



Board Report

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Agenda Number: 3.

**MEASURE M INDEPENDENT TAXPAYER
OVERSIGHT COMMITTEE
MARCH 3, 2021**

SUBJECT: MEASURE M AUDITS OF FISCAL YEAR 2020

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund for the Fiscal Year ended June 30, 2020 completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines for the Fiscal Year ended June 30, 2020 completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines for the Fiscal Year ended June 30, 2020 completed by Simpson and Simpson (Simpson), CPAs.

ISSUE

On November 9, 2016, Los Angeles County voters approved Measure M that imposed a half-cent transaction and use tax for transportation and the indefinite extension of an existing half-cent sales tax (Measure R) also dedicated to transportation and originally set to expire in 2039. Measure M, also known as the Los Angeles County Traffic Improvement Plan Ordinance (Ordinance) establishes an Independent Taxpayer 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 completed within 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 LACMTA and local subrecipients have complied with the Measure M requirements.

DISCUSSION

The following summarizes the independent auditor's report on Schedule of Revenues and Expenditures for Measure M 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 M 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 M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2020, 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, 2020.

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

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure M sales tax revenues used by the 88 cities (Cities) as well as the County of Los Angeles (County). This report covers the audits of 39 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 which could have a direct and material effect on the Measure M Local Return program occurred.

Vasquez concluded that the Cities, complied in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2020. Vasquez found 11 instances of noncompliance, which are summarized in Schedule 2 of Attachment D. Resolution of the instances of noncompliance is discussed in another item within this agenda titled Measure M Local Return Compliance Status.

Simpson and Simpson concluded that the Cities and County complied, in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2020. Simpson and Simpson found 10 instances of noncompliance, which are summarized in Schedule 2 of Attachment E. Resolution of the instances of noncompliance is discussed in another item within this agenda titled Measure M Local Return Compliance Status.

NEXT STEPS

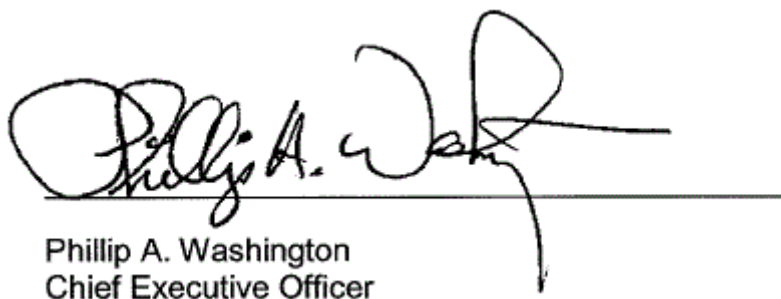
A public hearing will be scheduled.

ATTACHMENT(S)

- A. Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure M Special Revenue Fund for the Fiscal Year Ended June 30, 2020
- 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 M Ordinance and Measure M Local Return Guidelines (Vasquez)
- E. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Simpson and Simpson)

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Phillip A. Washington
Chief Executive Officer

**LOS ANGELES COUNTY
METROPOLITAN
TRANSPORTATION AUTHORITY**

INDEPENDENT AUDITOR'S REPORT
ON SCHEDULE OF REVENUES AND EXPENDITURES
FOR
MEASURE M SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)



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Los Angeles County Metropolitan Transportation Authority

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

For the Fiscal Year Ended June 30, 2020
(With Comparative Totals for 2019)

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Independent Auditor's Report

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

Report on the Schedule of Measure M Revenues and Expenditures

We have audited the accompanying Schedule of Measure M Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2020, 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 M 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 M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2020, 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

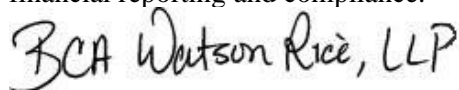
As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure M Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2020, and the changes in its financial 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 M Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2020, 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 16, 2020, 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.



Torrance, CA
November 16, 2020

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2020
(With Comparative Totals for 2019)
(Amounts expressed in thousands)

| | 2020 | 2019 |
|--|-------------|-------------|
| Revenues | | |
| Sales tax | \$ 820,724 | \$ 836,173 |
| Intergovernmental | 8,432 | - |
| Investment income | 15,968 | 10,160 |
| Net appreciation in fair value of investments | 5,450 | 4,706 |
| | 850,574 | 851,039 |
| Total revenues | | |
| Expenditures | | |
| Administration and other | 27,787 | 20,682 |
| Transportation subsidies | 213,149 | 198,481 |
| | 240,936 | 219,163 |
| Total expenditures | | |
| Excess of revenues over expenditures | 609,638 | 631,876 |
| Other financing sources (uses) | | |
| Transfers out | (656,362) | (382,763) |
| | (656,362) | (382,763) |
| Total other financing sources (uses) | | |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | \$ (46,724) | \$ 249,113 |

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2020

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 M

Measure M, also known as Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on November 8, 2016 and the rate of the tax shall increase to one percent on July 1, 2039, immediately upon expiration of the one-half percent sales tax imposed by Traffic Relief and Rail Expansion Ordinance (Measure R).

Revenues collected are required to be allocated in the following manner: 1) 5% for Metro rail operations; 2) 20% for transit operations (Metro and Municipal Providers); 3) 2% for ADA Paratransit for the disabled and Metro discounts for seniors and students 4) 35% for transit construction; 5) 2% for Metro State of Good Repair projects; 6) 17% for highway construction; 7) 2% for Metro active transportation program; 8) 16% for local return - base for local projects and transit services; and 9) 1% for local return for regional rail.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure M Special Revenue Fund was 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 M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2020

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 M 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 M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2020

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Appreciation (Decline) in Fair Value of Investments

Investment income and net appreciation (decline) 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, 2020, the Measure M fund had investment income of \$15,968 and net appreciation in fair value of investments of \$5,450. The net appreciation in investments was 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 2019 in the accompanying Schedule are included only to provide a basis for comparison with 2020 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 M Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure M 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 M Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure M Ordinance.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2020

6. Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Measure M fund at June 30, 2020 had a deficiency of revenues over expenditures and other financing uses of \$46,724 due to a shortfall in expected sales tax revenues resulting from COVID-19 lockdowns and stay-at-home orders while transportation subsidies and transfers out for funding of capital projects mostly for the Expo/Blue Line Light Rail Vehicle, Westside Subway Extension Section 3, Airport Metro Connector, and Goldline Foothill Extension Phase 2B were paid and released as projected, resulting in a decrease in Measure M Fund balance from \$678,681 to \$631,957 at June 30, 2020.

7. Audited Financial Statements

The audited financial statements for the Measure M Special Revenue Fund for the fiscal year ended June 30, 2020 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. COVID-19 Impact and Considerations

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. LACMTA expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

10. Subsequent Events

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 16, 2020, the date the schedule was issued. No subsequent events occurred that require recognition or additional disclosure in the schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Amounts expressed in thousands)

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------------|--------------------|--------------------|---------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Sales tax | \$ 873,000 | \$ 873,000 | \$ 820,724 | \$ (52,276) |
| Intergovernmental | - | - | 8,432 | 8,432 |
| Investment income | - | - | 15,968 | 15,968 |
| Net appreciation in fair value of investments | - | - | 5,450 | 5,450 |
| Total revenues | 873,000 | 873,000 | 850,574 | (22,426) |
| Expenditures | | | | |
| Administration and other | 55,792 | 44,510 | 27,787 | 16,723 |
| Transportation subsidies | 216,415 | 221,415 | 213,149 | 8,266 |
| Total expenditures | 272,207 | 265,925 | 240,936 | 24,989 |
| Excess of revenues over expenditures | 600,793 | 607,075 | 609,638 | 2,563 |
| Other financing sources (uses) | | | | |
| Transfers in | 6,946 | 6,946 | - | (6,946) |
| Transfers out | (703,659) | (703,659) | (656,362) | 47,297 |
| Total other financing sources (uses) | (696,713) | (696,713) | (656,362) | 40,351 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | \$ (95,920) | \$ (89,638) | \$ (46,724) | \$ 42,914 |

**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 M 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 M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2020, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 16, 2020.

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 16, 2020

**Independent Auditor's Report on Compliance with Requirements Applicable to
Measure M Revenues and Expenditures in Accordance with the
Los Angeles County Traffic Improvement Plan
*Ordinance No. 16-01***

Measure M 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 M Revenues and Expenditures with the compliance requirements described in the *Los Angeles County Traffic Improvement Plan* (the Ordinance) for the fiscal year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on LACMTA's compliance with the Measure M Revenues and Expenditures based on our audit of the 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 compliance requirements referred to above that could have a direct and material effect on Measure M 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 M Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Measure M 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 M Revenues and Expenditures for the fiscal year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the LACMTA 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 LACMTA's internal control over compliance with the requirements that could have a direct and material effect on the Measure M 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 *Los Angeles County Traffic Improvement Plan*, 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 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 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 compliance requirement of the Measure M 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 16, 2020

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2020

None noted.

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

None noted.

Measure M 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 | |

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund Consolidated Audit Report
Fiscal Year Ended June 30, 2020**

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

**To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer Oversight Committee**

Report on Compliance

We have audited the compliance of the thirty-nine (39) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2020 (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.

Auditor's Responsibility

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

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2020.

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 #2020-001 through #2020-011. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule 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 M Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2020-004 and #2020-009, that we consider to be significant deficiencies.



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

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

Vasquez & Company LLP

**Glendale, California
December 31, 2020**

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2020**

The audits of the 39 cities identified in Schedule 1 have resulted in 11 findings. The table below summarizes those findings:

| Finding | # of Findings | Responsible Cities/ Finding No. Reference | Questioned Costs | Resolved During the Audit |
|---|----------------------|---|--|--|
| Funds were expended for transportation purposes. | 1 | South El Monte (See Finding #2020-009) | \$ 507 | \$ - |
| Funds were expended with LACMTA's approval. | 5 | Baldwin Park (See Finding #2020-002) Bell Gardens (See Finding #2020-003) Calabasas (See Finding #2020-005) Carson (See Finding #2020-006) West Hollywood (See Finding #2020-010) | 52,500 14,300 50,801 569,449 281,596 | 52,500 14,300 50,801 569,449 281,596 |
| Expenditure Plan (Form M-One) was submitted timely. | 5 | Azusa (See Finding #2020-001) Bell Gardens (See Finding #2020-004) Industry (See Finding #2020-007) Maywood (See Finding #2020-008) West Hollywood (See Finding #2020-011) | None None None None None | None None None None None |
| Total Findings and Questioned Costs | 11 | | \$ 969,153 | \$ 968,646 |

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020**

| Compliance Area Tested | Agoura Hills | Azusa | Baldwin Park |
|--|---------------------|-----------------------|-----------------------|
| 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 M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | See Finding #2020-002 |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | See Finding #2020-001 | Compliant |
| Expenditure Report (Form M-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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Bell | Bell Gardens | Beverly Hills |
|--|----------------|-----------------------|----------------------|
| Funds were expended for transportation purposes. | Compliant | Compliant | Not Applicable |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Not Applicable |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | See Finding #2020-003 | Not Applicable |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | See Finding #2020-004 | Compliant |
| Expenditure Report (Form M-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 | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Calabasas | Carson | Commerce |
|--|-----------------------|-----------------------|-----------------|
| Funds were expended for transportation purposes. | Not Applicable | Compliant | Compliant |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Compliant | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | See Finding #2020-005 | See Finding #2020-006 | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-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. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Compton | Cudahy | Culver City |
|--|----------------|----------------|--------------------|
| Funds were expended for transportation purposes. | Compliant | Not Applicable | Not Applicable |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Not Applicable | Not Applicable |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Not Applicable |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Not Applicable | Not Applicable |
| Expenditure Report (Form M-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 | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | El Monte | Gardena | Hawthorne |
|--|-----------------|----------------|------------------|
| 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 M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Hidden Hills | Huntington Park | Industry |
|--|---------------------|------------------------|-----------------------|
| Funds were expended for transportation purposes. | Not Applicable | Compliant | Compliant |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Compliant | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | See Finding #2020-007 |
| Expenditure Report (Form M-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. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Inglewood | Irwindale | La Puente |
|--|------------------|------------------|------------------|
| 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 M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Compliant | Not Applicable | Compliant |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Lawndale | Lynwood | Malibu |
|--|-----------------|----------------|----------------|
| Funds were expended for transportation purposes. | Not Applicable | Compliant | Compliant |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Compliant | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

| Compliance Area Tested | Maywood | Montebello | Monterey Park |
|--|-----------------------|----------------|----------------|
| Funds were expended for transportation purposes. | Not Applicable | Compliant | Compliant |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Compliant | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | See Finding #2020-008 | Compliant | Compliant |
| Expenditure Report (Form M-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 | Compliant | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

| Compliance Area Tested | Pico Rivera | Pomona | Rosemead |
|--|--------------------|----------------|-----------------|
| 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 M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | San Fernando | Santa Fe Springs | Santa Monica |
|--|---------------------|-----------------------------|---------------------|
| 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 M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Not Applicable | Compliant |
| Expenditure Report (Form M-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. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | South El Monte | South Gate | Vernon |
|--|-----------------------|-------------------|----------------|
| Funds were expended for transportation purposes. | See Finding #2020-009 | 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 M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-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 | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Walnut | West Hollywood | Westlake Village |
|--|----------------|-----------------------|-------------------------|
| 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 M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | See Finding #2020-010 | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | See Finding #2020-011 | Compliant |
| Expenditure Report (Form M-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. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020**

| Finding #2020-001 | City of Azusa |
|---|--|
| Compliance Reference | <p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p> |
| Condition | The City submitted its Expenditure Plan (Form M-One) on August 15, 2019, 14 days after the due date of August 1, 2019. |
| Cause | The City engaged a consultant to complete the Measure M Expenditure Plan (Form M-One) after staff was out for an extended sick leave absence. The vendor did not file the documentation timely. |
| Effect | The City was not in compliance with the reporting requirements of the Local Return Guidelines. |
| Recommendation | We recommend the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects. |
| Management's Response | Management will ensure that the Expenditure Plan (Form M-One) is submitted in a timely manner by the due date of August 1. |
| Finding Corrected During the Audit | The City subsequently submitted the Expenditure Plan (Form M-One). No follow up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| | |
|-----------------------------|---|
| Finding #2020-002 | City of Baldwin Park |
| Compliance Reference | <p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p> |
| Condition | The City claimed expenditures under MMLRF Project code 01-006 Complete Streets - Maine Phase II, totaling \$52,500, with no prior approval from LACMTA. |
| Cause | The City continued transitioning of various reporting requirements among several staff members and departments throughout this year. Although the coordination among the various departments has greatly improved, staff is still adjusting to the newly implemented procedures that resulted from the previous year's findings. A combination of new staff positions and new procedures led to an oversight on the timely completion of the forms. This has been addressed and discussed with staff and should not re-occur moving forward. |
| Effect | The City claimed expenditures totaling \$52,500 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. |
| Recommendation | We recommend that the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| Finding #2020-002 (Continued) | City of Baldwin Park |
|---|---|
| Management's Response | Procedures implemented in the most recent audit year have addressed hurdles in the preparation and submittal of the appropriate information in order to meet compliance with Measure M Local Return Program Guidelines. Further, staff has been trained in the use of LACMTA's new Local Return Management System (LRMS) portal "Smartsheet" system which is expected to greatly improve the City's reporting submittal requirements. In addition, the City implemented a two-step verification process that includes both Finance and Public Works department staff obtaining verification of approval by LACMTA before issuing any checks and expending any funds for the projects. |
| Finding Corrected During the Audit | LACMTA Program Manager granted a retroactive approval of projects' budget on October 22, 2020. No follow up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| Finding #2020-003 | City of Bell Gardens |
|---|--|
| Compliance Reference | <p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p> |
| Condition | <p>The City claimed expenditures for MMLRF project code 1.05, Measure M Slurry Seal Zone 1 Project, totaling \$14,300, with no prior approval from LACMTA:</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of said project on September 24, 2020.</p> |
| Cause | The finding was caused by an oversight by City staff. |
| Effect | The City claimed expenditures totaling \$14,300 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA. |
| Recommendation | We recommend the City establish procedures and implement internal controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects. |
| Management's Response | The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely. |
| Finding Corrected During the Audit | LACMTA Program Manager granted retroactive approval of said project on September 24, 2020. No additional follow up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| Finding #2020-004 | City of Bell Gardens |
|---|--|
| Compliance Reference | <p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p> |
| Condition | <p>The City submitted its Expenditure Plan (Form M-One) on August 21, 2019, 20 days after the due date of August 1, 2019.</p> <p>This is a repeat finding from prior year's audit.</p> |
| Cause | <p>The Form M-One report was submitted late due to an oversight by City staff assigned to complete the task.</p> |
| Effect | <p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p> |
| Recommendation | <p>We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1st as required by the Guidelines.</p> |
| Management's Response | <p>The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.</p> |
| Finding Corrected During the Audit | <p>The City subsequently submitted the form. No follow up is required.</p> |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| Finding #2020-005 | City of Calabasas |
|-----------------------------|--|
| Compliance Reference | <p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p> |
| Condition | <p>The City claimed expenditures for the following MMLRF projects with no prior approval from LACMTA.</p> <ol style="list-style-type: none"> 1) Project code 1.05, Mulholland Gap Closure, totaling \$4,721; 2) Project code 1.05, Rondell Park & Ride, totaling \$12,655; and 3) Project code 1.05, SB743 Implementation, totaling \$33,425. <p>Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from LACMTA.</p> |
| Cause | <p>There was a misunderstanding of the procedure among the staff. Staff was under the impression that because the funds were already in the City account, they could be expended as long as it was for an eligible project under the guidelines - as opposed to requesting a budget approval from LACMTA prior to incurring the expenditures.</p> |
| Effect | <p>The City claimed expenditures totaling \$50,801 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> |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

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|---|--|
| Finding #2020-005 (Continued) | City of Calabasas |
| Recommendation | We recommend the City establish procedures to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects. |
| Management's Response | Staff has received clear instructions that an expenditure plan must be submitted to LACMTA before claiming expenditure for each project. Expenditure may begin once LACMTA grants an approval. |
| Finding Corrected During the Audit | LACMTA Program Manager granted a retroactive approval of said project on November 19, 2020. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| | |
|-----------------------------|--|
| Finding #2020-006 | City of Carson |
| Compliance Reference | <p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p> |
| Condition | <p>The City claimed expenditures for Measure M's share in the Measure M and R Bond Debt Service Payment, totaling \$569,449 with no prior approval from LACMTA.</p> <p>The projects to be financed by the bond proceeds were approved when the bonds were issued in October 2019, however, the City is still required to include the annual budgeted amounts of debt service in Form M-One and have it approved by LACMTA.</p> |
| Cause | <p>The City was not aware that Bond Debt Service payments require annual approval from LACMTA as it is the City's first time issuing Measure M and R Bonds, which are payable from MRLRF and MMLRF funds. However, all future Bond Debt Service payments shall be reported and/or budgeted accordingly.</p> |
| Effect | <p>The City claimed expenditures totaling \$569,449 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.</p> |
| Recommendation | <p>We recommend the City establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects.</p> |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)**

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|---|---|
| Finding #2020-006 (Continued) | City of Carson |
| Management's Response | <p>The City will obtain LACMTA approval prior to spending on LACMTA funded projects.</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 15, 2020.</p> |
| Findings Resolved During the Audit | LACMTA Program Manager granted retroactive approval of said project on October 15, 2020. No additional follow up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| Finding #2020-007 | City of Industry |
|---|--|
| Compliance Reference | <p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p> |
| Condition | The City submitted its Expenditure Plan (Form M-One) on August 14, 2019, 13 days after the due date of August 1, 2019. |
| Cause | The Form M-One report was submitted late due to an oversight by City staff assigned to complete the task. |
| Effect | The City was not in compliance with the reporting requirements of the Local Return Guidelines. |
| Recommendation | We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1 st as required by the Guidelines. |
| Management's Response | The City has since put in extra procedures to ensure timely reporting to comply with the requirements and the FY 2021 budget was filed on time. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| | |
|---|--|
| Finding #2020-008 | City of Maywood |
| Compliance Reference | <p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p> |
| Condition | The City submitted its Expenditure Plan (Form M-One) on August 20, 2019, 19 days after the due date of August 1, 2019. |
| Cause | The Form M-One report was submitted late due to an oversight by City staff assigned to complete the task. |
| Effect | The City was not in compliance with the reporting requirements of the Local Return Guidelines. |
| Recommendation | We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1 st as required by the Guidelines. |
| Management's Response | Management will ensure that the Expenditure Plan (Form M-One) is submitted in a timely manner by the due date of August 1. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |

**Los Angeles County Metropolitan Transportation Authority
 Measure M Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2020
 (Continued)**

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|-----------------------------|---|
| Finding #2020-009 | City of South El Monte |
| Compliance Reference | <p>Measure M Local Return Guidelines Section XXV Program Objectives 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 XXV, Administrative, Audit Requirements 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"> 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. 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). |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| Finding #2020-009 (Continued) | City of South El Monte |
|--------------------------------------|--|
| Condition | <p>The City claimed salaries and benefits expenditures under project code 8.10, Administration, of \$507 which is based on budget and are not supported by actual time charges.</p> <p>This is a repeat finding from prior year's audit.</p> |
| Cause | <p>In fiscal year 2020, the City made a switch from predetermined allocation per City adopted budget to timesheet. However, due to the year being a transition year, HR and Payroll setup had to be reevaluated numerous times, as the City encountered situations in which only salaries appeared in special revenue funds without benefits or overhead.</p> |
| Effect | <p>If the labor charges are not supported by actual time charges and documented time study or indirect cost allocation plan, the costs are considered unallowable and the Guidelines require the City to return the money to the Local Return Funds.</p> |
| Recommendation | <p>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 \$507.</p> <p>In addition, we recommend 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> |
| Management's Response | <p>In order to systematically irradicate any unnecessary complexity and confusion regarding reimbursable labor cost going forward, the City intends to accomplish the following:</p> <ol style="list-style-type: none"> 1. Complete the cost and fee study currently being conducted by NBS, who were selected through a formal RFP process. Once the study is complete, the fully burdened hourly rate of each employee will be known. 2. Default all City employee labor hours to the General Fund. 3. Require all City employee to track labor hours spent working on special revenue fund projects on timesheets. 4. Have the special revenue funds reimburse the General Fund based on employee's fully burdened hourly rate multiplied by the actual hours worked per timesheet. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| | |
|-----------------------------|--|
| Finding #2020-010 | City of West Hollywood |
| Compliance Reference | <p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p> |
| Condition | <p>The City claimed expenditures for MMLRF Project code 7.90 Early Project Delivery Strategy (Funding Studies) – Northern Extension Crenshaw, totaling \$281,596, with no prior approval from LACMTA.</p> <p>This project was previously approved in the prior year, however, the City is still required to submit Form M-One every year, carry over the budget, and have it approved by LACMTA.</p> |
| Cause | The finding was caused by staff turnover. The above project was not included as a carryover project in the Expenditure Plan (Form M-One) submitted to LACMTA for approval for the projects that will be funded with Measure M. |
| Effect | <p>The City claimed expenditures totaling \$281,596 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; the \$281,596 does not need to be returned.</p> <p>This project was previously approved in prior year and the City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on September 22, 2020.</p> |
| Recommendation | We recommend the City establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure M-funded projects. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| | |
|---|--|
| Finding #2020-010 (Continued) | City of West Hollywood |
| Management's Response | <p>The City will obtain LACMTA approval prior to spending LACMTA funded projects.</p> <p>The City submitted a revised Expenditure Plan (Form M-One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on September 22, 2020.</p> |
| Finding Corrected During the Audit | <p>LACMTA Program Manager granted retroactive approval of the said project on September 22, 2020. No additional follow up is required and the \$281,596 does not need to be returned.</p> |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| Finding #2020-011 | City of West Hollywood |
|---|--|
| Compliance Reference | <p>Measure M Local Return Program Guidelines, Section XXV, Local Return, Administrative Reporting Requirements, Expenditure Plan (Form M-One) states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p> |
| Condition | The City submitted its Expenditure Plan (Form M-One) on October 9, 2019, 69 days after the due date of August 1, 2019. |
| Cause | The Form M-One report was submitted late due to staff turnover. |
| Effect | The City was not in compliance with the reporting requirements of the Local Return Guidelines. |
| Recommendation | We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1 st as required by the Guidelines. |
| Management's Response | City staff assigned to complete the Form M-One has been advised of the August 1 st deadline to submit the report. In addition, an outlook calendar reminder will be set up on the calendar of all program managers to ensure that all reports are completed and submitted to the LACMTA in a timely fashion. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



Simpson & Simpson, LLP
Certified Public Accountants

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

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

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer 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 M Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on June 22, 2018 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2020 (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 M 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.



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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 M Local Return program for the year ended June 30, 2020.

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 M Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2020-001 through #2020-010. 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 M 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.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Cost (Schedule 2) as Finding #2020-010 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 & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
December 31, 2020

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2020**

The audit of the 49 cities and the County identified in Schedule 1 have resulted in 10 findings. The table below shows a summary of the findings:

| Finding | # of Findings | Responsible Cities/ Finding Reference | Questioned Costs | Resolved During the Audit |
|---|----------------------|---|--|--|
| Funds were expended for transportation purposes | 1 | Glendora (#2020-005) | None | None |
| Funds were expended with LACMTA's approval | 4 | Covina (#2020-003) Downey (#2020-004) Pasadena (#2020-007) South Pasadena (#2020-008) | \$ 347,440 45,205 45,000 86,000 | \$ 347,440 45,205 45,000 86,000 |
| Expenditure Plan (Form M-One) was submitted on time | 4 | Alhambra (#2020-001) Hermosa Beach (#2020-006) South Pasadena (#2020-009) Temple City (#2020-0010) | None None None None | None None None None |
| Expenditure Report (Form M-Two) was submitted on time | 1 | Artesia (#2020-002) | None | None |
| | | | | |
| Total Findings and Questioned Costs | 10 | | \$ 523,645 | \$ 523,645 |

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020**

| Compliance Area Tested | Alhambra | Arcadia | Artesia |
|--|-----------------------|----------------|-----------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | See Finding #2020-001 | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | See Finding #2020-002 |
| 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

| Compliance Area Tested | Avalon | Bellflower | Bradbury |
|--|----------------|-------------------|-----------------|
| 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 | Not Applicable |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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. | Compliant | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

| Compliance Area Tested | Burbank | Cerritos | Claremont |
|--|----------------|-----------------|------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Covina | Diamond Bar | Downey |
|--|--------------------------|------------------------|--------------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Complaint |
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | See Finding #2020-003 | Compliant | See Finding #2020-004 |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

| Compliance Area Tested | Duarte | El Segundo | Glendale |
|--|----------------|-------------------|-----------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Glendora | Hawaiian Gardens | Hermosa Beach |
|--|-----------------------|-------------------------|-----------------------|
| Funds were expended for transportation purposes | See Finding #2020-005 | 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | See Finding #2020-006 |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | La Cañada Flintridge | La Habra Heights | La Mirada |
|--|---------------------------------|-----------------------------|------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | La Verne | Lakewood | Lancaster |
|--|-----------------|-----------------|------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Lomita | Long Beach | Los Angeles City |
|--|----------------|-------------------|-----------------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

| Compliance Area Tested | Los Angeles County | Manhattan Beach | Monrovia |
|--|-------------------------------|----------------------------|-----------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Norwalk | Palmdale | Palos Verdes Estates |
|--|----------------|-----------------|---------------------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Paramount | Pasadena | Rancho Palos Verdes |
|--|------------------|-----------------------|----------------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | See Finding #2020-007 | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | Redondo Beach | Rolling Hills | Rolling Hills Estates |
|--|----------------------|----------------------|------------------------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)

| Compliance Area Tested | South Pasadena | Temple City | Torrance |
|--|---------------------------|------------------------|-----------------|
| 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 was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | See Finding #2020-008 | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | See Finding #2020-009 | See Finding # 2020-010 | Compliant |
| Expenditure Report (Form M - 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 M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2020
(Continued)**

| Compliance Area Tested | West Covina | Whittier |
|--|--------------------|-----------------|
| 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 was on file. | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant |
| 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020**

| | |
|------------------------------------|--|
| Finding #2020-001 | City of Alhambra |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1 of each year.” |
| Condition | The City did not meet the August 1, 2019 deadline for submission of Form M-One. However, the City submitted the Form M-One on June 30, 2020. |
| Cause | The submission of Form M-One was not completed in a timely manner due to the staff turnover. At the time of the submission deadline, the City was transitioning to a new Public Works Director after the retirement of the previous director. |
| Effect | The City's Form M-One was not submitted timely as required by the Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure M Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| Management’s Response | The City has established and documented a clear workflow for the timely submission and tracking of the funds. The Management Analyst will be responsible for tracking and inputting the figures in the Local Return Database, with the appropriate back-up and financial data provided by the Accounting Manager. |
| Finding Corrected During the Audit | The City subsequently submitted the Form M-One on June 30, 2020. No follow-up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

| | |
|------------------------------------|--|
| Finding #2020-002 | City of Artesia |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)." |
| Condition | The City did not meet the October 15, 2020 deadline for submission of Expenditure Report (Form M-Two) to LACMTA. The City subsequently submitted the Form M-Two on December 23, 2020. |
| Cause | It was due to an oversight by the City's finance department. |
| Effect | The City's Form M-Two was not submitted timely as required by Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15th in accordance with Measure M Local Return 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 | The City's Finance department has lost several key employees during FY2020. The new management team was unaware of compliance requirements of Local Return Funds. |
| Finding Corrected During the Audit | The City subsequently submitted the Form M-Two on December 23, 2020. No follow-up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

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| Finding #2020-003 | City of Covina |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with LACMTA’s approval. Jurisdiction will be required to reimburse its Local Return account.” |
| Condition | The City incurred expenditures prior to receiving approval from LACMTA for MMLRF’s Project Code 1.05 Total Road Improvement Program (TRIP) - Phase III Project in the amount of \$347,440. However, the project was subsequently approved on October 8, 2020 of a budget amount of \$510,000. |
| Cause | The TRIP project was approved by LACMTA in 2017. Phases I and II were completed and Phase III of the construction started in 2020. The MMLRF funds were used to fund a portion of the Phase III costs. The project was managed by a new City Engineer staff who was unfamiliar with the project funding of the expenditures. As a result, the City failed to receive LACMTA’s approval prior to the commencement of the project’s construction. |
| Effect | The City did not comply with the Guidelines and expenditures for the MMLRF project were incurred before LACMTA’s approval. |
| Recommendation | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure M Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. |
| Management’s Response | The City’s department assigned to the submission of the form will implement internal checklist and will be reviewed by management in a timely fashion. |
| Finding Corrected During the Audit | LACMTA Program Manager granted retroactive approval of the said project on October 8, 2020. No follow-up is required. |

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Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)

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| Finding #2020-004 | City of Downey |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with LACMTA’s approval.” |
| Condition | The City incurred expenditures prior to receiving approval from LACMTA for the MMLRF’s Project Code 5.10, Graffiti Truck, in the amount of \$45,205. However, the project was subsequently approved on October 13, 2020. |
| Cause | In fiscal year 2018-19, the Graffiti Truck project was approved by LACMTA and the truck was delivered to the City. However, add-on cabinets were installed in early July 2019 and the request for the budget approval from LACMTA for this project was overlooked in fiscal year 2019-20. |
| Effect | The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred prior to LACMTA’s approval. |
| Recommendation | We recommend that the City strengthen its controls to ensure that approvals are obtained from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st in accordance with Guidelines. The City should also include all approved ongoing and carryover Local Return projects in Form M-One. |
| Management’s Response | The City’s management agrees with the finding. In the future, the City will review all MMLRF projects prior to the fiscal year end and ensure that each project has the appropriate LACMTA-approved budget. |
| Finding Corrected During the Audit | LACMTA Program Manager granted retroactive budget approval of the said project on October 13, 2020. No follow-up is required. |

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Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2020
(Continued)**

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| Finding #2020-005 | City of Glendora |
| Compliance Requirement | The Measure M Local Return Guidelines, Section XXV: Program Objective, states, “The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to cities and County of Los Angeles (Jurisdictions) may be used for purposes other than transportation purposes.” and Audit Requirements, “It is each Jurisdiction’s responsibility to maintain proper accounting records and documentation...” |
| Condition | <p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet that is signed by both the employee and the employee’s supervisor. The Certification is prepared annually and provides the hours worked by the employee on MMLRF projects for all payroll periods during the fiscal year 2019-20.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) March 22, 2020 b) April 19, 2020 c) May 17, 2020 d) June 14, 2020 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October, November, and December 2020, which were four to seven months after the fact.</p> |
| Cause | The City was not aware that the Certification needs to be prepared and reviewed near the end of the period covered. As a result, the Certifications were untimely signed by both employees and supervisors. |
| Effect | Without employees and supervisors signing the timecards/certifications, the City may be unable to substantiate the actual hours worked by the employees that were charged to the programs. Inadequate support for salaries could result in disallowed costs. |
| Recommendation | We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the Certifications at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds’ projects. |
| Management’s Response | The City will re-evaluate the preparation process of the Certifications to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
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(Continued)

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| Finding #2020-006 | City of Hermosa Beach |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements - Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1 of each year." |
| Condition | The City did not meet the August 1, 2019 deadline for submission of the Form M-One. However, the City submitted the Form M-One on June 25, 2020. |
| Cause | It was due to employee turnover. The staff who was responsible for submission of budget forms was unexpectedly out on leave and as a result, the submission of the budget form was overlooked. |
| Effect | The City did not comply with the Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure M 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 | The employee who was responsible for submission of the budget forms was suddenly out on leave for an extended period of time and the rest of the staff was unaware of that the budget forms had not been submitted. Going forward, the City will ensure approvals of expenditures are received from LACMTA prior to expending funds as well as the timely filing of all required forms. |
| Findings Corrected During the Audit | The City subsequently submitted the Form M-One on June 25, 2020. No follow-up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
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Fiscal Year Ended June 30, 2020
(Continued)

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| Finding #2020-007 | City of Pasadena |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M 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 LACMTA’s approval.” |
| Condition | During FY 2019-20, the City used Measure M Local Return funds for the Project 2.01- Rose Bowl Access Systems in the amount of \$45,000 prior to LACMTA’s approval as the project was not reported on the Expenditure Plan (Form M-One). |
| Cause | The City did not submit an accurate and complete Form M-One with a listing of projects to LACMTA due to an oversight. |
| Effect | The City was not in compliance with the Measure M 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 M Local Return Funds before incurring expenditures. |
| Management’s Response | The City did not submit the Form M-One to LACMTA on time with the updated information due to the staff turnover. The Department of Transportation will submit the Form M-One timely in the future. |
| Findings Corrected During the Audit | The City’s Form M-One was submitted and retroactively approved by LACMTA on October 15, 2020. No follow-up is required. |

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Measure M Local Return Fund
Schedule of Findings and Questioned Costs
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(Continued)

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| Finding #2020-008 | City of South Pasadena |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with LACMTA’s approval.” |
| Condition | The City incurred expenditures prior to receiving approval from LACMTA for MMLRF’s Project Code 1.05 Diamond Avenue in the amount of \$86,000. However, the City subsequently received an approved budget amount of \$86,000 from LACMTA for the MMLRF project on October 13, 2020. |
| Cause | Due to miscommunication, the City’s Public Works Department incurred expenditures on the project assuming that the approval for the project was submitted and approved by LACMTA. However, the staff who was responsible for submitting and receiving the project’s budget approval from LACMTA was out of the office for an extended period of time. As a result, the approval for the project was not received by the City in a timely manner. |
| Effect | The City did not comply with the Guidelines and expenditures for the MMLRF project were incurred before LACMTA’s approval. |
| Recommendation | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure M Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. |
| Management’s Response | The City will provide proper training and ensure better communication with various departments to prevent expenditures from occurring for any projects prior to receiving approval from LACMTA. |
| Findings Corrected During the Audit | LACMTA Program Manager granted retroactive approval of the said project on October 13, 2020. No follow-up is required. |

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Schedule of Findings and Questioned Costs
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(Continued)**

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| Finding #2020-009 | City of South Pasadena |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements - Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1 of each year." |
| Condition | The City did not meet the August 1, 2019 deadline for submission of Form M-One. However, the City submitted the Form M-One on October 13, 2020. |
| Cause | The staff responsible for the submission of the form was out of the office for an extended period of time. As a result, the submission of the form was overlooked. |
| Effect | The City's Form M-One was not submitted timely as required by the Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure M Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| Management's Response | The City will provide proper training to handle the submission of form to several staff in case the staff who is primarily responsible for the submission of the form is unavailable. |
| Findings Corrected During the Audit | The City subsequently submitted the Form M-One on October 13, 2020. No follow-up is required. |

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(Continued)

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| Finding #2020-010 | City of Temple City |
| Compliance Requirement | According to Measure M Local Return Guidelines, Reporting Requirements Section XXV, Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR Program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1 of each year." |
| Condition | The City did not meet the August 1, 2019 deadline for submission of Form M-One. However, the City submitted the Form M-One on August 16, 2019. This is a repeat finding from the prior fiscal year. |
| Cause | The former Director of Parks and Recreation who was responsible for the submission of the reports has since retired from the City. As a result, the submission of the form was overlooked. |
| Effect | Because the City's Form M-One was not submitted timely, the City did not comply with the Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure M 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 | The new Director of Parks and Recreation has now taken charge to ensure the necessary forms are submitted by the reporting deadlines. |
| Findings Corrected During the Audit | The City subsequently submitted the Form M-One on August 16, 2019. No follow-up is required. |