out by MTA in April 2014 <i>recommending</i> specific documentation for administrative costs. The letter referenced above was provided to the City at the time of the FY 15-16 audit. Furthermore, no mention of additional required documentation for administrative costs was made during the prior (FY 14-15) LACMTA audit. City staff is now aware of the recommendation and will ensure adequate evidence to support administrative charges in the future (beginning in fiscal year 2016-2017).</p> <p>Beginning in fiscal year 2016-2017, a system will be developed and maintained that will ensure that administrative costs charged to Local Return funds are adequately supported by time sheets, payroll registers or other documentation so that it is in compliance with the LACMTA's recommendation for documenting administrative costs.</p> |
| <b>Auditors' Rejoinder</b>                | <p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted an annual audit kickoff workshop attended by representatives from the Jurisdictions. During these workshops, Auditors and LACMTA emphasizes the importance of maintaining proper documentation that would support allowability of expenditures charged to local return funds including supports for payroll and administration charges.</p>  |
| <b>Finding Corrected During the Audit</b> | <p>The City has reimbursed the City's MRLRF account the amount of \$30,950 in FY 2016/17. No follow up is required.</p>   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|                              |   |
|------------------------------|---|
| <b>Finding #2016-010</b>     | <b>City of La Puente</b>  |
| <b>Compliance Reference</b>  | Measure R Local Return Program Guidelines Section B(VII)(A) states that, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:<br><br>Verification that funds were expended with Metro's approval."  |
| <b>Condition</b>             | The City claimed expenditures for the following projects without prior approval from LACMTA:<br><br>a. Project code 01-001, Santo Oro Local Street Improvements, amounting to \$1,954;<br>b. Project code 01-002, Rule 20A Undergrounding, amounting to \$115;<br>c. Project code 08-001, Administration for 01-001, amounting to \$446;<br>d. Project code 08-002, Administration for 01-002, amounting to \$26;<br>e. Project code 08-003, Administration for 02-001, amounting to \$613; and<br>f. Project code 02-001, Traffic Signal Improvements on Amar Road, Various Locations, amounting to \$2,682. |
| <b>Cause</b>                 | Invoices were not submitted in a timely fashion by vendors (Project 01-001); Staff began preliminary work on projects (remaining projects) that were being budgeted for in the following fiscal year. LACMTA approval for the projects had yet to be received.  |
| <b>Effect</b>                | The City claimed expenditures totaling \$5,836 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.  |
| <b>Recommendation</b>        | We recommend for the City to submit a revised Expenditure Plan (Form One) to obtain approval from LACMTA. In addition, the City should establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.   |
| <b>Management's Response</b> | The City has subsequently submitted a revised Expenditure Plan (Form One) to LACMTA and has received approval on December 13, 2016 for the above-mentioned projects. Additionally, staff will work to ensure that proper approval is obtained from LACMTA prior to project expenditures and will encourage vendors to submit invoices in a timely fashion.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|   |  |
|---|--|
| <b>Finding #2016-010<br/>(Continued)</b>      | <b>City of La Puente</b>   |
| <b>Finding Corrected During the<br/>Audit</b> | LACMTA Program Manager granted retroactive approval of the said project on December 13, 2016. No additional follow up is required. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|                              |   |
|------------------------------|---|
| <b>Finding #2016-011</b>     | <b>City of Lynwood</b>  |
| <b>Compliance Reference</b>  | <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> |
| <b>Condition</b>             | <p>The City claimed expenditures for Project code 3.90, Pedestrian Improvements Around Various Schools, totaling \$1,079 with no prior approval from LACMTA.</p> <p>Based on our discussion with the Interim Finance Director, the expenditure was erroneously recorded under the MRLRF and the City intends to make the necessary adjustment in FY 2016/17.</p>  |
| <b>Cause</b>                 | The City staff committed an error in recording this expenditure under MRLRF account.  |
| <b>Effect</b>                | The City claimed expenditures totaling \$1,079 without prior approval from LACMTA. The City is required to return the amount to the MRLRF.  |
| <b>Recommendation</b>        | We recommend for the City to reimburse its MRLRF account the amount of \$1,079. In addition, we recommend for the City to establish procedures and controls to ensure that only related transactions are recorded under the MRLRF account.  |
| <b>Management's Response</b> | <p>For the Pedestrian Safety Improvement project, the funding source to be used was supposed to be an HSIP Grant rather than Measure R. Staff will work with Finance Department to make the reversal.</p> <p>The City will make the adjustment in FY 2016/17.</p>   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|   |   |
|---|---|
| <b>Finding #2016-012</b>                  | <b>City of Lynwood</b>  |
| <b>Compliance Reference</b>               | Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...." |
| <b>Condition</b>                          | The City submitted its Expenditure Report (Form Two) on November 13, 2015, which is beyond the due date set under the Guidelines.   |
| <b>Cause</b>                              | The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.  |
| <b>Effect</b>                             | Expenditure Report (Form Two) was not submitted timely as required by the Guidelines.   |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>              | There has been a significant turn-over in staffing. The City will designate a new staff member to monitor the timely submittal of the Expenditure Report (Form Two) of Measure R Local Return.  |
| <b>Finding Corrected During the Audit</b> | The City subsequently submitted the form. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

|                             |  |
|-----------------------------|--|
| <b>Finding #2016-013</b>    | <b>City of Montebello</b>  |
| <b>Compliance Reference</b> | <p>Measure R Local Return Program Guidelines Section A(II)(8) states that, "Transportation Administration expenditures are those administrative costs associated with and incurred for the aforementioned eligible projects/program. Direct administration expenditures includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality.</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> <li>2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).</li> </ol> |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|   |  |
|---|--|
| <b>Finding #2016-013<br/>(Continued)</b>  | <b>City of Montebello</b>  |
| <b>Condition</b>                          | The City claimed labor overhead costs of \$49,280 under the MRLRF project code 8.10, Administrative Costs, which was based on budget estimate derived from a time study conducted 5 years ago. Per discussion with management, with the increasing labor and administrative cost, this amount is significantly lower than the actual administration cost that should have been charged to the program. |
| <b>Cause</b>                              | The City has not yet updated its overhead allocation rates based on current year information.  |
| <b>Effect</b>                             | The administrative costs charged to these funds are not supported with an updated cost allocation plan.  |
| <b>Recommendation</b>                     | We recommend that the City reimburse its MRLRF account the amount of \$49,280. In addition, we recommend for the City perform a more recent time study analysis to assess a more realistic estimate of the overhead costs for this program and perform an analysis to true-up the amount claimed at year-end to ensure that the claimed expenditures approximates the actual cost incurred.            |
| <b>Management Response</b>                | City will repay and charge appropriate administrative overhead after the cost allocation model is updated.   |
| <b>Finding Corrected During the Audit</b> | The City has reimbursed the City's MRLRF account the amount of \$49,280 in FY 2016/17. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|   |  |
|---|--|
| <b>Finding #2016-014</b>                  | <b>City of Rosemead</b>  |
| <b>Compliance Reference</b>               | <p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p> |
| <b>Condition</b>                          | <p>The City claimed expenditures for MRLRF project code 1.05, Montebello Blvd/Towne Center Drive Resurface, for \$5,443 with no prior approval from LACMTA.</p> <p>Although this project was previously approved in FY 2014/15, the City is still required to carry over the budget in Expenditure Plan (Form One) and have it approved for FY 2015/16.</p>  |
| <b>Cause</b>                              | This finding was due to the City's understanding that this Montebello project was complete; however, there was a final invoice to be paid.   |
| <b>Effect</b>                             | Measure R funds of \$5,443 were expended towards project expenditures without prior approval by the LACMTA.  |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects   |
| <b>Management's Response</b>              | The City subsequently obtained LACMTA approval in December 2016. The City has established procedures and controls to ensure that approval is obtained prior to spending funds. These procedures include Finance staff will set up and maintain a calendar for Metro deadlines, and also, Measure R warrant requests and invoices will be reviewed to make sure these approvals are in place before issuing a payment.  |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted a retroactive approval of this project on December 20, 2016. No follow up is required.  |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|   |   |
|---|---|
| <b>Finding #2016-015</b>                  | <b>City of Rosemead</b>   |
| <b>Compliance Reference</b>               | Section II (A) (15) of Measure R Local Return Program Guideline states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent  |
| <b>Condition</b>                          | The City's Measure R actual administration expenditures exceeded more than 20 percent of its MRLRF total annual expenditures by \$20,830.   |
| <b>Cause</b>                              | There appears to be lack of interim review of the City's compliance with the Local Return Guidelines' 20 percent cap on the administrative expenditures that can be claimed under the local return fund.  |
| <b>Effect</b>                             | The City's administrative expenses exceeded over 20 percent of the total annual local return expenditures and therefore, do not comply with the Guidelines. The City is required to reimburse the questioned cost of \$20,830 to the MRLRF account.   |
| <b>Recommendation</b>                     | We recommend for the City to reimburse the questioned cost of \$20,830 to the MRLRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.  |
| <b>Management's Response</b>              | <p>The City needs to monitor the Measure R administrative expenditures on a monthly basis and at year end to determine if we have exceeded the 20% limit.</p> <p>The City did a Fiscal Year 2016/17 journal entry to transfer the excess administrative expenses of \$20,830 from the General Fund to the Measure R Fund. The Finance Director will work with Finance staff to establish procedures to ensure that the administrative expenditures claimed are limited to 20 percent of the fund's total annual expenditures in the future.</p> |
| <b>Finding Corrected During the Audit</b> | The City has reimbursed the City's MRLRF account the amount of \$20,830 in FY 2016/17. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|                             |  |
|-----------------------------|--|
| <b>Finding #2016-016</b>    | <b>City of South El Monte</b>  |
| <b>Compliance Reference</b> | According to Measure R Guidelines, Section B (VII. Audit Section), "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."  |
| <b>Condition</b>            | <p>During the fiscal year 2016, the City made payments to Arroyo Strategy Group under the MRLRF project code 4.90, SR-60 Coalition Work, totaling \$4,015.</p> <p>On June 2, 2016 the City of South El Monte ("City") provided a response to each finding in the Draft Report of Forensic Accountants, dated February 26, 2016 ("Draft Report"). The Draft Report was prepared to address issues identified by the City's independent auditor in a letter dated September 8, 2015 ("VLF Letter"). There are 14 findings in the Draft Report. In general, the findings relate to various contracts (i) between the City and OH Consulting Services, Inc. dba Arroyo Strategy Group ("Arroyo") and (ii) between the City and ECM Group, Inc. ("ECM"). The City has terminated its contract with Arroyo, effective June 30, 2016. With one exception, the City has terminated all contracts with ECM effective April 30, 2016.</p> <p>Below are the findings identified in the Draft Report prepared by the Forensic Accountants:</p> <p><b>Finding 1:</b> <i>City management failed to subject Arroyo and ECM contracts to competition.</i></p> <p><b>Finding 2:</b> <i>City management failed to require and inspect proper record keeping and document retention policies related to contractors' performance of contract.</i></p> <p><b>Finding 3:</b> <i>City management failed to institute and enforce control procedures that would assure payments were not made in excess of contractual limits. City management failed to institute and enforce control procedures that would assure compliance with contractual hourly rates.</i></p> <p><b>Finding 4:</b> <i>City management failed to maintain sufficient control over accounts payable and check disbursement procedures.</i></p> <p><b>Finding 5:</b> <i>The City Manager executed three contracts (each in excess of \$25,000) and authorized payments of \$110,000 to Arroyo without City Council's approval.</i></p> |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

| Finding #2016-016 (Continued) | City of South El Monte   |
|-------------------------------|--|
| Condition (Continued)         | <p><b>Finding 6:</b> <i>With City Council's unanimous approval, the City Manager executed a separate contract with Arroyo, with a three-year term, which contains no maximum fee provision, and which fails to grant the City customary audit rights. Although present at the meeting where this contract was approved, the City Attorney did not sign this contract.</i></p> <p><b>Finding 7:</b> <i>Arroyo failed to allow inspection of its records, although obligated to do so in accordance with six of the contracts effective during the report period. In response to our inspection request, Arroyo asserted that it does not maintain any physical office location. Consequently, we were unable to perform an inspection of Arroyo's records, and were unable to analyze important quantitative aspects of Arroyo's performance, such as the hours of labor provided, the dates 011 which labor was supplied, and details of tasks performed.</i></p> <p><b>Finding 8:</b> <i>With reference to contracts executed or pending during the fiscal year ended 06/30/15, between the City and ECM: the City Manager executed one contract and authorized payments of \$29,376 to ECM without City Council's approval.</i></p> <p><b>Finding 9:</b> <i>ECM submitted false time and billing reports to the City, and received public funds on the basis of such false information.</i></p> <p><b>Finding 10:</b> <i>No contract or supporting documents exist related to a number of special projects assigned to Arroyo, and for which Arroyo was paid.</i></p> <p><b>Finding 11:</b> <i>Although specifically prohibited from reimbursement of expenses without prior written authorization, Arroyo tendered reimbursement claims, and was paid reimbursements of \$3,283 including expenses related to a trip to Sacramento, cables and electronics, and a room fee for the SR-60 Coalition meeting, without prior written authorization.</i></p> <p><b>Finding 12:</b> <i>Timesheets submitted by Arroyo are unsubstantiated.</i></p> <p><b>Finding 13:</b> <i>The ECM contracts were altered substantially without approval of the City Council.</i></p> <p><b>Finding 14:</b> <i>Certain timesheets submitted by ECM are unsubstantiated.</i></p> |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|                                      |   |
|--------------------------------------|---|
| <b>Finding #2016-016 (Continued)</b> | <b>City of South El Monte</b>   |
| <b>Cause</b>                         | There was a breakdown in the internal controls over procurement at the City.  |
| <b>Effect</b>                        | For fiscal year 2016, the reimbursements without proper supporting documentation and/or prior written authorization resulted in questioned costs of \$4,015. However, it is uncertain at this point how much of the expenditures in prior years should be questioned due to the findings enumerated above.  |
| <b>Recommendation</b>                | In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$4,015. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation and properly authorized so that the City's expenditures of Local Return funds will be in compliance with the Guidelines. |
| <b>Management's Response</b>         | As of the date of this report, the City management has not provided a response to this finding.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

|   |  |
|---|--|
| <b>Finding #2016-017</b>                  | <b>City of South El Monte</b>  |
| <b>Compliance Reference</b>               | Measure R Local Return Program Guidelines Section B(VII)(A) states that, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:<br><br>Verification that funds were expended with Metro's approval."   |
| <b>Condition</b>                          | The City claimed expenditures for the following projects without prior approval from LACMTA:<br><br>a. Project code 2.16, Rush and Peck Protected Left Turn Phases, amounting to \$1,742; and<br>b. Project code 7.10, San Gabriel Valley Council of Governments (SGVCOG), amounting to \$3,218.<br><br>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on December 22, 2016. |
| <b>Cause</b>                              | The City lacks adequate procedures to ensure that a revised Expenditure Plan (Form One) is submitted to obtain approval prior to implementation of a Measure R-funded project.   |
| <b>Effect</b>                             | The City claimed expenditures totaling \$4,960 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.   |
| <b>Recommendation</b>                     | We recommend for the City to submit a revised Expenditure Plan (Form One) to obtain approval from LACMTA. In addition, the City should establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.  |
| <b>Management's Response</b>              | As of the date of this report, the City management has not provided a response to this finding.  |
| <b>Finding Corrected During the Audit</b> | LACMTA Program Manager granted a retroactive approval of this project on December 22, 2016. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

|   |   |
|---|---|
| <b>Finding #2016-018</b>                  | <b>City of South El Monte</b>   |
| <b>Compliance Reference</b>               | Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...." |
| <b>Condition</b>                          | The City submitted its Expenditure Report (Form Two) on November 7, 2016, which is beyond the due date set under the Guidelines.  |
| <b>Cause</b>                              | The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form Two) is submitted on time.  |
| <b>Effect</b>                             | Form Two (Expenditure Report) was not submitted timely as required by the Guidelines.   |
| <b>Recommendation</b>                     | We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form Two) is submitted by October 15 as required by the Guidelines.   |
| <b>Management's Response</b>              | As of the date of this report, the City management has not provided a response to this finding.   |
| <b>Finding Corrected During the Audit</b> | The City subsequently submitted the form. No follow up is required.   |



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



Simpson & Simpson, LLP  
Certified Public Accountants



**Los Angeles County Metropolitan Transportation Authority  
Measure R Consolidated Audit Report**

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES

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

### Report on Compliance

We have audited the compliance of the forty-nine (49) 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 (collectively, 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, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and 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; 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 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 the Guidelines and 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 Guidelines and 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-011. 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 Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and 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 Guidelines and 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 Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and 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 Guidelines and 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 might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any 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 of Findings and Questioned Costs as Findings #2016-002 and #2016-009 that we consider to be significant deficiencies.



The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

*Simpson & Simpson*

Los Angeles, California  
December 30, 2016

**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2016**

The audit of the 49 cities identified in Schedule 1 have resulted in 11 findings. The table below shows a summary of the findings:

| <b>Finding</b>  | <b># of Findings</b> | <b>Responsible Cities/ Finding Reference</b>   | <b>Questioned Costs</b>             | <b>Resolved During the Audit</b> |
|---|----------------------|--|-------------------------------------|----------------------------------|
| No adequate evidence that funds were expended for transportation purposes | 4                    | Downey (#2016-002)<br>West Covina (#2016-008)<br>West Covina (#2016-009)<br>Whittier (#2016-010) | \$ 20,293<br>None<br>51,455<br>None | None<br>None<br>None<br>None     |
| Funds were expended without LACMTA's approval                             | 3                    | El Segundo (#2016-004)<br>Redondo Beach (#2016-007)<br>Whittier (#2016-011)                      | 7,214<br>3,851<br>4,457             | \$ 7,214<br>3,851<br>4,457       |
| Expenditure Report (Form One) was not submitted on time                   | 1                    | El Segundo (#2016-003)   | None                                | None                             |
| Expenditure Report (Form Two) was not submitted on time                   | 3                    | Artesia (#2016-001)<br>El Segundo (#2016-005)<br>Hawaiian Gardens (#2016-006)                    | None                                | None                             |
|   |                      |  |                                     |                                  |
| <b>Total Findings and Questioned Cost</b>                                 | <b>11</b>            |  | <b>\$ 87,270</b>                    | <b>\$ 15,522</b>                 |

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016**

| <b>Compliance Area Tested</b>  | <b>Alhambra</b> | <b>Arcadia</b> | <b>Artesia</b>        |
|--|-----------------|----------------|-----------------------|
| Funds were expended for transportation purposes  | Compliant       | Compliant      | Compliant             |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant       | Compliant      | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant      | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant      | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant      | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant       | Compliant      | Compliant             |
| Expenditure Plan (Form One) was submitted on time.   | Compliant       | Compliant      | Compliant             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant       | Compliant      | See Finding #2016-001 |
| Timely use of funds  | Compliant       | Compliant      | Compliant             |
| Administrative expenditures are within the 20% cap.  | Compliant       | Compliant      | Compliant             |
| Fund exchanges were approved by LACMTA.  | Not Applicable  | Not Applicable | Not Applicable        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable  | Not Applicable | Not Applicable        |
| Recreational transit form was submitted on time.   | Not Applicable  | Not Applicable | Not Applicable        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Avalon</b>  | <b>Bellflower</b> | <b>Bradbury</b> |
|--|----------------|-------------------|-----------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant         | Compliant       |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant         | Compliant       |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant         | Compliant       |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant         | Compliant       |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant         | Compliant       |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant         | Compliant       |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | Compliant         | Compliant       |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | Compliant         | Compliant       |
| Timely use of funds  | Compliant      | Compliant         | Compliant       |
| Administrative expenditures are within the 20% cap.  | Compliant      | Compliant         | Compliant       |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable    | Not Applicable  |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable    | Not Applicable  |
| Recreational transit form was submitted on time.   | Not Applicable | Not Applicable    | Not Applicable  |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Burbank</b> | <b>Cerritos</b> | <b>Claremont</b> |
|--|----------------|-----------------|------------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant       | Compliant        |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant       | Compliant        |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant       | Compliant        |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant       | Compliant        |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant       | Compliant        |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant       | Compliant        |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | Compliant       | Compliant        |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | Compliant       | Compliant        |
| Timely use of funds  | Compliant      | Compliant       | Compliant        |
| Administrative expenditures are within the 20% cap.  | Compliant      | Compliant       | Compliant        |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable  | Not Applicable   |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable  | Not Applicable   |
| Recreational transit form was submitted on time.   | Not Applicable | Not Applicable  | Not Applicable   |



**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Covina</b>  | <b>Diamond<br/>Bar</b> | <b>Downey</b>         |
|--|----------------|------------------------|-----------------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant              | See Finding #2016-002 |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant              | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant              | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant              | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant              | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant              | Compliant             |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | Compliant              | Compliant             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | Compliant              | Compliant             |
| Timely use of funds  | Compliant      | Compliant              | Compliant             |
| Administrative expenditures are within the 20% cap.  | Compliant      | Compliant              | Compliant             |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable         | Not Applicable        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable         | Not Applicable        |
| Recreational transit form was submitted on time.   | Not Applicable | Not Applicable         | Not Applicable        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Duarte</b>  | <b>El Segundo</b>     | <b>Glendale</b> |
|--|----------------|-----------------------|-----------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant             | Compliant       |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant             | Compliant       |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant             | Compliant       |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant             | Compliant       |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant             | Compliant       |
| Funds were expended with LACMTA's approval.  | Compliant      | See Finding #2016-004 | Compliant       |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | See Finding #2016-003 | Compliant       |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | See Finding #2016-005 | Compliant       |
| Timely use of funds  | Compliant      | Compliant             | Compliant       |
| Administrative expenditures are within the 20% cap.  | Compliant      | Compliant             | Compliant       |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable        | Not Applicable  |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable        | Not Applicable  |
| Recreational transit form was submitted on time.   | Not Applicable | Not Applicable        | Not Applicable  |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Glendora</b> | <b>Hawaiian<br/>Gardens</b> | <b>Hermosa<br/>Beach</b> |
|--|-----------------|-----------------------------|--------------------------|
| Funds were expended for transportation purposes  | Compliant       | Compliant                   | Compliant                |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant       | Compliant                   | Compliant                |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant                   | Compliant                |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant                   | Compliant                |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant                   | Compliant                |
| Funds were expended with LACMTA's approval.  | Compliant       | Compliant                   | Compliant                |
| Expenditure Plan (Form One) was submitted on time.   | Compliant       | Compliant                   | Compliant                |
| Expenditure Report (Form Two) was submitted on time.   | Compliant       | See Finding #2016-006       | Compliant                |
| Timely use of funds  | Compliant       | Compliant                   | Compliant                |
| Administrative expenditures are within the 20% cap.  | Compliant       | Compliant                   | Compliant                |
| Fund exchanges were approved by LACMTA.  | Not Applicable  | Not Applicable              | Not Applicable           |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable  | Not Applicable              | Not Applicable           |
| Recreational transit form was submitted on time.   | Not Applicable  | Not Applicable              | Not Applicable           |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>La Cañada<br/>Flintridge</b> | <b>La Habra<br/>Heights</b> | <b>La Mirada</b> |
|--|---------------------------------|-----------------------------|------------------|
| Funds were expended for transportation purposes  | Compliant                       | Compliant                   | Compliant        |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant                       | Compliant                   | Compliant        |
| Signed Assurances and Understandings on file.  | Compliant                       | Compliant                   | Compliant        |
| Separate Measure R Local Return Account was established.   | Compliant                       | Compliant                   | Compliant        |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant                       | Compliant                   | Compliant        |
| Funds were expended with LACMTA's approval.  | Compliant                       | Compliant                   | Compliant        |
| Expenditure Plan (Form One) was submitted on time.   | Compliant                       | Compliant                   | Compliant        |
| Expenditure Report (Form Two) was submitted on time.   | Compliant                       | Compliant                   | Compliant        |
| Timely use of funds  | Compliant                       | Compliant                   | Compliant        |
| Administrative expenditures are within the 20% cap.  | Compliant                       | Compliant                   | Compliant        |
| Fund exchanges were approved by LACMTA.  | Not Applicable                  | Not Applicable              | Not Applicable   |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable                  | Not Applicable              | Not Applicable   |
| Recreational transit form was submitted on time.   | Not Applicable                  | Not Applicable              | Not Applicable   |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>La Verne</b> | <b>Lakewood</b> | <b>Lancaster</b> |
|--|-----------------|-----------------|------------------|
| Funds were expended for transportation purposes  | Compliant       | Not Applicable  | Compliant        |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant       | Not Applicable  | Compliant        |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant       | Compliant        |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant       | Compliant        |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant       | Compliant        |
| Funds were expended with LACMTA's approval.  | Compliant       | Not Applicable  | Compliant        |
| Expenditure Plan (Form One) was submitted on time.   | Compliant       | Compliant       | Compliant        |
| Expenditure Report (Form Two) was submitted on time.   | Compliant       | Compliant       | Compliant        |
| Timely use of funds  | Compliant       | Compliant       | Compliant        |
| Administrative expenditures are within the 20% cap.  | Compliant       | Not Applicable  | Compliant        |
| Fund exchanges were approved by LACMTA.  | Not Applicable  | Not Applicable  | Not Applicable   |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable  | Not Applicable  | Not Applicable   |
| Recreational transit form was submitted on time.   | Not Applicable  | Not Applicable  | Not Applicable   |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Lomita</b>  | <b>Long Beach</b> | <b>Los Angeles</b> |
|--|----------------|-------------------|--------------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant         | Compliant          |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant         | Compliant          |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant         | Compliant          |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant         | Compliant          |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant         | Compliant          |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant         | Compliant          |
| Expenditure Plan (Form One) was submitted on time.   | Compliant      | Compliant         | Compliant          |
| Expenditure Report (Form Two) was submitted on time.   | Compliant      | Compliant         | Compliant          |
| Timely use of funds  | Compliant      | Compliant         | Compliant          |
| Administrative expenditures are within the 20% cap.  | Compliant      | Compliant         | Compliant          |
| Fund exchanges were approved by LACMTA.  | Not Applicable | Not Applicable    | Not Applicable     |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable | Not Applicable    | Not Applicable     |
| Recreational transit form was submitted on time.   | Not Applicable | Not Applicable    | Not Applicable     |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Manhattan<br/>Beach</b> | <b>Monrovia</b> | <b>Norwalk</b> |
|--|----------------------------|-----------------|----------------|
| Funds were expended for transportation purposes  | Compliant                  | Compliant       | Compliant      |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant                  | Compliant       | Compliant      |
| Signed Assurances and Understandings on file.  | Compliant                  | Compliant       | Compliant      |
| Separate Measure R Local Return Account was established.   | Compliant                  | Compliant       | Compliant      |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant                  | Compliant       | Compliant      |
| Funds were expended with LACMTA's approval.  | Compliant                  | Compliant       | Compliant      |
| Expenditure Plan (Form One) was submitted on time.   | Compliant                  | Compliant       | Compliant      |
| Expenditure Report (Form Two) was submitted on time.   | Compliant                  | Compliant       | Compliant      |
| Timely use of funds  | Compliant                  | Compliant       | Compliant      |
| Administrative expenditures are within the 20% cap.  | Compliant                  | Compliant       | Compliant      |
| Fund exchanges were approved by LACMTA.  | Not Applicable             | Not Applicable  | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable             | Not Applicable  | Not Applicable |
| Recreational transit form was submitted on time.   | Not Applicable             | Not Applicable  | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Palmdale</b> | <b>Palos Verdes<br/>Estates</b> | <b>Paramount</b> |
|--|-----------------|---------------------------------|------------------|
| 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 unless there is a funding shortfall.        | Compliant       | Not Applicable                  | Compliant        |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant                       | Compliant        |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant                       | Compliant        |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant                       | Compliant        |
| Funds were expended with LACMTA's approval.  | Compliant       | Not Applicable                  | Compliant        |
| Expenditure Plan (Form One) was submitted on time.   | Compliant       | Compliant                       | Compliant        |
| Expenditure Report (Form Two) was submitted on time.   | Compliant       | Compliant                       | Compliant        |
| Timely use of funds  | Compliant       | Compliant                       | Compliant        |
| Administrative expenditures are within the 20% cap.  | Compliant       | Not Applicable                  | Compliant        |
| Fund exchanges were approved by LACMTA.  | Not Applicable  | Not Applicable                  | Not Applicable   |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable  | Not Applicable                  | Not Applicable   |
| Recreational transit form was submitted on time.   | Not Applicable  | Not Applicable                  | Not Applicable   |



**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Pasadena</b> | <b>Rancho<br/>Palos Verdes</b> | <b>Redondo<br/>Beach</b> |
|--|-----------------|--------------------------------|--------------------------|
| Funds were expended for transportation purposes  | Not Applicable  | Not Applicable                 | Compliant                |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Not Applicable  | Not Applicable                 | Compliant                |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant                      | Compliant                |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant                      | Compliant                |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant                      | Compliant                |
| Funds were expended with LACMTA's approval.  | Not Applicable  | Not Applicable                 | See Finding #2016-007    |
| Expenditure Plan (Form One) was submitted on time.   | Compliant       | Compliant                      | Compliant                |
| Expenditure Report (Form Two) was submitted on time.   | Compliant       | Compliant                      | Compliant                |
| Timely use of funds  | Compliant       | Compliant                      | Compliant                |
| Administrative expenditures are within the 20% cap.  | Not Applicable  | Not Applicable                 | Compliant                |
| Fund exchanges were approved by LACMTA.  | Not Applicable  | Not Applicable                 | Not Applicable           |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable  | Not Applicable                 | Not Applicable           |
| Recreational transit form was submitted on time.   | Not Applicable  | Not Applicable                 | Not Applicable           |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Rolling Hills</b> | <b>Rolling Hills<br/>Estates</b> | <b>San Dimas</b> |
|--|----------------------|----------------------------------|------------------|
| 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 unless there is a funding shortfall.        | Not Applicable       | Compliant                        | Compliant        |
| Signed Assurances and Understandings on file.  | Compliant            | Compliant                        | Compliant        |
| Separate Measure R Local Return Account was established.   | Compliant            | Compliant                        | Compliant        |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant            | Compliant                        | Compliant        |
| Funds were expended with LACMTA's approval.  | Not Applicable       | Compliant                        | Compliant        |
| Expenditure Plan (Form One) was submitted on time.   | Compliant            | Compliant                        | Compliant        |
| Expenditure Report (Form Two) was submitted on time.   | Compliant            | Compliant                        | Compliant        |
| Timely use of funds  | Compliant            | Compliant                        | Compliant        |
| Administrative expenditures are within the 20% cap.  | Not Applicable       | Compliant                        | Compliant        |
| Fund exchanges were approved by LACMTA.  | Not Applicable       | Not Applicable                   | Not Applicable   |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable       | Not Applicable                   | Not Applicable   |
| Recreational transit form was submitted on time.   | Not Applicable       | Not Applicable                   | Not Applicable   |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>San Gabriel</b> | <b>San Marino</b> | <b>Santa Clarita</b> |
|--|--------------------|-------------------|----------------------|
| 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 unless there is a funding shortfall.        | Compliant          | Not Applicable    | Compliant            |
| Signed Assurances and Understandings on file.  | Compliant          | Compliant         | Compliant            |
| Separate Measure R Local Return Account was established.   | Compliant          | Compliant         | Compliant            |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant          | Compliant         | Compliant            |
| Funds were expended with LACMTA's approval.  | Compliant          | Not Applicable    | Compliant            |
| Expenditure Plan (Form One) was submitted on time.   | Compliant          | Compliant         | Compliant            |
| Expenditure Report (Form Two) was submitted on time.   | Compliant          | Compliant         | Compliant            |
| Timely use of funds  | Compliant          | Compliant         | Compliant            |
| Administrative expenditures are within the 20% cap.  | Compliant          | Not Applicable    | Compliant            |
| Fund exchanges were approved by LACMTA.  | Not Applicable     | Not Applicable    | Not Applicable       |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable     | Not Applicable    | Not Applicable       |
| Recreational transit form was submitted on time.   | Not Applicable     | Not Applicable    | Not Applicable       |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Sierra Madre</b> | <b>Signal Hill</b> | <b>South Pasadena</b> |
|--|---------------------|--------------------|-----------------------|
| Funds were expended for transportation purposes  | Compliant           | Compliant          | Compliant             |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant           | Compliant          | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant           | Compliant          | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant           | Compliant          | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant           | Compliant          | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant           | Compliant          | Compliant             |
| Expenditure Plan (Form One) was submitted on time.   | Compliant           | Compliant          | Compliant             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant           | Compliant          | Compliant             |
| Timely use of funds  | Compliant           | Compliant          | Compliant             |
| Administrative expenditures are within the 20% cap.  | Compliant           | Compliant          | Compliant             |
| Fund exchanges were approved by LACMTA.  | Not Applicable      | Not Applicable     | Not Applicable        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable      | Not Applicable     | Not Applicable        |
| Recreational transit form was submitted on time.   | Not Applicable      | Not Applicable     | Not Applicable        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Temple City</b> | <b>Torrance</b> | <b>West Covina</b>                    |
|--|--------------------|-----------------|---------------------------------------|
| Funds were expended for transportation purposes  | Not Applicable     | Compliant       | See Finding<br>#2016-008<br>#2016-009 |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Not Applicable     | Compliant       | Compliant                             |
| Signed Assurances and Understandings on file.  | Compliant          | Compliant       | Compliant                             |
| Separate Measure R Local Return Account was established.   | Compliant          | Compliant       | Compliant                             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant          | Compliant       | Compliant                             |
| Funds were expended with LACMTA's approval.  | Not Applicable     | Compliant       | Compliant                             |
| Expenditure Plan (Form One) was submitted on time.   | Compliant          | Compliant       | Compliant                             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant          | Compliant       | Compliant                             |
| Timely use of funds  | Compliant          | Compliant       | Compliant                             |
| Administrative expenditures are within the 20% cap.  | Not Applicable     | Compliant       | Compliant                             |
| Fund exchanges were approved by LACMTA.  | Not Applicable     | Not Applicable  | Not Applicable                        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable     | Not Applicable  | Not Applicable                        |
| Recreational transit form was submitted on time.   | Not Applicable     | Not Applicable  | Not Applicable                        |

**Los Angeles County Metropolitan Transportation Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

| <b>Compliance Area Tested</b>  | <b>Whittier</b>       |
|--|-----------------------|
| Funds were expended for transportation purposes  | See Finding #2016-010 |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.        | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant             |
| Funds were expended with LACMTA's approval.  | See Finding #2016-011 |
| Expenditure Plan (Form One) was submitted on time.   | Compliant             |
| Expenditure Report (Form Two) was submitted on time.   | Compliant             |
| Timely use of funds  | Compliant             |
| Administrative expenditures are within the 20% cap.  | Compliant             |
| Fund exchanges were approved by LACMTA.  | Not Applicable        |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.   | Not Applicable        |
| Recreational transit form was submitted on time.   | Not Applicable        |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016**

|                          |  |
|--------------------------|--|
| <b>Finding #2016-001</b> | <b>City of Artesia</b>   |
| Compliance Reference     | According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."   |
| Condition                | The City did not meet the October 15, 2016 deadline for submission of Expenditure Report (Form Two). The City did not submit the Form Two to LACMTA as of December 14, 2016.   |
| Cause                    | This was caused due to an oversight by City personnel.   |
| Effect                   | The City's Form Two was not submitted.   |
| Recommendation           | We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines. |
| Management's Response    | The City is actually aware of this deadline, thought this task had been done, and will submit. City will establish a procedure for ensuring that this is done timely.  |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

|                          |  |
|--------------------------|--|
| <b>Finding #2016-002</b> | <b>City of Downey</b>  |
| Compliance Reference     | <p>According to Measure R Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p> |



**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

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| <b>Finding #2016-002<br/>(Continued)</b> | <b>City of Downey</b>   |
| Condition                                | To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the total payroll expenditures of \$20,293 for Measure R for Administration were based on an estimate of a percentage of time spent on Measure R activity rather than employee's actual working hours spent for the project. The City was unable to provide adequate documentation (i.e. timesheet, payroll register, and labor distribution summary to support the indirect costs allocations). |
| Cause                                    | The City allocates administrative charges for management that was based on a time study from prior years. Those same percentages have been used in prior fiscal years and also, in fiscal year 2015-16.   |
| Effect                                   | The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditures. This resulted in questioned costs of \$20,293.   |
| Recommendation                           | In accordance with the Guidelines, we recommend for the City reimburse its Measure R Local Return Fund account by \$20,293. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.   |
| Management's Response                    | Management agrees with the audit results. The City has engaged Matrix Consulting to complete a cost allocation study which started in November 2016. The cost allocation study will be completed by March 2017 and submitted to our cognizant agency for OMB approval.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-003</b>           | <b>City of El Segundo</b>  |
| Compliance Reference               | According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit a Form One, to LACMTA annually, by August 1 or each year.   |
| Condition                          | The City did not meet the August 1, 2015 deadline for submission of Form One. The City has not submitted the Form One. However, on December 28, 2016 the City submitted the Form One (Expenditure Plan) to the LACMTA Program Manager and received subsequent approval on December 30, 2016. |
| Cause                              | The City has gone through a turnover of staff in various departments which has caused the oversight.   |
| Effect                             | The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.  |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1 deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.                                 |
| Management's Response              | The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.  |
| Finding Corrected During the Audit | The City subsequently submitted the Form One on December 28, 2016. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-004</b>           | <b>City of El Segundo</b>   |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity." |
| Condition                          | The Form One (Expenditure Plan) was not submitted by the required deadline. As such, the expenditures charged to the MRLRF in the amount of \$7,214 were incurred prior to LACMTA's project approval for FY 2016. However, on December 30, 2016 the City submitted the Form One (Expenditure Plan) to the LACMTA Program Manager and received a retroactive approval on December 30, 2016.  |
| Cause                              | The City has gone through a turnover of staff in various departments which has caused the oversight.  |
| Effect                             | The expenditures charged to the Imperial Highway Overlay project were allowable costs per Measure R Guidelines, however, due to the late submission of the annual Form One, the City did not receive prior approval from LACMTA to incur the expenditures on that project.  |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1, deadline and the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.  |
| Management's Response              | The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.   |
| Finding Corrected During the Audit | LACMTA Program Manager granted a retroactive approval of this project on December 30, 2016. No follow is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-005</b>           | <b>City of El Segundo</b>   |
| Compliance Reference               | According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."  |
| Condition                          | The City did not meet the October 15, 2016 deadline for submission of Form Two. However, on December 30, 2016 the City submitted the Form Two (Expenditure Report) to the LACMTA program manager.   |
| Cause                              | The City has gone through a turnover of staff in various departments which has caused the oversight.  |
| Effect                             | The City's Form Two was not submitted timely in accordance with the Guidelines.   |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and the City retain a confirmation of receipt by LACMTA to comply with the Guidelines. |
| Management's Response              | The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.   |
| Finding Corrected During the Audit | The City subsequently submitted the Form Two on December 30, 2016. No follow up is required.  |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-006</b>           | <b>City of Hawaiian Gardens</b>   |
| Compliance Reference               | According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."  |
| Condition                          | The City did not meet the October 15, 2016 deadline for submission of Expenditure Report Form Two to LACMTA. The City subsequently submitted the Form Two on October 31, 2016.  |
| Cause                              | The City did not have procedures in place to ensure that Form Two was filed timely.   |
| Effect                             | The City's Form Two was not submitted timely.   |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Measure R Local Return Fund will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the Form Two was submitted in a timely manner. |
| Management's Response              | The Finance Director took on the City Manager responsibilities when the City Manager resigned and this resulted in some items being missed, including the submission of the form. When the form was submitted to LACMTA, the City encountered some difficulties with the emails not going through. The City faxed the forms instead.  |
| Finding Corrected During the Audit | The City subsequently submitted the Form Two on October 31, 2016. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

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| <b>Finding #2016-007</b>           | <b>City of Redondo Beach</b>  |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity." |
| Condition                          | The expenditures for the Pavement Management Study project in the amount of \$3,851 were incurred prior to LACMTA's project approval for FY 2016. However, the project was subsequently approved by LACMTA on December 16, 2016.  |
| Cause                              | The City believed that projects previously approved by LACMTA were not required to be included in the subsequent years' Form One (Expenditure Plan). The project was previously approved in FY 2015; therefore, the City did not include this project on Form One for FY 2016.  |
| Effect                             | The Expenditures for Measure R Local Return programs were incurred without LACMTA's project approval for FY 2016.   |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st. In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.  |
| Management's Response              | The City had approved Measure R projects in FY14 and FY15 to perform Pavement Management Surveys (PMS). The contractor's final invoice for the PMS, was submitted to the City in November 2015, which was paid in FY16. In the future, the City will carefully review all prior year project progress to ensure inclusion in the next year's Local Return Project approval requests.  |
| Finding Corrected During the Audit | LACMTA Program Manager granted retroactive approval of the said project on December 16, 2016. No follow up is required.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-008</b> | <b>City of West Covina</b>   |
| Compliance Reference     | According to Measure R Local Return Guidelines, Section VII "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..." In addition, Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: "e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared." Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported."  |
| Condition                | During our review of the June 30, 2016 bank reconciliation, we noted that the bank balance and accounting records had an unreconciling difference of \$93,951. Therefore, the bank reconciliation was not prepared properly and may not reflect the actual City-wide cash account balance at June 30, 2016.  |
| Cause                    | In 2014, the Finance Department lost most of their Accounting staff due to retirement and attrition. It was not until mid-2015 that most of the accounting positions were permanently filled. This caused delays in performing the bank reconciliations.   |
| Effect                   | The cash balance cannot be validated at June 30, 2016. Without a June 30, 2016 reconciliation of cash, there is a high risk of errors.   |
| Recommendation           | In accordance with the Guidelines, we recommend the City establish procedures and controls to ensure all bank reconciliation are properly performed and supported on a timely basis. In addition, we recommend the City to ensure that the individual(s) responsible for reconciling the bank balance to the general ledger cash balance have adequate training and knowledge of bank reconciliations.   |
| Management's Response    | The City Acknowledges the importance of bank reconciliations that are completed, reviewed and approved timely. A new and improved bank reconciliation format is in place and is reviewed upon completion by the Accounting Manager. While staff has prepared the bank reconciliation for the general account through June 2016, there are variances that still need to be reconciled. On October 17, 2016, the consultant that is familiar with the software and who last reconciled the general checking account provided training to the Accountants to help resolve the remaining variances. It is anticipated that the bank reconciliations will be completed and timely for the FY 2016-17 audit. |

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

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| <b>Finding #2016-009</b> | <b>City of West Covina</b>   |
| Compliance Reference     | <p>According to Measure R Local Return Guidelines, Section I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section VII “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system. (6) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distribution based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”</p> |



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-009<br/>(Continued)</b> | <b>City of West Covina</b>   |
| Condition                                | To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to SP15106 Street Rehabilitation Project Code 01-007 amounting to \$5,995 and Fund Administration Project Code 08-001 amounting to \$45,460 were based on distribution percentages determined before the services were performed.  |
| Cause                                    | The City stated that it was not aware that its practice of allocating salaries and benefits to a project was not adequate support for labor costs claimed. Furthermore, the new cost allocation plan was delayed for numerous reasons: 1) The City attempted to hire a consultant to prepare a new cost allocation plan in July 2014, but was unable to settle on a contract with the vendor; 2) The Finance Director at the time then left the City and a new one was not hired until April 15; and 3) in July 2015, the new Finance Director got direction from the City Council to issue a new RFP and continue with the project.   |
| Effect                                   | The cost claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditure. This resulted in questioned costs of \$51,455   |
| Recommendation                           | In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account by \$51,455. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported.  |
| Management's Response                    | This compliance issue was not previously presented to the City and the City's practice has been consistent for numerous years. Since receiving the letter in April 2014, which is mentioned in the Compliance Reference section, City staff issued a RFP to hire a consultant to develop a new cost allocation plan for the City. The contract was awarded in September 2015 and the plan was completed in time to be incorporation in FY 2016-17 budget. As a result of another audit finding, staff is now tracking their time on timesheets as oppose to being allocated automatically in payroll. In June 2016, Finance staff conducted a timesheet audit and has incorporated proper internal controls to ensure approved timesheet are submitted to Finance. All of these issues have been resolved moving forward, but the recommendation to return \$51,455 would be a hardship on the City. |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-010</b> | <b>City of Whittier</b>  |
| Compliance Reference     | According to Local Return Guidelines, Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation..." and this requires a system of internal control that can be carried out as prescribed by the established accounting policies and procedures. Written accounting policies and procedures provide a system that accurately measures business activities, processes that information into reports, and communicates these findings to decision makers. |
| Condition                | The City did not provide written accounting policies and procedures when requested.  |
| Cause                    | City has written desk procedures for the various accounting functions.   |
| Effect                   | Without written accounting policies and procedures, there is the potential for increased risk of inaccurate and unreliable financial records and misstated financial reports.  |
| Recommendation           | We recommend that the City establish written accounting policies and procedures to ensure accurate recording and reporting of financial activities.  |
| Management's Response    | City has desk procedures in place and management will re-evaluate policies and procedures.   |

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

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| <b>Finding #2016-011</b>           | <b>City of Whittier</b>  |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”   |
| Condition                          | The expenditure for MRLRF’s Project Code 1.05, Janine Drive from La Serna to Santa Gertrudes Avenue Asphalt Overlay, in the amount of \$4,457 were incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA’s approval on the Measure R project on September 29, 2016.   |
| Cause                              | Staff believed that the initial approval was sufficient to complete the project.   |
| Effect                             | The City did not comply with the Guidelines when expenditures for MRLRF projects are incurred without LACMTA’s approval.   |
| Recommendation                     | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects. Form One (Annual Project Budget Report) should be properly prepared so that the City’s expenditures of Measure Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One. |
| Management’s Response              | City received project approval but will direct staff to obtain additional authorization before expenditures are incurred.  |
| Finding Corrected During the Audit | LACMTA Program Manager granted retroactive approval of the said project on September 29, 2016. No follow up is required.   |