



**Board Report**

**File #:** 2020-0697, **File Type:** Informational Report

**Agenda Number:** 2.

**MEASURE R INDEPENDENT TAXPAYER  
OVERSIGHT COMMITTEE  
NOVEMBER 4, 2020**

**SUBJECT: INDEPENDENT AUDITOR’S REPORT ON MEASURE R SPECIAL REVENUE FUND  
AND COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R  
ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file the Independent Auditor’s Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year ended June 30, 2019 completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2019 completed by Vasquez & Company, LLP; and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2019 completed by Simpson and Simpson, CPAs.

**ISSUE**

On November 4, 2008, Los Angeles County voters approved Measure R that imposed a half-cent transactions and use tax to fund transportation improvements in the County. Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (LACMTA) complies with the terms of the Ordinance. The oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee so that the Oversight Committee can determine whether the LACMTA and local subrecipients have complied

with the Measure R requirements.

## **DISCUSSION**

The following summarizes the independent auditor's report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund:

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinance. BCA conducted the audit in accordance with 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 BCA plan and perform the audit to obtain reasonable assurance about whether the Schedule of Measure R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinance for the fiscal year ended June 30, 2019.

The following summarizes the independent auditor's report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez and Company (Vasquez) and Simpson and Simpson, CPAs (Simpson and Simpson), to conduct the audits of Measure R sales tax revenues used by the 87 cities (Cities) as well as the County of Los Angeles (County). This report covers the audits of 38 Cities completed by Vasquez as listed in Attachment B; and audits of 49 Cities and the County completed by Simpson and Simpson as listed in Attachment C. The firms conducted the audit of compliance in accordance with 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 the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance and the Measure R Local Return Guidelines which could have a direct and material effect on the Measure R Local Return program occurred.

Vasquez concluded that the Cities, except for the City of South El Monte, complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2019. Vasquez found 9 instances of noncompliance, which are summarized in Schedule 2 of Attachment D. The City of South El Monte's non-compliance was due to delay in the year end closing process. As noted in Attachment E, Vasquez performed a subsequent audit and concluded on August 27, 2020 that the City of South El Monte complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure Local Return Program for the fiscal year ended June 30, 2019.

Simpson and Simpson concluded that the Cities and County complied, in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2019. Simpson and Simpson found 14 instances of noncompliance, which are summarized in Schedule 2 of Attachment F.

### **NEXT STEPS**

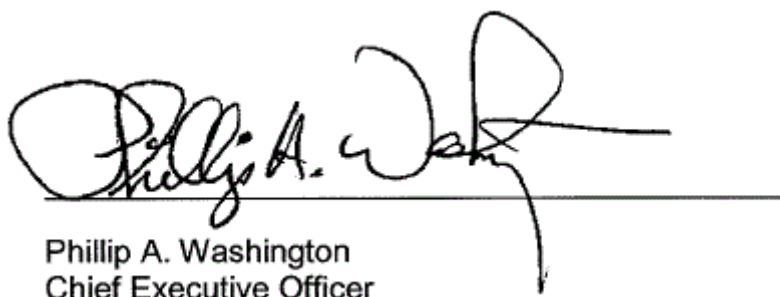
A public hearing will be scheduled.

### **ATTACHMENT(S)**

- A. Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year Ended June 30, 2019
- B. List of Entities Audited by Vasquez
- C. List of Entities Audited by Simpson and Simpson
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- E. Consolidated Report - City of South El Monte
- F. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson and Simpson)

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Reviewed by: Shalonda Baldwin, Chief Auditor (Interim), (213) 418-3265



Phillip A. Washington  
Chief Executive Officer

*Los Angeles County*  
**Metropolitan Transportation Authority**

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**Independent Auditor's Report  
On Schedule of Revenues and Expenditures  
For  
Measure R Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2019  
(With Comparative Totals For 2018)**



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**Los Angeles County Metropolitan Transportation Authority**

Independent Auditor’s Report on  
Schedule of Revenues and Expenditures  
For  
Measure R Special Revenue Fund

For the Fiscal Year Ended June 30, 2019  
(With Comparative Totals for 2018)

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## **Independent Auditor's Report**

Measure R Independent Taxpayer Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

### **Report on the Schedule of Measure R Revenues and Expenditures**

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2019, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

#### ***Management's Responsibility for the Schedule of Measure R Revenues and Expenditures***

LACMTA's management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with 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 audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matter***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 4 be presented to supplement the Schedule. Such information, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic Schedule in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Schedule, and other knowledge we obtained during our audit of the basic Schedule. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure R Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2019, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### *Prior-Year Comparative Information*

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 5, 2018. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.

*BCA Watson Rice, LLP*

Torrance, CA  
November 7, 2019

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Schedule of Revenues and Expenditures  
For the Fiscal Year Ended June 30, 2019  
(With Comparative Totals for 2018)  
(Amounts expressed in thousands)

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	<b>2019</b>	<b>2018</b>
Revenues		
Sales tax	\$ 846,793	\$ 836,721
Intergovernmental	22,138	7,588
Investment income	8,896	5,965
Net appreciation (decline) in fair value of investments	3,972	(1,858)
	881,799	848,416
Total revenues		
Expenditures		
Administration and other	144,929	132,395
Transportation subsidies	344,913	372,929
	489,842	505,324
Total expenditures		
Excess of revenues over expenditures	391,957	343,092
Other financing sources (uses)		
Transfers in	4,720	30,720
Transfers out	(475,864)	(321,893)
	(471,144)	(291,173)
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (79,187)	\$ 51,919

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.



**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
(Amounts expressed in thousands)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Sales tax	\$ 844,000	\$ 844,000	\$ 846,793	\$ 2,793
Intergovernmental	30,226	30,226	22,138	(8,088)
Investment income	-	-	8,896	8,896
Net appreciation in fair value of investments	-	-	3,972	3,972
<b>Total revenues</b>	<b>874,226</b>	<b>874,226</b>	<b>881,799</b>	<b>7,573</b>
Expenditures				
Administration and other	219,502	213,294	144,929	68,365
Transportation subsidies	354,241	362,543	344,913	17,630
<b>Total expenditures</b>	<b>573,743</b>	<b>575,837</b>	<b>489,842</b>	<b>85,995</b>
Excess of revenues over expenditures	300,483	298,389	391,957	93,568
Other financing sources (uses)				
Transfers in	55,431	55,431	4,720	(50,711)
Transfers out	(396,280)	(396,280)	(475,864)	(79,584)
<b>Total other financing sources (uses)</b>	<b>(340,849)</b>	<b>(340,849)</b>	<b>(471,144)</b>	<b>(130,295)</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (40,366)</u>	<u>\$ (42,460)</u>	<u>\$ (79,187)</u>	<u>\$ (36,727)</u>

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Notes to the Schedule of Revenues and Expenditures  
June 30, 2019

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The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures.

Unless otherwise stated, all dollar amounts are expressed in thousands.

**1. Organization**

**General**

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a Board of Directors composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest and most populous counties. More than 10 million people, about one third of California's residents, live, work, and play within its 1,433-square-mile service area.

**Measure R**

Measure R, also known as the Traffic Relief and Rail Expansion Ordinance is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 2009 and continuing on for the next 30 years. Revenues collected are required to be allocated in the following manner: 1) 2% for rail capital improvements; 2) 3% for Metrolink capital improvement projects within Los Angeles County; 3) 5% for rail operations for new transit project operations and maintenance; 4) 15% for local return; 5) 20% for county-wide bus service operations, maintenance, and expansion; 6) 20% for highway capital projects; and 7) 35% for transit capital specific projects.

**2. Summary of Significant Accounting Policies**

The Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Notes to the Schedule of Revenues and Expenditures  
June 30, 2019

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**2. Summary of Significant Accounting Policies (Continued)**

**Fund Accounting**

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Governmental Funds are used to account for most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses governmental fund type Special Revenue Fund to account for Measure R sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Basis of Accounting**

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

**Budgetary Accounting**

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedule.

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Notes to the Schedule of Revenues and Expenditures  
June 30, 2019

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**2. Summary of Significant Accounting Policies (Continued)**

**Investment Income and Net Appreciation in Fair Value of Investments**

Investment income and net appreciation in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2019, the Measure R fund had investment income of \$8,896 and net appreciation in fair value of investments of \$3,972. The net appreciation in fair value of investments were mainly due to an increase in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

**Use of Estimates**

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Comparative Financial Data**

The amounts shown for 2018 in the accompanying Schedule are included only to provide a basis for comparison with 2019 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

**3. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund**

The Schedule is intended to reflect the revenues and expenditures of the Measure R fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in financial position thereof for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

**4. Intergovernmental Transactions**

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

**5. Operating Transfers**

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Notes to the Schedule of Revenues and Expenditures  
June 30, 2019

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**6. Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses**

The Measure R fund at June 30, 2019 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$79,187, mainly due to transfers out to temporarily fund the construction costs incurred on the Westside Subway Extension Phase 1 and 2 projects that will be reimbursed from proceeds of TIFIA loan scheduled to be drawn in December, 2019. The \$79,187 negative change in fund balance during the current year resulted in a decrease in Measure R fund balance from \$414,565 to \$335,378.

**7. Audited Financial Statements**

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2019 are included in LACMTA's Audited Comprehensive Annual Financial Report (CAFR).

**8. Contingent Liabilities**

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

**9. Subsequent Events**

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 7, 2019, the date the schedule was issued. No subsequent events occurred that require recognition or additional disclosure in the schedule.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Measure R Independent Taxpayer Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2019, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 7, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LACMTA's Schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the amounts on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BCA Watson Rice, LLP*

Torrance, California  
November 7, 2019

**Independent Auditor's Report on Compliance with Requirements Applicable to  
Measure R Revenues and Expenditures in Accordance with the  
*Traffic Relief and Rail Expansion Ordinance No. 08-01***

Measure R Independent Taxpayer Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

**Report on Compliance**

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure R Revenues and Expenditures with the types of compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) for the fiscal year ended June 30, 2019.

***Management's Responsibility***

LACMTA's management is responsible for compliance with the requirements of laws and regulations applicable to the Measure R Revenues and Expenditures.

***Auditor's Responsibility***

Our responsibility is to express an opinion on LACMTA's compliance with the Measure R Revenues and Expenditures based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure R Revenues and Expenditures occurred. An audit includes examining, on a test basis, evidence about the LACMTA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the Measure R Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

***Opinion on Measure R Revenues and Expenditures***

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure R Revenues and Expenditures for the fiscal year ended June 30, 2019.



## Report on Internal Control over Compliance

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure R Revenues and Expenditures as a basis for designing 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 *Traffic Relief and Rail Expansion Ordinance*, 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 LACMTA'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 with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement 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 a type of compliance requirement of the Measure R Revenues and Expenditures 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California  
November 7, 2019

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Summary of Current Year Audit Findings  
For the Fiscal Year Ended June 30, 2019

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None noted.

**Los Angeles County Metropolitan Transportation Authority**  
Measure R Special Revenue Fund  
Status of Prior Year Audit Findings

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None noted.

Measure R List of Cities Audited by Vasquez

Agoura Hills	Lawndale
Azusa	Lynwood
Baldwin Park	Malibu
Bell	Maywood
Bell Gardens	Montebello
Beverly Hills	Monterey Park
Calabasas	Pico Rivera
Carson	Pomona
Commerce	Rosemead
Compton	San Fernando
Cudahy	Santa Fe Springs
Culver City	Santa Monica
El Monte	South El Monte
Gardena	South Gate
Hawthorne	Vernon*
Hidden Hills	Walnut
Huntington Park	West Hollywood
Industry	Westlake Village
Inglewood	
Irwindale	
La Puente	

\*City did not receive Measure R funds this fiscal year; therefore, not included in this report.

Measure R List of Cities Audited by Simpson

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



**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, 2019**

**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, 2019**

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund Consolidated Audit Report  
Fiscal Year Ended June 30, 2019**

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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 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 for the year ended June 30, 2019 (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 management of the Cities.

***Auditors' 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 disclaimer and unqualified opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



### ***Basis for Disclaimer of Opinion on City of South El Monte***

As described in the accompanying Summary of Compliance Findings (Finding #2019-008), the City of South El Monte was not able to provide accounting records and documents that would support the City's compliance with the Guidelines and Requirements. Accordingly, we were unable to perform any auditing procedures sufficiently to determine the City's compliance.

### ***Disclaimer of Opinion on City of South El Monte***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the City of South El Monte's compliance with the Guidelines and Requirements referred to above. Accordingly, we do not express an opinion on the City of South El Monte's compliance with the Guidelines and Requirements.

### ***Unqualified Opinion on Compliance of all Cities except City of South El Monte***

In our opinion, as described in Schedule 2, 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, 2019.

### ***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 Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-001 through #2019-009. 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 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.

### ***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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 a material weakness 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 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 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 Finding #2019-002 and Finding #2019-008 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 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 (Schedule 2) as Findings #2019-001 and #2019-004, to be significant deficiencies.

The Cities' responses to the internal control over compliance findings identified in our audit 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 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.

**Glendale, California  
December 31, 2019**

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2019**

The audits of the 38 cities identified in Schedule 1 have resulted in 9 findings. The table below summarizes those 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>
Funds were expended for transportation purposes.	2	Baldwin Park (Finding #2019-002) South El Monte (Finding #2019-008)	\$ 485,011 276,774	\$ - -
Funds were expended with LACMTA's approval.	2	Azusa (Finding #2019-001) Calabasas (Finding #2019-004)	459,958 2,645	459,958 2,645
Expenditure Plan (Form One) was submitted timely.	2	Bell Gardens (Finding #2019-003) South Gate (Finding #2019-009)	None None	None None
Expenditure Report (Form Two) was submitted timely.	2	Malibu (Finding #2019-006) Pomona (Finding #2019-007)	None None	None None
Recreational transit form was submitted timely.	1	Calabasas (Finding #2019-005)	None	None
<b>Total Findings and Questioned Costs</b>	<b>9</b>		<b>\$ 1,224,388</b>	<b>\$ 462,603</b>

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019**

<b>Compliance Area Tested</b>	<b>Agoura Hills</b>	<b>Azusa</b>	<b>Baldwin Park</b>
Funds were expended for transportation purposes.	Compliant	Compliant	See Finding #2019-002
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 #2019-001	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	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 timely.	Not Applicable	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(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	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2019-003	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	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	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(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.	See Finding #2019-004	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Not Applicable	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 timely.	See Finding #2019-005	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Compton</b>	<b>Cudahy</b>	<b>Culver City</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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>EI 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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Hidden Hills</b>	<b>Huntington 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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(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	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 timely.	Compliant	Not Applicable	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses 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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Lawndale</b>	<b>Lynwood</b>	<b>Malibu</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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	See Finding #2019-006
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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Maywood</b>	<b>Montebello</b>	<b>Monterey 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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	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 timely.	Not Applicable	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Pico Rivera</b>	<b>Pomona</b>	<b>Rosemead</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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	See Finding #2019-007	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses 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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>San Fernando</b>	<b>Santa Fe Springs</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.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>South El Monte*</b>	<b>South Gate</b>	<b>Walnut</b>
Funds were expended for transportation purposes.	See Finding #2019-008	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	See Finding #2019-008	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 #2019-008	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2019-009	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	See Finding #2019-008	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 timely.	Not Applicable	Not Applicable	Not Applicable

\*Auditor was not able to perform procedures due to the condition of the City's accounting records and unavailability of documents supporting the City's compliance with the significant compliance requirements of the Guidelines.



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority  
 Measure R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2019**

<b>Finding #2019-001</b>	<b>City of Azusa</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 the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> <li>a. Project code 1.05, Operations for Signage, Concrete, Asphalt, Painting, Signals, totaling \$393,297; and</li> <li>b. Project Code 2.00, MR TRIP Bond Reimbursable Expenditures, totaling \$66,661.</li> </ul> <p>These projects were previously approved when the TRIP bonds were issued in 2016, however, the City is still required to submit Form One every year, carry over the budget, and have it approved by LACMTA.</p> <p>This is a repeat finding from prior year.</p>
<b>Cause</b>	<p>The City concurs with the finding that the above projects should be included in the Expenditure Plan (Form One) submitted to LACMTA for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.</p>

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-001 (Continued)</b>	<b>City of Azusa</b>
<b>Effect</b>	The City claimed expenditures totaling \$459,958 without prior approval from LACMTA. Lack of prior approval results in noncompliance 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>	<p>The City relied on a consultant's assistance to maintain budgetary overview while staff was on extended medical leave. Staff has returned and is cross training department members the LACMTA guidelines. The City will obtain LACMTA approval prior to spending LACMTA funded projects.</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 October 3, 2019.</p>
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the said project on October 3, 2019. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority  
 Measure R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2019  
 (Continued)**

<b>Finding #2019-002</b>	<b>City of Baldwin Park</b>
<b>Compliance Reference</b>	<p>Measure R Local Return Guidelines Section (A) (I) states that, "The Measure R Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes". Also, Section VII 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 February 14, 2019, the LACMTA Local Return Program Manager re-affirmed the memo issued on April 29, 2014 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  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-002 (Continued)</b>	<b>City of Baldwin Park</b>
<b>Condition</b>	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <ul style="list-style-type: none"> <li>a) Project code 1.05, Street Repairs, Maintenance, Street Rehabilitation, total amount of \$141,655;</li> <li>b) Project code 1.30, Street Improvements Per New Complete Streets Policy, total amount of \$75,666;</li> <li>c) Project code 1.90, Street Name Roadway Signs, total amount of \$107,593;</li> <li>d) Project code 4.90, Bus Stop Share Maintenance, total amount of \$2,858;</li> <li>e) Project code 5.15, Metrolink Station Maintenance, total amount of \$10,846; and</li> <li>f) Project code 8.10, Administration of Projects and Programs, total amount of \$146,393.</li> </ul> <p>The salaries and benefits claimed under MRLRF amounting to \$485,011 are based on budget and are not supported by actual time charges and documented time study or indirect cost allocation plan for administrative charges. The City historically claimed those salaries in the previous years based on actual time charges and those claims were supported by time sheets. However, because of the change in the City's payroll and time reporting system during the fiscal year, auditor was not able to perform procedures to determine reasonableness of those charges.</p>
<b>Cause</b>	<p>The City changed its payroll system during FY 2018-19. Employees started entering their timesheet electronically that replaced the manual timesheet (hard copy). The system automatically allocates the amounts charged by each employee to these funds based on the budgeted percentages.</p>
<b>Effect</b>	<p>If the labor charges are not supported by actual time charges and documented time study or indirect cost allocation plan, LACMTA will require the City to return the money to the Local Return Funds.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Finding #2019-002 (Continued)</b>	<b>City of Baldwin Park</b>
<b>Recommendation</b>	<p>We recommend that the City provide documentation to support the salaries and benefits charges to MRLRF prior to FY 2019/20 year end audit. If these documents are not provided, the City is required to reimburse its MRLRF accounts the amount of \$485,011. 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>
<b>Management's Response</b>	<p>The City changed its payroll system during FY 2018-19. Employees started entering their timesheet electronically to replace the manual timesheet. The salaries and benefits costs are the actual amounts from the City's payroll which is based on the estimated percentage of work assigned by Public Works for allocated hours per the prior year's projections and related projects in FY 2018-19. The percentage allocation is entered in Tyler Incode 10 financial system. The system allocates the charges for each employee to those funds.</p> <p><u>Corrective Action Plan</u>                      The City will implement a new internal control procedure. The electronic time entry will be based on the actual hours worked on each project. We will also prepare reconciliation/adjustments as needed and/or at year-end. The time entries will be submitted by employees electronically and reviewed/approved by their supervisors. The City will also establish controls to ensure that all salaries and benefits charged to the Local Return funds are adequately supported in the future. The City considers the allocations and the charges mentioned above to be reasonable and eligible expenses under the local return guidelines.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Finding #2019-003</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>	The City submitted its Expenditure Plan (Form One) on August 13, 2018, 12 days after the due date of August 1, 2018.
<b>Cause</b>	The Expenditure Plan (Form One) was submitted late due to an oversight by City staff assigned to complete the task.
<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 Expenditure Plan (Form One) is submitted by August 1 <sup>st</sup> as required by the Guidelines.
<b>Management's Response</b>	The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Finding #2019-004</b>	<b>City of Calabasas</b>
<b>Compliance Reference</b>	<p>Section B (II) (1) of the Measure R Local Return Program Guidelines state 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 1st 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.”</p>
<b>Condition</b>	<p>The City claimed expenditures under MRLRF Project Code 3.05 Sidewalk and Bike Lane Improvement, totaling \$2,645 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from LACMTA.</p> <p>This is a repeat finding from prior year’s audit.</p>
<b>Cause</b>	<p>There are two projects going on in the same corridor; Mulholland Highway Gap Closure project and Mulholland Highway Corridor Study project. The Gap Closure project is the Sidewalk and Bike Lane Improvement project for which we used \$2,645 in FY 2018/19; and the Mulholland Highway Corridor Study project is planned to begin in FY 2019/20. The City had confused the two projects on the forms that were submitted for each because they were discussed at the same time during last year. The City presumed that they had included the Gap Closure project on FY 2018/19 Form One, because that was the intention, and didn’t catch the mix up until it was identified during the audit.</p>
<b>Effect</b>	<p>The City claimed expenditures totaling \$2,645 without prior approval from LACMTA. Lack of prior approvals results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
<b>Recommendation</b>	<p>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.</p>



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-004 (Continued)</b>	<b>City of Calabasas</b>
<b>Management's Response</b>	Staff and management will ensure that approval is obtained from LACMTA prior to spending on Measure R funded projects.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted a retroactive approval of the said project on November 15, 2019.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-005</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 October 24, 2019, 9 days beyond the due date of October 15, 2019.
<b>Cause</b>	The Recreational Transit report was submitted late due to an oversight by City staff assigned to complete that task.
<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>	Staff will ensure all documents are submitted to LACMTA in a timely manner.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Finding #2019-006</b>	<b>City of Malibu</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 October 25, 2019, 10 days after the due date of October 15, 2019.
<b>Cause</b>	The City of Malibu's Finance Manager retired. Due to her absence and the transition of her responsibilities, the City was unaware of the deadline. The report was filed prior to the audit, but not by the October 15 deadline.
<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>	An Acting Finance Manager has been appointed and will monitor future reporting requirements. A calendar of reporting deadlines has been created.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-007</b>	<b>City of Pomona</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 October 19, 2019, 4 days after the due date of October 15, 2019.
<b>Cause</b>	The City had adjustments to make as the deadline approached and wanted to ensure accuracy of the reports prior to submission.
<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>	Internal procedures are in place to ensure timely submission of the reports to LACMTA. The City will continue to work diligently to ensure timeliness of the submissions moving forward.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Finding #2019-008</b>	<b>City of South El Monte</b>
<b>Compliance Reference</b>	Section VII of the Measure R Local Return Guidelines states that, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
<b>Condition</b>	The City was not able to provide accounting records and documents that would support the City's compliance with the Measure R Local Return Guidelines. The City's general ledger is not updated. Account reconciliations, including bank accounts are behind and the Local Return Funds reports and Forms submitted to LACMTA do not reconcile with the accounting records. Accordingly, we were unable to perform any auditing procedures sufficiently to determine the City's compliance with the significant compliance requirements of the Guidelines.
<b>Cause</b>	We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2019. As such, there was delay in the closing of the City's books for the fiscal year 2019. Currently, the accounting personnel and support do not have the institutional knowledge to ensure the books are updated and transactions are recorded correctly.
<b>Effect</b>	<p>These conditions resulted in delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors to facilitate completion of audit procedures.</p> <p>The guidelines dictate that LACMTA reserves the right to suspend or revoke allocation to the City until the completion of the required audits.</p>
<b>Recommendation</b>	<p>We recommend that the City implement internal control procedures over timely closing of the books. The City should establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information.</p> <p>We also recommend that the City implement sufficient controls to ensure compliance with LACMTA guidelines and other regulatory requirements.</p>

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-008 (Continued)</b>	<b>City of South El Monte</b>
<b>Management's Response</b>	The City has taken actions to address this finding by hiring an interim finance director to handle the closing process of the City's book of accounts and to make sure that all accounting records will be made available to the auditors.
<b>Subsequent to the Audit Deadline</b>	Metro Program Manager sent out a letter to the City on January 7, 2020 to grant the City requested time extension to complete the audit by March 31, 2020.

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2019**  
**(Continued)**

<b>Finding #2019-009</b>	<b>City of South Gate</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>	The City submitted its Expenditure Plan (Form One) on August 9, 2018, 8 days after the due date of August 1, 2018.
<b>Cause</b>	The Expenditure Plan (Form One) was submitted late due to an oversight by City staff assigned to complete that task
<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 Expenditure Plan (Form One) is submitted by August 1 <sup>st</sup> as required by the Guidelines.
<b>Management's Response</b>	City staff assigned to complete the Form One has been advised of the August 1 <sup>st</sup> deadline to submit the report. In addition, a reminder has been set up on the calendar of the Director to ensure that the report is completed and submitted to the LACMTA in a timely fashion.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.



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**City of South El Monte  
Annual Financial Report of its**

**Proposition A Local Return Fund  
Proposition C Local Return Fund  
Measure R Local Return Fund  
Measure M Local Return Fund**

**As of and for the Years Ended June 30, 2019 and 2018  
with Report of Independent Auditors**

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## **FINANCIAL SECTION**

## Report of Independent Auditors

### To the Honorable Members of the City Council of the City of South El Monte, California and the Los Angeles County Metropolitan Transportation Authority

#### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund (collectively, the Funds) of the City of South El Monte, California (the City) which comprise the Funds' balance sheets as of June 30, 2019 and 2018, and the related statements of revenues, expenditures and changes in fund balances for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with 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 the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City of South El Monte, California, as of June 30, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund of the City of South El Monte, California, and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on each of the Funds' financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Funds' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Funds' basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Funds' basic financial statements or to the Funds' basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to each of the Funds' basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020, on our consideration of the City's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Funds' financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Funds' financial reporting and compliance.

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

**Glendale, California  
August 27, 2020**

**City of South El Monte  
Proposition A Local Return Fund  
Balance Sheets**

		June 30	
		2019	2018
<b>ASSETS</b>			
Cash and investments	\$	956,541	\$ 578,533
<b>Total assets</b>	<b>\$</b>	<b>956,541</b>	<b>\$ 578,533</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$	7,835	\$ 4,766
Accrued payroll and employee benefits		10,793	-
Due to General Fund		362,909	-
<b>Total liabilities</b>		<b>381,537</b>	4,766
<b>Fund balance</b>			
Restricted		575,004	573,767
<b>Total fund balance</b>		<b>575,004</b>	573,767
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>956,541</b>	<b>\$ 578,533</b>

*See notes to Funds financial statements.*



**City of South El Monte**  
**Proposition A Local Return Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2019	2018
<b>Revenues</b>		
Proposition A	\$ 418,828	\$ 388,249
Investment income	7,455	1,009
Cash fares	6,288	5,661
<b>Total revenues</b>	<b>432,571</b>	394,919
 <b>Expenditures</b>		
Various projects	431,334	301,976
<b>Total expenditures</b>	<b>431,334</b>	301,976
 Excess of revenues over expenditures	1,237	92,943
 Fund balance at beginning of year	573,767	480,824
 Fund balance at end of year	\$ 575,004	\$ 573,767

*See notes to Funds financial statements.*

**City of South El Monte**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2019**  
**(With Comparative Actuals for 2018)**

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Project Code	Project Name	2019		Variance	2018 Actual
		LACMTA Budget	Actual	Positive (Negative)	
120-01	Paratransit	\$ 282,956	\$ 298,269	\$ (15,313)	\$ 209,451
130-02	Special Events	17,932	12,296	5,636	11,121
170-01	Bus Shelter Maintenance	75,269	74,618 *	651	41,688
480-04	Administration	40,646	46,151	(5,505)	39,716
<b>Total expenditures</b>		<b>\$ 416,803</b>	<b>\$ 431,334</b>	<b>\$ (14,531)</b>	<b>\$ 301,976</b>

\* See Compliance Matrix and Schedule of Findings and Questioned Costs.

*See report of independent auditors.*

**City of South El Monte**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2019**

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Date Acquired	Description	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
10/24/1991	2 Bus Shelters	\$ 10,036	\$ -	\$ -	\$ 10,036
11/27/1991	2 Bus Shelters	10,036	-	-	10,036
02/13/1992	91 Champion Bus-30 PAX	86,933	-	-	86,933
06/26/2003	2004 El Dorado Activan	40,685	-	-	40,685
10/25/2006	Pressure Washer with Trailer	6,473	-	-	6,473
04/29/2008	Pressure Washer	5,000	-	-	5,000
06/03/2008	Bus Shelters	84,366	-	-	84,366
09/01/2008	Bus Shelters	71,833	-	-	71,833
11/04/2014	Dodge Grand Caravan	45,260	-	-	45,260
11/30/2016	Dodge Caravan	43,338	-	-	43,338
<b>Total</b>		<b>\$ 403,960</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 403,960</b>

*See report of independent auditors.*

**City of South El Monte  
Proposition C Local Return Fund  
Balance Sheets**

		June 30	
		2019	2018
<b>ASSETS</b>			
Cash and investments		\$ 595,055	\$ 245,346
	<b>Total assets</b>	<b>\$ 595,055</b>	<b>\$ 245,346</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Account payable		\$ 5,831	\$ 1,087
Accrued payroll and employee benefits		1,665	-
Due to General Fund		21,180	-
	<b>Total liabilities</b>	<b>28,676</b>	<b>1,087</b>
<b>Fund balance</b>			
Restricted		566,379	244,259
	<b>Total fund balance</b>	<b>566,379</b>	<b>244,259</b>
	<b>Total liabilities and fund balance</b>	<b>\$ 595,055</b>	<b>\$ 245,346</b>

*See notes to Funds financial statements.*

**City of South El Monte**  
**Proposition C Local Return Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2019	2018
<b>Revenues</b>		
Proposition C	\$ 347,406	\$ 320,575
Investment income	3,139	236
<b>Total revenues</b>	<b>350,545</b>	320,811
 <b>Expenditures</b>		
Various projects	28,425	152,651
<b>Total expenditures</b>	<b>28,425</b>	152,651
 Excess of revenues over expenditures	322,120	168,160
 Fund balance at beginning of year	244,259	76,099
 Fund balance at end of year	\$ 566,379	\$ 244,259

*See notes to Funds financial statements.*

**City of South El Monte**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2019**  
**(With Comparative Actuals for 2018)**

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
160-01	Bus Shelter (Project #408)	\$ 7,200	\$ 6,408	\$ 792	\$ -
400-02	Santa Anita and Fern/Elliott Signalization Project (# 290)	156,798	11,025	145,773	-
400-03	Santa Anita and Fern/Elliott Signalization Project (# 294)	23,170	6,255	16,915	-
400-04	Santa Anita and Rush Signalization Project	23,430	-	23,430	-
450-01	Durfee Median Improvement and Striping	-	-	-	122,121
270-01	San Gabriel Valley Council of Governments Membership	-	3,250 *	(3,250)	-
480-02	Administration	59,899	1,487	58,412	30,530
<b>Total expenditures</b>		<b>\$ 270,497</b>	<b>\$ 28,425</b>	<b>\$ 242,072</b>	<b>\$ 152,651</b>

\* See Compliance Matrix and Schedule of Findings and Questioned Costs.

*See report of independent auditors.*

**City of South El Monte**  
**Proposition C Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2019**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
05/27/1993	1993 Wagon	\$ 11,381	\$ -	\$ -	\$ 11,381
12/09/1993	Maco Bubble Top	3,150	-	-	3,150
12/09/1993	94 Aerotech 16 Passenger Van	38,204	-	-	38,204
12/09/1993	94 Aerotech 21 Passenger Van	41,744	-	-	41,744
02/04/1995	Diagnostic Computer	24,754	-	-	24,754
12/17/1997	Ricon Activan	39,919	-	-	39,919
06/30/2005	Garvey Avenue Pedestrian Safety Signal	45,620	-	-	45,620
06/30/2005	Michael Hunt to Merced Construction	95,259	-	-	95,259
06/30/2005	Garvey Reconstruction	531,299	-	-	531,299
06/03/2006	Durfee Street Improvement	455,245	-	-	455,245
10/31/2006	Santa Anita Avenue Phase I	376,843	-	-	376,843
10/27/2009	Peck/Durfee Project	749,529	-	-	749,529
<b>Total</b>		<b>\$ 2,412,947</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,412,947</b>

*See report of independent auditors.*

**City of South El Monte  
Measure R Local Return Fund  
Balance Sheets**

		June 30	
		2019	2018
<b>ASSETS</b>			
Cash and investments		\$ 607,775	\$ 340,915
	<b>Total assets</b>	<b>\$ 607,775</b>	<b>\$ 340,915</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ 10,071	\$ -
Due to General Fund		268,474	-
	<b>Total liabilities</b>	<b>278,545</b>	<b>-</b>
<b>Fund balance</b>			
Restricted		329,230	340,915
	<b>Total fund balance</b>	<b>329,230</b>	<b>340,915</b>
	<b>Total liabilities and fund balance</b>	<b>\$ 607,775</b>	<b>\$ 340,915</b>

*See notes to Funds financial statements.*



**City of South El Monte**  
**Measure R Local Return Fund**  
**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2019	2018
<b>Revenues</b>		
Measure R	\$ 260,629	\$ 241,206
Investment income	4,460	1,015
<b>Total revenues</b>	<b>265,089</b>	<b>242,221</b>
 <b>Expenditures</b>		
Various projects	276,774	409,997
<b>Total expenditures</b>	<b>276,774</b>	<b>409,997</b>
 Deficiency of revenues over expenditures	<b>(11,685)</b>	(167,776)
 Fund balance at beginning of year	<b>340,915</b>	508,691
 Fund balance at end of year	<b>\$ 329,230</b>	\$ 340,915

*See notes to Funds financial statements.*

**City of South El Monte**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2019**  
**(With Comparative Actuals for 2018)**

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Street and Sidewalk Improvement and Maintenance	\$ 276,671	\$ 272,934	\$ 3,737	\$ 253,614
1.25	Andrew/Thienes Sidewalk and ADA Ramp Project 288	70,000	-	70,000	-
2.16	Santa Anita and Klingerman Protected Left Turn Phase	-	-	-	1,918
2.16	Santa Anita and Rush Protected Left Turn Phases	-	-	-	1,918
2.16	Santa Anita and Central Protected Left Turn Phases	-	-	-	1,918
2.29	Rush and Peck Signalization Project	49,900	540	49,360	2,013
2.29	Fern and Klingerman Street Rehabilitation Project	-	-	-	139,316
2.29	Santa Anita and Central Protected Left Turn Phases	23,430	-	23,430	-
7.10	San Gabriel Valley Council of Governments	3,300	3,300	-	3,300
8.10	Fund Administration	8,695	-	8,695	6,000
<b>Total expenditures</b>		<b>\$ 431,996</b>	<b>\$ 276,774</b>	<b>\$ 155,222</b>	<b>\$ 409,997</b>

*See report of independent auditors.*

**City of South El Monte**  
**Measure R Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2019**

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<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
	None	\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

**City of South El Monte  
Measure M Local Return Fund  
Balance Sheets**

		June 30	
		2019	2018
<b>ASSETS</b>			
Cash and investments		\$ 325,910	\$ 212,033
	<b>Total assets</b>	<b>\$ 325,910</b>	<b>212,033</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable		\$ 10,270	\$ -
Due to General Fund		40,040	-
	<b>Total liabilities</b>	<b>50,310</b>	-
<b>Fund balance</b>			
Restricted		275,600	212,033
	<b>Total fund balance</b>	<b>275,600</b>	<b>212,033</b>
	<b>Total liabilities and fund balance</b>	<b>\$ 325,910</b>	<b>\$ 212,033</b>

*See notes to Funds financial statements.*

City of South El Monte  
Measure M Local Return Fund

**Statements of Revenues, Expenditures and Changes in Fund Balance**

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	Years ended June 30	
	2019	2018
<b>Revenues</b>		
Measure M	\$ 293,448	\$ 218,588
Investment income	2,694	10
<b>Total revenues</b>	<b>296,142</b>	<b>218,598</b>
<b>Expenditures</b>		
Various projects	232,575	6,565
<b>Total expenditures</b>	<b>232,575</b>	<b>6,565</b>
Excess of revenues over expenditures	63,567	212,033
Fund balance at beginning of year	212,033	-
Fund balance at end of year	\$ 275,600	\$ 212,033

*See notes to Funds financial statements.*

**City of South El Monte**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and LACMTA Approved Project Budget**  
**Year ended June 30, 2019**  
**(With Comparative Actuals for 2018)**

Project Code	Project Name	2019			2018 Actual
		LACMTA Budget	Actual	Variance Positive (Negative)	
1.05	Alesia Street and Lerma Road Improvements	\$ 82,914	\$ 86,887	\$ (3,973)	\$ -
1.20	Thienes and Tyler Intersection Signalization Project	65,000	66,100	(1,100)	-
1.20	Safety Street Light Design from Santa Anita/Tyler to Fawcett	31,900	24,419	7,481	6,565
1.90	Civic Center and Interjurisdictional Bikeway Project	100,000	-	100,000	-
1.90	City-Wide Safety Curb Painting	12,436	12,435	1	-
8.10	Administration	32,000	42,734 *	(10,734)	-
<b>Total expenditures</b>		<b>\$ 324,250</b>	<b>\$ 232,575</b>	<b>\$ 91,675</b>	<b>\$ 6,565</b>

\* See Compliance Matrix and Schedule of Findings and Questioned Costs.

*See report of independent auditors.*

**City of South El Monte**  
**Measure M Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2019**

---

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
None		\$ -	\$ -	\$ -	\$ -
	<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See report of independent auditors.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The operations of the Proposition A Local Return Fund (PALRF), the Proposition C Local Return Fund (PCLRF), the Measure R Local Return Fund (MRLRF) and the Measure M Local Return Fund (MMLRF) (collectively, the Funds) of the City of South El Monte (the City) are accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF and PCLRF represent 25% and 20%, respectively, of the ½ cent Proposition A and ½ cent Proposition C sales taxes which are distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

MRLRF is derived from 15% of the county-wide ½ cent Measure R sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

MMLRF is derived from 17% of the county-wide ½ cent Measure M sales tax which is distributed to the jurisdictions within Los Angeles County based on a per capita basis and must be used exclusively for transportation purposes.

**Basis of Accounting and Measurement Focus**

The PALRF, PCLRF, MRLRF and MMLRF are reported as Special Revenue Funds of the City and are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

Special Revenue Funds are reported on a spending or "financial flow" measurement focus. This means that generally, only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**Budgets and Budgetary Accounting**

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by LACMTA and are presented in accordance with accounting principles generally accepted in the United States of America.



**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Comprehensive Annual Financial Report for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

**Fund Balance Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The PALRF, PCLRF, MRLRF and MMLRF report the following fund balance classification as of June 30, 2019 and 2018:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Funds' remaining fund balances are restricted for projects approved by LACMTA.

Information regarding the fund balance reporting policy adopted by the City is described in the City's Comprehensive Annual Financial Report.

**NOTE 2      ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the PALRF, PCLRF, MRLRF and MMLRF, and do not purport to, and do not present fairly the City's financial position as of June 30, 2019 and 2018, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**NOTE 3      PROPOSITION A AND PROPOSITION C LOCAL RETURN COMPLIANCE REQUIREMENTS**

The Proposition A Ordinance requires that Local Return (LR) funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded with other Jurisdictions in exchange for general or other funds.

The Proposition C Ordinance directs that LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C LR funds cannot be traded.

Proposition A and Proposition C LR funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.

In accordance with *Proposition A and Proposition C Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Proposition A and Proposition C Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 4      MEASURE R LOCAL RETURN COMPLIANCE REQUIREMENTS**

The Measure R Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure R LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

In accordance with *Measure R Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Measure R Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 5      MEASURE M LOCAL RETURN COMPLIANCE REQUIREMENTS**

Measure M was approved by the voters of Los Angeles County on November 8, 2016 to improve transportation and ease traffic congestion consistent with the Los Angeles County Traffic Improvement Plan Ordinance approved by the Metro Board of Directors on June 23, 2016. The Measure M Ordinance specifies that LR funds be used exclusively for transportation purposes.

Measure M LR funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.

In accordance with *Measure M Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Measure M Local Return approved programs. See accompanying Compliance Matrix.

**NOTE 6            CASH AND INVESTMENTS**

The PALRF, PCLRF, MRLRF and MMLRF cash balances were pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments.

Please refer to the City's Comprehensive Annual Financial Report (CAFR) for a full description of risks relating to cash and investments.

**NOTE 7            SUBSEQUENT EVENTS**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries. To date, it is unknown how long these conditions will last and what the complete financial effect will be to businesses and other affected organizations, including local governmental entities. However, management does not expect the impact to be material to the Funds' June 30, 2019 financial statements.

The City has evaluated events subsequent to June 30, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through August 27, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Report of Independent Auditors on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

**To the Honorable Members of the City Council of the  
City of South El Monte, California and the  
Los Angeles County Metropolitan Transportation Authority**

We have audited, 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, the financial statements of the Proposition A Local Return Fund, the Proposition C Local Return Fund, the Measure R Local Return Fund and the Measure M Local Return Fund (collectively, the Funds) of the City of South El Monte, California (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audits of the Funds' financial statements, we considered the City's internal control over the Funds' financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds' financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Funds' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control described in the Schedule of Findings on Internal Control over Financial Reporting as Finding No. FS 2019-001 that we consider to be a material weakness.



### **The City's Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings on Internal Control over Financial Reporting. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and Measure M Local Return Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California**  
**August 27, 2020**

**Finding No. FS 2019-001: Year-end Closing Process**

*Criteria*

Section V of the Proposition A and Proposition C Local Return Guidelines, Section VII of the Measure R Local Return Guidelines and Section XXV of the Measure M Local Return Guidelines 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".

*Condition and Context*

This year's closing process was delayed because some important procedures were not performed on time. This includes reconciliation of major balance sheet accounts including bank accounts.

*Cause and Effect*

We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2018 and 2019. As such, there was a delay in the closing of the City's books for the fiscal year 2018 and 2019. Currently, the new accounting team and support do not have the institutional knowledge to ensure the books are updated and transactions are recorded correctly. These conditions resulted in delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

*Recommendation*

We recommend that the City of South El Monte establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are meaningful and accurate.

*Views of Responsible Officials*

The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance Department are putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

## **COMPLIANCE SECTION**

## Report of Independent Auditors on Compliance

**To the Honorable Members of the City Council of the  
City of South El Monte, California and the  
Los Angeles County Metropolitan Transportation Authority**

### Report on Compliance

We have audited the compliance of the City of South El Monte, California (the City) with the Proposition A and Proposition C Local Return Guidelines, Measure R Local Return Guidelines and Measure M Local Return Guidelines (collectively, the Guidelines) for the year ended June 30, 2019.

### *Management's Responsibility*

Management is responsible for the City's compliance with the Guidelines.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the City's compliance with the Guidelines based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guidelines. Those standards and the Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Proposition A Local Return Program, Proposition C Local Return Program, Measure R Local Return Program and Measure M Local Return Program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination of the City's compliance with the Guidelines.

### *Opinion*

In our opinion, the City of South El Monte, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2019.





### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance with the requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings #2019-001 through #2019-003. Our opinion is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's 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**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, 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 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 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 with the requirements, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that 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 deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2019-002 and #2019-003, that we consider to be significant deficiencies.



The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's 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 of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

*Vasquez & Company LLP*

**Glendale, California  
August 27, 2020**

**City of South El Monte  
Compliance Matrix  
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>A. Proposition A and Proposition C Local Return Funds</b>					
1. Uses the State Controller's Uniform System of Accounts and Records.	X				
2. Timely use of funds.	X				
3. Funds expended were approved and have not been substituted for property tax.		X			See Finding #2019-001
4. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A)	X				
5. Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	X				
6. All on-going and carryover projects were reported in Form B.	X				
7. Annual Project Summary Report (Form B) was submitted timely.	X				
8. Annual Expenditure Report (Form C) was submitted timely.	X				
9. Cash or cash equivalents are maintained.	X				
10. Accounting procedures, record keeping and documentation are adequate.		X		\$26,152	See Finding #2019-002
11. Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
12. Local Return Account is credited for reimbursable expenditures.			X		
13. Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.			X		
14. Assurances and Understandings form was on file.	X				
15. Recreational Transit Form was submitted timely.	X				

*See report of independent auditors on compliance.*

**City of South El Monte  
Compliance Matrix  
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>B. Measure R Local Return Fund</b>					
1. Funds were expended for transportation purposes.	X				
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure R Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form One) was submitted timely.	X				
8. Expenditure Report (Form Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**City of South El Monte  
Compliance Matrix  
Year ended June 30, 2019**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
<b>C. Measure M Local Return Fund</b>					
1. Funds were expended for transportation purposes.		X		\$15,215	See Finding #2019-003
2. Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	X				
3. Signed Assurances and Understandings on file.	X				
4. Separate Measure M Local Return Account was established.	X				
5. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.	X				
6. Funds were expended with LACMTA's approval.	X				
7. Expenditure Plan (Form M-One) was submitted timely.	X				
8. Expenditure Report (Form M-Two) was submitted timely.	X				
9. Timely use of funds.	X				
10. Administrative expenses are within the 20% cap.	X				
11. Fund exchanges were approved by LACMTA.			X		
12. A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.			X		
13. Recreational transit form was submitted timely.			X		

*See report of independent auditors on compliance.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of South El Monte  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019**

**PCLRF: Finding #2019-001**

<b>Compliance Reference</b>	Section 1(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdiction shall submit for approval a project Description Form (Form A) prior to the expenditure of funds: 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 claimed expenditures under the PCLRF project Code 270-01, San Gabriel Valley Council of Governments Membership, totaling \$3,250 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p>
<b>Cause</b>	In prior years, this item was classified under Prop C project code 480-02, Administration. With guidance from the auditors, the City reclassified it under project code 270-01. Subsequently, the LACMTA approved the City's reclassification and the City shared that communication with the auditors.
<b>Effect</b>	Proposition C LR funds were expended towards project expenditures without prior approval by 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>	We agree and intend to do so.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted a retroactive approval of projects budget on July 30, 2020. No follow up is required.

**PALRF: Finding #2019-002**

<b>Compliance Reference</b>	<p>Proposition A and Proposition C Local Return Guidelines (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 Guideline”.</p> <p>On February 14, 2019, the LACMTA Local Return Program Manager re-affirmed the memo issued on April 29, 2014 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>
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**City of South El Monte  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019**

**PALRF: Finding #2019-002**

<b>Condition</b>	The City claimed salaries and benefits expenditures under project code 170-01, Bus Shelter Maintenance, of \$26,152 which is based on budget and are not supported by actual time charges.
<b>Cause</b>	Lack of oversight by City's management on the compliance with the requirements of the Guidelines. Moreover, there were turnover in key positions in the finance and accounting department during the past fiscal years.
<b>Effect</b>	If the labor charges are not supported by actual time charges and documented time study or indirect cost allocation plan, the Guidelines require the City to return the money to the Local Return Funds.
<b>Recommendation</b>	We recommend that the City provide documentation to support the salaries and benefit charges to PALRF. If these documents are not provided, the City is required to reimburse its PARLF account the amount of \$26,152. 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>	<p>In Fiscal 2020, the Grant Coordinator recommended to the Interim Finance Director and Accounting Manager to change the City's practice from predetermined labor allocation to actual timesheet. The Interim Finance Director and Interim Accounting Manager concurred and adopted her recommendation. This matter also became very important to the City for potential FEMA/OES reimbursement due to COVID-19 incurred labor cost.</p> <p>The City is currently going through on RFP process to conduct a fully burdened hourly rate cost and fee study. Proposals are being accepted through the end of this month. Once the most qualified candidate is selected, we intend to have a professional study and indirect cost allocation plan which also meets the Federal guidelines.</p>

**MMLRF: Finding #2019-003**

<b>Compliance Reference</b>	<p>Measure M Local Return Guidelines Section (A) (I) states that, “The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes”. Also, Section VII 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 February 14, 2019, the LACMTA Local Return Program Manager re-affirmed the memo issued on April 29, 2014 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>
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**City of South El Monte  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2019**

**MMLRF: Finding #2019-003 (Continued)**

<b>Condition</b>	The City claimed salaries and benefits expenditures under project code 8.10, Administration, of \$15,215 which is based on budget and are not supported by actual time charges.
<b>Cause</b>	Lack of oversight by City's management on the compliance with the requirements of the Guidelines. Moreover, there were turnover in key positions in the finance and accounting department during the past fiscal years.
<b>Effect</b>	If the labor charges are not supported by actual time charges and documented time study or indirect cost allocation plan, the Guidelines require the City to return the money to the Local Return Funds.
<b>Recommendation</b>	We recommend that the City provide documentation to support the salaries and benefit charges to MMLRF. If these documents are not provided, the City is required to reimburse its MMLRF account the amount of \$15,215. 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>	<p>In Fiscal 2020, the Grant Coordinator recommended to the Interim Finance Director and Accounting Manager to change the City's practice from predetermined labor allocation to actual timesheet. The Interim Finance Director and Interim Accounting Manager concurred and adopted her recommendation. This matter also became very important to the City for potential FEMA/OES reimbursement due to COVID-19 incurred labor cost.</p> <p>The City is currently going through on RFP process to conduct a fully burdened hourly rate cost and fee study. Proposals are being accepted through the end of this month. Once the most qualified candidate is selected, we intend to have a professional study and indirect cost allocation plan which also meets the Federal guidelines.</p>

**EXIT CONFERENCE**

An exit conference was held on August 27, 2020 with the City of South El Monte representatives. Those in attendance were:

Vasquez and Company LLP representative:  
Marialyn Salvador – Audit Senior Manager

City of South El Monte representatives:  
William Fox – Interim Finance Director  
Masami Higa – Interim Finance Manager  
Irma Peniche – Grants Coordinator

Matters discussed:

Results of the audit disclosed instances of noncompliance with the Guidelines and a deficiency in internal control over financial reporting.

A copy of this report was forwarded to the following City of South El Monte representatives for comments prior to the issuance of the final report:

William Fox – Interim Finance Director  
Masami Higa – Interim Finance Manager  
Irma Peniche – Grants Coordinator



[www.vasquezcpa.com](http://www.vasquezcpa.com)

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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, 2019**



Simpson & Simpson, LLP  
Certified Public Accountants

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

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

**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 and the County of Los Angeles 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 and the County for the year ended June 30, 2019 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County 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' and the County's management.

***Auditor's Responsibility***

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





### ***Opinion***

In our opinion, 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, 2019.

### ***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 #2019-001 through #2019-014. 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 and the County 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 and the County'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 and the County'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 (Schedule 2) as Findings #2019-001 and #2019-003 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 (Schedule 2) as Finding #2019-012 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 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.

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

Los Angeles, California  
December 31, 2019

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2019**

The audit of the 49 cities and the County identified in Schedule 1 have resulted in 14 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>
Funds were expended for transportation purposes	2	Downey (#2019-003) Glendora (#2019-005)	\$ 24,802 6,145	\$ - -
Funds were expended prior to LACMTA's approval	4	Claremont (#2019-002) Lancaster (#2019-007) Manhattan Beach (#2019-008) Torrance (#2019-013)	74,751 2,014 930 681,615	74,751 2,014 930 681,615
Expenditure Plan (Form One) was not submitted timely	3	Avalon (#2019-001) San Gabriel (#2019-010) Temple City (#2019-012)	None None None	None None None
Expenditure Report (Form Two) was not submitted timely	5	El Segundo ((#2019-004) La Habra Heights (#2019-006) Manhattan Beach (#2019-009) Signal Hill (#2019-011) Whittier (#2019-014)	None None None None None	None None None None None
<b>Total Findings and Questioned Costs</b>	<b>14</b>		<b>\$ 790,257</b>	<b>\$ 759,310</b>

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019**

<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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Local Return Fund**  
**Summary of Audit Results**  
**Fiscal Year Ended June 30, 2019**  
**(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 timely.	See Finding #2019-001	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	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.	Compliant	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(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	See Finding #2019-002
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	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.	Compliant	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Covina</b>	<b>Diamond Bar</b>	<b>Downey</b>
Funds were expended for transportation purposes	Compliant	Compliant	See Finding #2019-003
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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	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 timely.	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(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	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	See Finding #2019-004	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures 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.	Compliant	Not Applicable	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Glendora</b>	<b>Hawaiian Gardens</b>	<b>Hermosa Beach</b>
Funds were expended for transportation purposes	See Finding #2019-005	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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>La Cañada Flintridge</b>	<b>La Habra 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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	See Finding #2019-006	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>La Verne</b>	<b>Lakewood</b>	<b>Lancaster</b>
Funds were expended for transportation purposes	Not Applicable	Compliant	Compliant
Fund 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	See Finding #2019-007
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	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 timely.	Not Applicable	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Lomita</b>	<b>Long Beach</b>	<b>Los Angeles City</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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Los Angeles County</b>	<b>Manhattan Beach</b>	<b>Monrovia</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 #2019-008	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	See Finding #2019-009	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures 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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Norwalk</b>	<b>Palmdale</b>	<b>Palos Verdes Estates</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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	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.	Compliant	Not Applicable	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Paramount</b>	<b>Pasadena</b>	<b>Rancho Palos Verdes</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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>Redondo Beach</b>	<b>Rolling Hills</b>	<b>Rolling Hills Estates</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	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable	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	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

Compliance Area Tested	San Dimas	San Gabriel	San Marino
Funds were expended for transportation purposes	Compliant	Compliant	Not Applicable
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	Not Applicable
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2019-010	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

Compliance Area Tested	Santa Clarita	Sierra Madre	Signal Hill
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 timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	See Finding #2019-011
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>South Pasadena</b>	<b>Temple City</b>	<b>Torrance</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	See Finding #2019-013
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2019-012	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	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 timely.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Compliance Area Tested</b>	<b>West Covina</b>	<b>Whittier</b>
Funds were expended for transportation purposes	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
Signed Assurances and Understandings on file.	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	See Finding #2019-014
Timely use of funds	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
 Measure R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2019**

<b>Finding #2019-001</b>	<b>City of Avalon</b>
Compliance Reference	According to Measure R Local Return Guidelines Section B (II), “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 1st of each year.”
Condition	The City did not submit the Expenditure Plan (Form One) to LACMTA by August 1, 2018.  However, the City submitted the Form One late on August 7, 2018.  This is a repeat finding from the prior two fiscal years.
Cause	The late submission was due to an oversight.
Effect	The City’s Expenditure Plan (Form One) was not submitted to LACMTA by August 1st, as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Measure R Local Return Guidelines.
Management’s Response	Management will ensure to submit the Form One by the due date going forward.
Finding Corrected During the Audit	The City submitted the Form One on August 7, 2018. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
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Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-002</b>	<b>City of Claremont</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 these guidelines: Verification that funds were expended with Metro's approval."
Condition	During FY 2018-19, the City used Measure R Local Return funds for Project Code 1.20, Farmers Market Bollards in the amount of \$74,751; however, the funds for the Project were expended prior to LACMTA's approval as the Project was not reported on the Form-One.
Cause	It was due to City staff's oversight. The City was not aware of the requirement to submit an amended Form-One for next projects added during the year.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA's retroactive approval for any new projects that are not reported on the original Form-One.
Management's Response	The City will establish procedures to ensure approvals of expenditures are received from LACMTA as well as the timely filing of all required forms going forward.
Finding Corrected During the Audit	As a result of the audit, the City submitted an updated Form-One to LACMTA and received retroactive approval on the project on December 5, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority  
 Measure R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2019  
 (Continued)**

<b>Finding #2019-003</b>	<b>City of Downey</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.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 B.VII, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines." 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;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(e) 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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Fiscal Year Ended June 30, 2019  
(Continued)**

<b>Finding #2019-003 (Continued)</b>	<b>City of Downey</b>
Condition	<p>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 salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$24,802 was based on an estimate of a percentage of time spent on MRLRF activity rather than the employee's actual working hours spent on the project. Although the City provided a time study listing of the employees charged to MRLRF, 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 2018-19.</p> <p>This is a repeat finding from the prior three fiscal years.</p>
Cause	<p>The City allocates administrative charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.</p>
Effect	<p>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 \$24,802.</p>
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account for \$24,802. 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>
Management's Response	<p>The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration are less than the actual payroll costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered adding to administrative time. In fiscal year 2019-20, the City will implement KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and be able to track the time spent on each program. With the implementation of this system, the City will be able to charge administrative costs directly to the program.</p>

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

<b>Finding #2019-004</b>	<b>City of El Segundo</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B Administrative: Reporting Requirements – Expenditure Report (Form Two), “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R Local Return program compliance requirements. 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, 2019 deadline for submission of Form Two. However, the City submitted the Form Two on October 28, 2019.
Cause	This was an oversight by the City.
Effect	The City did not comply with Measure R Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15 to meet Measure R Local Return Guidelines.
Management’s Response	The City’s fiscal year ends on September 30, 2019, and the reports were not finalized as of October 15, 2019. City staff submitted the Form Two on October 28, 2019 when the reports were more accurate. In the future the City will make sure to submit Form Two by the October 15th deadline to ensure compliance with the regulations.
Finding Corrected During the Audit	The City’s Form Two was submitted on October 28, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority  
 Measure R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2019  
 (Continued)**

<b>Finding #2019-005</b>	<b>City of Glendora</b>
Compliance Requirement	<p>According to Measure R Local Return Guidelines, Section A.I, "The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions maybe used for purposes other than transportation purposes." and Section B.VII, "It is the Jurisdictions' responsibility to maintain proper account' ng records and documentation to facilitate the performance of audit prescribed in these guidelines."</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> <ul style="list-style-type: none"> <li>(b) 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  
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(Continued)**

<b>Finding #2019-005 (Continued)</b>	<b>City of Glendora</b>
Condition	<p>During the testing of payroll, the City provided both timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet that is signed by an employee and an employee's supervisor. The Certification provides the detail breakdown of hours worked for the respective LRF in all payroll periods during fiscal year 2019. However, we noted that the employee hours charged to the following MRLRFs did not agree to the hours indicated on the Certification as shown below:</p> <p>a) Of the eighteen (18) payroll samples, fifteen (15) payroll was over-charged to MRLRF totaling \$6,145.</p> <p>Upon inquiry, it was noted that the City's payroll allocation schedule was used to record payroll costs in the City's accounting records. However, the City did not properly reconcile the hours worked between the Certification and the payroll allocation schedule resulting to payroll overcharges MRLRF.</p>
Cause	The City was not aware that its practice of time certification was not comparable to labor costs claimed on the timesheet.
Effect	The unreconciled variances on the payroll charges resulted in questioned costs of \$6,145 for MRLRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Account for \$6,145. In addition, we recommend that the City establish controls to ensure that the payroll costs charged to the Local Return funds are adequately supported by timesheet, payroll register, personal actions or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management's Response	The City will modify its existing procedures to ensure accurate collection of time and effort documentation to support the salaries and benefits charged to MRLRF. These controls will ensure salary charges were expended properly on local return approved projects.

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<b>Finding #2019-006</b>	<b>City of La Habra Heights</b>
Compliance Requirement	According to Measure R Local Return Guidelines, Section B.II.2, Expenditure Report (Form Two): “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. 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, 2019 deadline for submission of the Form Two. However, the City submitted the Form Two on October 17, 2019.
Cause	It was due to the staff’s oversight.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two is submitted before the due date of October 15th in accordance with the Measure R Local Return 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 City will establish procedures to ensure the timely filing of all required listings. In addition, the City will retain a confirmation of receipt by LACMTA to indicate the Form Two was submitted in a timely manner.
Findings Corrected During the Audit	The City subsequently submitted the Form Two on October 17, 2019. No follow-up is required.

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(Continued)**

<b>Finding #2019-007</b>	<b>City of Lancaster</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 these guidelines: Verification that funds were expended with Metro’s approval.”
Condition	During FY 2018-19, the City used Measure R Local Return funds for the project 1.05- Lancaster Blvd Road Diets, 10th St W to Valley Central Way in the amount of \$2,014 prior to LACMTA’s approval as the Project was not reported on the Expenditure Plan (Form One).
Cause	The City did not submit an accurate and complete Form One with a listing of projects to Metro due to an oversight.
Effect	The City was not in compliance with Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.
Management’s Response	Staff did not submit corrected Form One on time with the updated information due to staff turnover.
Finding Corrected During the Audit	The City’s revised Form-One was submitted and retroactively approved by LACMTA Program Manager on December 10, 2019. No follow-up is required.

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<b>Finding #2019-008</b>	<b>City of Manhattan Beach</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 these guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City used Measure R Local Return funds for 1.05 Street Resurfacing: 1100 Block of 3rd Street project in the amount of \$930 prior to LACMTA’s approval.
Cause	The City did not submit the complete Expenditure Plan (Form-One) to LACMTA due to an oversight.
Effect	The City did not comply with the Measure R Local Return Funds Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA’s retroactive approval for any new projects that are not reported on the original Form-One.
Management’s Response	The City did not submit an amended Form-One with updated information on time, since the guideline was not clear regarding submissions after the August 1 deadline.
Finding Corrected During the Audit	The City’s revised Form-One was submitted and retroactively approved by LACMTA on November 7, 2019. No follow-up is required.

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<b>Finding #2019-009</b>	<b>City of Manhattan Beach</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B Administrative: Reporting Requirements – Expenditure Report (Form-Two), “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R Local Return program compliance requirements. 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, 2019 deadline for submission of Form Two. However, the City submitted the Form Two on October 18, 2019.
Cause	This was an oversight by the City due to onsite ERP implementation training.
Effect	The City was not in compliance with the Measure R Local Return Funds Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form-Two is properly prepared and submitted before the due date of October 15 to meet the Measure R Local Return Guidelines.
Management’s Response	The City was delayed in submitting the Form Two on or before the deadline due to onsite ERP implementation training. The City will endeavor to submit it on or before the deadline in the future.
Finding Corrected During the Audit	The City’s Form-Two was submitted on October 18, 2019. No follow-up is required.



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(Continued)**

<b>Finding #2019-010</b>	<b>City of San Gabriel</b>
Compliance Reference	According to Measure R Local Return Guidelines Section B (II), "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 1st of each year."
Condition	The City did not meet the August 1, 2018 deadline for submission of Form One. However, the City submitted the Form One on August 22, 2018.
Cause	The person responsible for the submission of the reports has since retired from the City. As a result, the City was not able to determine the reason for the late filing.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	To ensure that all future filings will be submitted timely, the reporting responsibility has been reassigned and calendared.
Finding Corrected During the Audit	The City subsequently submitted the Form One on August 22, 2018. No follow-up is required.

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<b>Finding #2019-011</b>	<b>City of Signal Hill</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B, "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, 2019 deadline for submission of the Expenditure Report (Form Two). However, the City submitted the Form Two on October 23, 2019.
Cause	It was due to an oversight.
Effect	The City's Form Two was not submitted timely. The City did not comply with Measure R Local Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15th in accordance with Measure R Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management's Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form Two was submitted to LACMTA.
Finding Corrected During the Audit	The City's Form Two was submitted and retroactively approved by LACMTA on October 23, 2019. No follow-up is required.

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<b>Finding #2019-012</b>	<b>City of Temple City</b>
Compliance Reference	According to Measure R Local Return Guidelines Section B (II), "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 1st of each year."
Condition	The City did not meet the August 1, 2018 deadline for submission of Form One. However, the City submitted the Form One on August 7, 2018.  This is a repeat finding from the prior fiscal year.
Cause	The preparation and submission of the form was assigned to a new employee who was not aware of the deadline.
Effect	The City's Form One was not submitted timely as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guideline. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	In FY 2019-20, the newly assigned employee has been made aware of the reporting deadline and has attended the necessary LACMTA training workshops.
Finding Corrected During the Audit	The City subsequently submitted the Form One on August 7, 2018. No follow-up is required.

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(Continued)**

<b>Finding #2019-013</b>	<b>City of Torrance</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B, II. 1, Expenditure Plan (Form One), states "Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year." 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 these guidelines: Verification that funds were expended with Metro's approval."
Condition	During FY 2018-19, the City used Measure R Local Return funds for an eligible Project Code 3.05 - T-115 Downtown Torrance Pedestrian Improvement Project (Project) in the amount of \$681,615; however, the funds for the Project were expended prior to LACMTA's approval as the Project was not reported on the Form-One. On December 13, 2019, the City submitted the revised Form-One to obtain LACMTA's retroactive approval and received subsequent approval on December 13, 2019.
Cause	The City represented that the Project was not reported on the Form-One because the Project was not budgeted by the City prior to August 1, 2018. Subsequently, the City budgeted for the Project and incurred expenditures which were reported on the Form-Two.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City strengthen its internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R LR Funds before incurring expenditures.  We also recommend that the City work closely with the City Council to obtain timely approval for all Measure R LR projects prior to the expenditures of funds, and the Form One is properly prepared and submitted to LACMTA before the due date of August 1.
Management's Response	The Downtown Torrance Pedestrian Improvement, T-115 ("T-115 Project") is an eligible Measure R-LR project conforming to the requirements in MR-LR Guidelines Section A Policy, Subsection II Measure R Uses and Conditions for Project Eligibility beginning on page 2.  On August 14, 2018, the Torrance City Council approved \$900,000 of FY2018-19 Measure R-LR funds for the T-115 Project. This approval occurred AFTER the August 1 annual deadline for submitting the Form R-One. Therefore, the City was correct and accurate not to include (budget) the T-115 Project on the Form R-One submitted by August 1, 2018, as the budget for use of these Measure R-LR funds was not yet approved by the City.  (Continued)

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(Continued)**

<p><b>Finding #2019-013 (Continued)</b></p>	<p><b>City of Torrance</b></p>
<p>Management’s Response (Continued)</p>	<p>MR-LR Guidelines Section B Administrative, Subsection II Reporting Requirements, Paragraphs 1 through 4 on pages 8 and 9 indicate repeatedly that the submittal of the Form R-One is only required ANNUALLY and by August 1 and Form R-Two is required ANNUALLY and by October 15. There is no requirement in the MR-LR Guidelines for a Jurisdiction to submit a “revised” Form R-One, nor a Form R-One, more frequently than annually.</p> <p>The MR-LR Guidelines are, in fact, explicitly clear in Measure R Local Return Guidelines Section B Administrative, Subsection II Reporting Requirements, Paragraph 4 that a Form R-One for a “New, amended, ongoing and carryover projects; Capital projects require additional information” is due ANNUALLY and on August 1.</p> <p>Additionally, MR-LR Guidelines Section B Administrative, Subsection II Reporting Requirements beginning on page 8 do not prohibit a Jurisdiction from obtaining approval by Metro AFTER incurring eligible expenditures. Furthermore, MR-LR Guidelines Section B Administrative, Subsection VII Audit Section, Paragraph A Financial and Compliance Provisions beginning on page 11 supports Metro’s authority to approve eligible expenditures before or after they are incurred. The Auditor’s role is to verify if Metro approves of the expenditure of funds. The City reported the T-177 Project expenditures on the FY2018-19 Expenditure Report submitted to Metro on October 15, 2019, as required by the MR-LR Guidelines. On October 17, 2019, Metro acknowledged by email the City’s submittal of the FY2018-19 Expenditure Report and did not indicate any concerns or non-approval.</p> <p>In our opinion, the City fully complied with the requirements in the MR-LR Guidelines to maintain legal eligibility of the use of Measure R-LR funds, including accurate and timely reporting. The City spent the funds on an eligible T-115 Project. Metro approved of the eligible expenditures. Therefore, the City objects to this finding.</p>
<p>Finding Corrected During the Audit</p>	<p>On December 13, 2019, the City received retroactive approval from LACMTA, Program Manager, to expend Measure R funds for project entitled 3.05 - T-115 Downtown Torrance Pedestrian Improvement Project. No follow-up is required.</p>

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<p><b>Finding #2019-013 (Continued)</b></p>	<p><b>City of Torrance</b></p>
<p>Auditor’s Rejoinder</p>	<p>The City’s management responded to Finding #2019-013 by stating that the “T-115 Project” was an eligible project which conformed to the requirements set forth in the Measure R Local Return Guidelines, and that there are no requirements to submit a “revised” Form-One.</p> <p>However, Measure R Local Return Guidelines, B, II, 1, states “Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year.” The City was not in compliance with the requirement to submit a Form One which provides a listing of projects funded with Measure R LR funds with estimated expenditures for the fiscal year 2019, which is also the means by which the City obtains Metro’s approval of Measure R LR funded projects. Additionally, it is the jurisdiction’s responsibility to obtain its City Council’s approval of a project’s budget promptly and to properly prepare its Form One with a complete list of projects funded with Measure R LR funds to Metro. The City’s management also stated in their responses that the Measures R Local Return Guidelines require jurisdictions to submit a Form One annually. However, the Guidelines do not prohibit a City from submitting an amended Form One or a separate request to Metro to obtain project approval prior to expending the funds during the fiscal year. The intent of the Guidelines, B, II, 4, Form One DETERMINATION is for jurisdictions to obtain Metro’s approval of new, amended, ongoing, and carryover projects annually and prior to expending the funds.</p> <p>Additionally, the City’s management stated in their response that the Measure R Local Return Guidelines “do not prohibit a Jurisdiction from obtaining approval by Metro AFTER incurring eligible expenditures.” We disagree with the City’s statement on the basis that Section B, VII, A of the Measure R Local Return Guidelines clearly state that expenditures require “Verification that funds were expended <u>with</u> Metro’s approval” (Auditors have added the underscore for emphasis). In our opinion, the preposition “with” can only be interpreted as occurring temporally before or concomitantly with Metro’s approval, and that funds should not be expended <u>without</u> said approval. Because the City expended funds without Metro’s approval, we stand by our compliance finding and recommendation.</p>

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<b>Finding #2019-014</b>	<b>City of Whittier</b>
Compliance Reference	According to Measure R Local Return 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, 2019 deadline for submission of Expenditure Report Form Two to LACMTA. The City subsequently submitted the Form Two on October 30, 2019.
Cause	The late submission of Form Two was caused by the transition of City staff. The employee responsible for the submission of the form has since left the City due to retirement.
Effect	The City's Form Two was not submitted timely as required by Measure R Local Return Guidelines.
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 MRLRF 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.
Management's Response	In the future, the City management will ensure timely submission of Form Two.
Finding Corrected During the Audit	The City subsequently submitted the Form Two on October 30, 2019. No follow-up is required.