



## Board Report

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**File #:** 2021-0126, **File Type:** Informational Report

**Agenda Number:**

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**MEASURE R INDEPENDENT TAXPAYERS  
OVERSIGHT COMMITTEE  
APRIL 19, 2021**

**SUBJECT: MEASURE R 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 R 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 R Ordinance and Measure R 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 R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2020 completed by Simpson and Simpson, LLP (Simpson).

### **ISSUE**

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

## **DISCUSSION**

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

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinance. BCA conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that BCA plan and perform the audit to obtain reasonable assurance about whether the Schedule of Measure R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 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 R Ordinance and Measure R Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure R sales tax revenues used by the County of Los Angeles (County) as well as the 87 cities (Cities). This report covers the audits of 39 Cities completed by Vasquez as listed in Attachment B; and audits of the County and 49 Cities completed by Simpson as listed in Attachment C. The firms conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance and the Measure R Local Return Guidelines which could have a direct and material effect on the Measure R Local Return program occurred.

Vasquez concluded that the Cities complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2020. Vasquez found 8 instances of noncompliance, which are summarized in Schedule 2 of Attachment D.

Simpson and Simpson concluded that the County and Cities complied, in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2020. Simpson and Simpson found 13 instances of noncompliance, which are summarized in Schedule 2 of Attachment E.

## **NEXT STEPS**

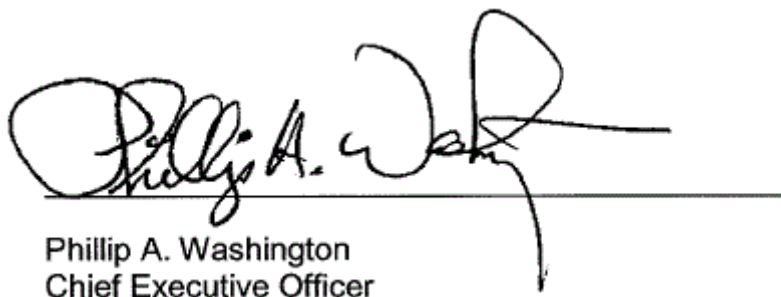
A public hearing will be scheduled.

**ATTACHMENT(S)**

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

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Phillip A. Washington  
Chief Executive Officer

**LOS ANGELES COUNTY  
METROPOLITAN  
TRANSPORTATION AUTHORITY**

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

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



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**Los Angeles County Metropolitan Transportation Authority**  
**Measure R Special Revenue Fund**

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## **Independent Auditor's Report**

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

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

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

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

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

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

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

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

#### ***Opinion***

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 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 R Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 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 R 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 R 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)

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	<b>2020</b>	<b>2019</b>
Revenues		
Sales tax	\$ 823,382	\$ 846,793
Intergovernmental	8,988	22,138
Investment income	8,239	8,896
Net appreciation in fair value of investments	3,462	3,972
Total revenues	844,071	881,799
Expenditures		
Administration and other	139,674	144,929
Transportation subsidies	342,714	344,913
Total expenditures	482,388	489,842
Excess of revenues over expenditures	361,683	391,957
Other financing sources (uses)		
Transfers in	14,447	4,720
Transfers out	(381,380)	(475,864)
Total other financing sources (uses)	(366,933)	(471,144)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (5,250)	\$ (79,187)

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



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

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

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

**1. Organization**

**General**

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

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

**Measure R**

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

**2. Summary of Significant Accounting Policies**

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

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

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

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

**Fund Accounting**

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

**Basis of Accounting**

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

**Budgetary Accounting**

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

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

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

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

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

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

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

Investment income and net appreciation in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2020, the Measure R fund had investment income of \$8,239 and net appreciation in fair value of investments of \$3,462. The net appreciation in fair value of investments were mainly due to an increase in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

**Use of Estimates**

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

**Comparative Financial Data**

The amounts shown for 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 R Special Revenue Fund**

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

**4. Intergovernmental Transactions**

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

**5. Operating Transfers**

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

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

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

The Measure R fund at June 30, 2020 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$5,250, mainly due to a decline in sales tax revenue over the last quarter of FY 2020 while claims for transportation subsidies were released as projected, resulting in a decrease in Measure R Fund balance from \$335,378 to \$330,128.

**7. Audited Financial Statements**

The audited financial statements for the Measure R 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 R 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 R Special Revenue Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the fiscal year ended June 30, 2020**  
(Amounts expressed in thousands)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Sales tax	\$ 873,000	\$ 873,000	\$ 823,382	\$ (49,618)
Intergovernmental	17,210	17,210	8,988	(8,222)
Investment income	-	-	8,239	8,239
Net appreciation in fair value of investments	-	-	3,462	3,462
<b>Total revenues</b>	<b>890,210</b>	<b>890,210</b>	<b>844,071</b>	<b>(46,139)</b>
<b>Expenditures</b>				
Administration and other	272,227	237,011	139,674	97,337
Transportation subsidies	418,107	378,670	342,714	35,956
<b>Total expenditures</b>	<b>690,334</b>	<b>615,681</b>	<b>482,388</b>	<b>133,293</b>
<b>Excess of revenues over expenditures</b>	<b>199,876</b>	<b>274,529</b>	<b>361,683</b>	<b>87,154</b>
<b>Other financing sources (uses)</b>				
Transfers in	50,229	50,229	14,447	(35,782)
Transfers out	(539,996)	(539,996)	(381,380)	158,616
<b>Total other financing sources (uses)</b>	<b>(489,767)</b>	<b>(489,767)</b>	<b>(366,933)</b>	<b>122,834</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ (289,891)</b>	<b>\$ (215,238)</b>	<b>\$ (5,250)</b>	<b>\$ 209,988</b>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 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 R Revenues and Expenditures in Accordance with the  
*Traffic Relief and Rail Expansion Ordinance No. 08-01***

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

**Report on Compliance**

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure R Revenues and Expenditures with the compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (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 R Revenues and Expenditures.

***Auditor's Responsibility***

Our responsibility is to express an opinion on LACMTA's compliance with the Measure R Revenues and Expenditures based on our audit of the 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 R Revenues and Expenditures occurred. An audit includes examining, on a test basis, evidence about the LACMTA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure R Revenues and Expenditures for the fiscal year ended June 30, 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 R Revenues and Expenditures as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the *Traffic Relief and Rail Expansion Ordinance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a 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 R Revenues and Expenditures that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

BCA Watson Rice, LLP

Torrance, California  
November 16, 2020

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

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None noted.

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

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None noted.

Measure R List of Cities Audited by Vasquez

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

Measure R List of Cities Audited by Simpson

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



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Los Angeles County Metropolitan Transportation Authority  
Measure R 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 R ORDINANCE AND  
MEASURE R LOCAL RETURN GUIDELINES**

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

**Report on Compliance**

We have audited the compliance of the thirty-nine (39) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 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 R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance 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 R 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 #2020-008. Our opinion is not modified with respect to these matters.

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

## **Report on Internal Control over Compliance**

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2020-004 to be a material weakness.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2020-003 to be a significant deficiency.

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

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

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

**Glendale, California  
December 31, 2020**

**Los Angeles County Metropolitan Transportation Authority  
Measure R 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 8 findings. The table below summarizes those findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding No. Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended for transportation purposes.	1	South El Monte (See Finding #2020-008)	\$ 7,889	\$ -
Funds were expended with LACMTA's approval.	3	Bell Gardens (See Finding #2020-002)	38,835	38,835
		Calabasas (See Finding #2020-004)	12,655	12,655
		Carson (See Finding #2020-005)	569,449	569,449
Expenditure Plan (Form One) was submitted timely.	4	Azusa (See Finding #2020-001)	None	None
		Bell Gardens (See Finding #2020-003)	None	None
		Industry (See Finding #2020-006)	None	None
		Maywood (See Finding #2020-007)	None	None
<b>Total Findings and Questioned Costs</b>	<b>8</b>		<b>\$ 628,828</b>	<b>\$ 620,939</b>

Details of the findings are in Schedule 2.

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

<b>Compliance Area Tested</b>	<b>Agoura Hills</b>	<b>Azusa</b>	<b>Baldwin Park</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2020-001	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

<b>Compliance Area Tested</b>	<b>Bell</b>	<b>Bell Gardens</b>	<b>Beverly Hills</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2020-002	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2020-003	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

<b>Compliance Area Tested</b>	<b>Calabasas</b>	<b>Carson</b>	<b>Commerce</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2020-004	See Finding #2020-005	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Compliant	Not Applicable	Not Applicable

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

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



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

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

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

<b>Compliance Area Tested</b>	<b>Hidden Hills</b>	<b>Huntington Park</b>	<b>Industry</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	See Finding #2020-006
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

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

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

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

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

<b>Compliance Area Tested</b>	<b>Maywood</b>	<b>Montebello</b>	<b>Monterey Park</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	See Finding #2020-007	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Compliant	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Compliant	Not Applicable

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

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

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

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

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

<b>Compliance Area Tested</b>	<b>South El Monte</b>	<b>South Gate</b>	<b>Vernon</b>
Funds were expended for transportation purposes.	See Finding #2020-008	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable



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

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

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

<b>Finding #2020-001</b>	<b>City of Azusa</b>
<b>Compliance Reference</b>	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 15, 2019, 14 days after the due date of August 1, 2019.
<b>Cause</b>	The City engaged a consultant to complete the Measure R Expenditure Plan (Form One) after staff was out for an extended sick leave absence. The vendor did not file the documentation timely.
<b>Effect</b>	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
<b>Recommendation</b>	We recommend the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
<b>Management's Response</b>	Management will ensure that the Expenditure Plan (Form One) is submitted in a timely manner by the due date of August 1.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the Expenditure Plan (Form One). No follow up is required.

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

<b>Finding #2020-002</b>	<b>City of Bell Gardens</b>
<b>Compliance Reference</b>	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> <li>a. Project code 1.05, Slurry Seal Zone 1 Project, totaling \$37,185; and</li> <li>b. Project Code 1.20, Garfield/Clara Intersection Widening, totaling \$1,650.</li> </ul> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from LACMTA.</p>
<b>Cause</b>	The finding was caused by an oversight by City staff.
<b>Effect</b>	The City claimed expenditures totaling \$38,835 without prior approval from LACMTA. Lack of prior approvals results in noncompliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
<b>Recommendation</b>	We recommend the City establish procedures and implement internal controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.

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

<b>Finding #2020-002 (Continued)</b>	<b>City of Bell Gardens</b>
<b>Management's Response</b>	<p>The City concurs with the finding that an updated Form One should have been submitted to LACMTA for approval.</p> <p>The City continues to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.</p>
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted a retroactive approval of said projects on September 24, 2020. No additional follow up is required.

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

<b>Finding #2020-003</b>	<b>City of Bell Gardens</b>
<b>Compliance Reference</b>	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year".</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
<b>Condition</b>	<p>The City submitted its Expenditure Plan (Form 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>
<b>Cause</b>	<p>The Form One report was submitted late due to an oversight by City staff assigned to complete the task.</p>
<b>Effect</b>	<p>The City was not in compliance with the reporting requirements of the Local Return Guidelines.</p>
<b>Recommendation</b>	<p>We recommend the City establish procedures and implement internal controls to ensure that the Expenditure Plan (Form One) is submitted by August 1<sup>st</sup> as required by the Guidelines.</p>
<b>Management's Response</b>	<p>The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.</p>
<b>Finding Corrected During the Audit</b>	<p>The City subsequently submitted the form. No follow up is required.</p>

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

<b>Finding #2020-004</b>	<b>City of Calabasas</b>
<b>Compliance Reference</b>	<p>Section B(II)(1) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1st of each year.</p> <p>Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year."</p>
<b>Condition</b>	<p>The City claimed expenditures under MRLRF Project Code 1.05 Rondell Park &amp; Ride project, totaling \$12,655 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from LACMTA.</p> <p>This is a repeat finding from prior year's audit.</p>
<b>Cause</b>	<p>There 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>
<b>Effect</b>	<p>The City claimed expenditures totaling \$12,655 without prior approval from LACMTA. Lack of prior approvals results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
<b>Recommendation</b>	<p>We recommend that the City establish procedures and internal controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.</p>
<b>Management's Response</b>	<p>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.</p>
<b>Finding Corrected During the Audit</b>	<p>LACMTA Program Manager granted a retroactive approval of the said project on November 19, 2020.</p>

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

<b>Finding #2020-005</b>	<b>City of Carson</b>
<b>Compliance Reference</b>	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1<sup>st</sup> of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	<p>The City claimed expenditures for Measure R'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 One and have it approved by LACMTA.</p>
<b>Cause</b>	<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>
<b>Effect</b>	<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>
<b>Recommendation</b>	<p>We recommend the City establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.</p>

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

<b>Finding #2020-005 (Continued)</b>	<b>City of Carson</b>
<b>Management's Response</b>	<p>The City will obtain LACMTA approval prior to spending on LACMTA funded projects.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 15, 2020.</p>
<b>Findings Resolved During the Audit</b>	<p>LACMTA Program Manager granted retroactive approval of said project on October 15, 2020. No additional follow up is required.</p>



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

<b>Finding #2020-006</b>	<b>City of Industry</b>
<b>Compliance Reference</b>	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 14, 2019, 13 days after the due date of August 1, 2019.
<b>Cause</b>	The Form One report was submitted late due to an oversight by City staff assigned to complete the task.
<b>Effect</b>	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
<b>Recommendation</b>	We recommend the City establish procedures and controls to ensure that the Expenditure Plan (Form One) is submitted by August 1st as required by the Guidelines.
<b>Management's Response</b>	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.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.

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

<b>Finding #2020-007</b>	<b>City of Maywood</b>
<b>Compliance Reference</b>	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
<b>Condition</b>	The City submitted its Expenditure Plan (Form One) on August 20, 2019, 19 days after the due date of August 1, 2019.
<b>Cause</b>	The Form One report was submitted late due to an oversight by City staff assigned to complete the task.
<b>Effect</b>	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
<b>Recommendation</b>	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (Form One) is submitted by August 1st as required by the Guidelines.
<b>Management's Response</b>	Management will ensure that the Expenditure Plan (Form One) is submitted in a timely manner by the due date of August 1.
<b>Finding Corrected During the Audit</b>	The City subsequently submitted the form. No follow up is required.

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

<b>Finding #2020-008</b>	<b>City of South El Monte</b>
<b>Compliance Reference</b>	<p>Measure R Local Return Guidelines Section (A) (I) states that, "The Measure R ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes". Also, Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guideline".</p> <p>On February 14, 2019, the LACMTA Local Return Program Manager re-affirmed the memo issued on April 29, 2014 addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> <li>1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.</li> <li>2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).</li> </ol>

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

<b>Finding #2020-008 (Continued)</b>	<b>City of South El Monte</b>
<b>Condition</b>	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <ul style="list-style-type: none"> <li>a) Project code 1.05, Street and Sidewalk Improvement and Maintenance, total amount of \$6,977; and</li> <li>b) Project code 8.10, Administration, total amount of \$912.</li> </ul> <p>The salaries and benefits claimed are based on budget and are not supported by actual time charges and documented time study or indirect cost allocation plan for administrative charges.</p>
<b>Cause</b>	<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>
<b>Effect</b>	<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>
<b>Recommendation</b>	<p>We recommend that the City provide documentation to support the salaries and benefit charges to MRLRF. If these documents are not provided, the City is required to reimburse its MRLRF account the amount of \$7,889.</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>

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

Finding #2020-008 (Continued)	City of South El Monte
<b>Management's Response</b>	<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"> <li>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.</li> <li>2. Default all City employee labor hours to the General Fund.</li> <li>3. Require all City employee to track labor hours spent working on special revenue fund projects on timesheets.</li> <li>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.</li> </ol>



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



Simpson & Simpson, LLP  
Certified Public Accountants

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

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

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

### Report on Compliance

We have audited the compliance of the forty-nine (49) Cities and the County of Los Angeles identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 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 R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's and the County's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

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



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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 R 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 R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2020-001 through #2020-013. Our opinion is not modified with respect to these matters.

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

### ***Report on Internal Control Over Compliance***

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's and the County's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's and the County's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2020-004 to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2020-008 and #2020-013 to be significant deficiencies.

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

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

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 31, 2020

**Los Angeles County Metropolitan Transportation Authority  
Measure R 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 13 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended for transportation purposes	2	Downey (#2020-004) Glendora (#2020-006)	\$ 26,278 None	\$ - None
Funds were expended with LACMTA's approval	5	Artesia (#2020-002) Downey (#2020-005) Lancaster (#2020-008) Lomita (#2020-009) South Pasadena (#2020-011)	13,730 45,205 1,081,868 13,392 270,116	13,730 45,205 1,081,868 13,392 270,116
Expenditure Plan (Form One) was submitted timely	5	Alhambra (#2020-001) Hermosa Beach (#2020-007) Signal Hill (#2020-010) South Pasadena (#2020-012) Temple City (#2020-013)	None None None None None	None None None None None
Expenditure Report (Form Two) was submitted timely	1	Artesia (#2020-003)	None	None
<b>Total Findings and Questioned Costs</b>	<b>13</b>		<b>\$ 1,450,589</b>	<b>\$ 1,424,311</b>

Details of the findings are in Schedule 2.

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

<b>Compliance Area Tested</b>	<b>Alhambra</b>	<b>Arcadia</b>	<b>Artesia</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2020-002
Expenditure Plan (Form One) was submitted timely.	See Finding #2020-001	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	See Finding #2020-003
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

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

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

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

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

<b>Compliance Area Tested</b>	<b>Covina</b>	<b>Diamond Bar</b>	<b>Downey</b>
Funds were expended for transportation purposes	Compliant	Compliant	See Finding #2020-004
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2020-005
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable



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

<b>Compliance Area Tested</b>	<b>Duarte</b>	<b>El Segundo</b>	<b>Glendale</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Complaint	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	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

<b>Compliance Area Tested</b>	<b>Glendora</b>	<b>Hawaiian Gardens</b>	<b>Hermosa Beach</b>
Funds were expended for transportation purposes	See Finding #2020-006	Not Applicable	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Not Applicable	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	See Finding #2020-007
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

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

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

<b>Compliance Area Tested</b>	<b>La Verne</b>	<b>Lakewood</b>	<b>Lancaster</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	See Finding #2020-008
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Compliant

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

<b>Compliance Area Tested</b>	<b>Lomita</b>	<b>Long Beach</b>	<b>Los Angeles City</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2020-009	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

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

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

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

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

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



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

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

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

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

**Los Angeles County Metropolitan Transportation Authority  
Measure R Local Return Fund  
Summary of Audit Results  
Fiscal Year Ended June 30, 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 on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	See Finding #2020-010
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

<b>Compliance Area Tested</b>	<b>South Pasadena</b>	<b>Temple City</b>	<b>Torrance</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2020-011	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	See Finding #2020-012	See Finding #2020-013	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

<b>Compliance Area Tested</b>	<b>West Covina</b>	<b>Whittier</b>
Funds were expended for transportation purposes	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	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 R Local Return Fund  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2020**

<b>Finding #2020-001</b>	<b>City of Alhambra</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2019 deadline for submission of Form One. However, the City submitted the Form One on January 8, 2020.
Cause	The submission of Form 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 One was not submitted timely as required by the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the 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 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 One on January 8, 2020. No follow-up is required.

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

<b>Finding #2020-002</b>	<b>City of Artesia</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The City used Measure R Local Return funds for Project Code 7.90, Historical District Recreational Trails Project in the amount of \$13,730 prior to LACMTA's approval as the project was not reported on the Expenditure Plan (Form One).
Cause	It was due to an oversight by the City's finance department.
Effect	The City was not in compliance with the Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to the expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.
Management's Response	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's Amended Form One, which included Project Code 7.90, Historical District Recreational Trails Project, was submitted and retroactively approved by LACMTA on December 23, 2020. No follow-up is required.

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

<b>Finding #2020-003</b>	<b>City of Artesia</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.2, Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2020 deadline for submission of Expenditure Report (Form Two) to LACMTA. The City subsequently submitted the Form Two on December 23, 2020.
Cause	It was due to an oversight by the City's finance department.
Effect	The City's Form Two was not submitted timely as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15th in accordance with Measure R 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 Two on December 23, 2020. No follow-up is required.



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

<b>Finding #2020-004</b>	<b>City of Downey</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, the LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state, “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

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

<b>Finding #2020-004 (Continued)</b>	<b>City of Downey</b>
Condition	<p>To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$26,278 were based on estimated percentages on MRLRF activity rather than the employee’s actual hours worked on the project. Although the City provided a time study listing the employees charged to MRLRF, the salaries and benefits expenditures were based on estimated percentages. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2019-20.</p> <p>This is a repeat finding from the prior four fiscal years.</p>
Cause	<p>The City allocates the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocation has been used in prior fiscal years. Additionally, the City believed that the estimated percentage charged to the fund for salaries and benefit expenses is still less than the actual payroll costs incurred for the program.</p>
Effect	<p>The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may be disallowed Measure R project expenditures.</p>
Recommendation	<p>We recommend that the City reimburse its MRLRF account for \$26,278. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the program.</p>
Management’s Response	<p>The City’s management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered in which caused an increase in the salaries and benefits costs. In fiscal year 2019-20, the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program. With the implementation of this system, the City will be able to charge salaries and benefits costs directly to the program. With the full implementation of KRONOS, the City expects this finding to be fully resolved in fiscal year 2020-21.</p>

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

<b>Finding #2020-005</b>	<b>City of Downey</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures prior to receiving approval from LACMTA for the MRLRF'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 MRLRF project were incurred prior to LACMTA’s approval, which could result in the City being required to reimburse the MRLR funds account.
Recommendation	We recommend that the City strengthen its controls to ensure that approvals are obtained from LACMTA prior to implementing any Measure R Local Return projects. Form 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 One.
Management’s Response	The City’s management agrees with the finding. In the future, the City will review all MRLRF 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.

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

<b>Finding #2020-006</b>	<b>City of Glendora</b>
Compliance Requirement	The Measure R Local Return Guidelines, Section A.I: Program Summary, states, "The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes." and Section B.VII: Audit Section, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines."
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 MRLRF 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"> <li>a) March 22, 2020</li> <li>b) April 19, 2020</li> <li>c) May 17, 2020</li> <li>d) June 14, 2020</li> </ul> <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 R Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2020**  
**(Continued)**

<b>Finding #2020-007</b>	<b>City of Hermosa Beach</b>
Compliance Requirement	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2019 deadline for submission of the Form One. However, the City submitted the Form 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 R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	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 One on June 25, 2020. No follow-up is required.

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

<b>Finding #2020-008</b>	<b>City of Lancaster</b>
Compliance Requirement	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City used Measure R Local Return funds for Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond Issued in the amount of \$1,081,868 prior to LACMTA’s approval as the project was not reported on the Expenditure Plan (Form One).  This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight by the City’s program department.
Effect	The City was not in compliance with the Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.
Management’s Response	When the City submits Form One at the beginning of the fiscal year, a wrong project name was inputted. The City will submit the correct project information on Form One in the future.
Findings Corrected During the Audit	The City’s Form One was submitted and retroactively approved by LACMTA on November 4, 2020. No follow-up is required.

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

<b>Finding #2020-009</b>	<b>City of Lomita</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.”
Condition	During FY 2019-20, the City used Measure R Local Return funds for Project Code 1.05, Street Maintenance in the amount of \$13,392; however, the funds for the Project were expended prior to LACMTA’s approval as the Project was not reported on the Form-One.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA’s retroactive approval for any new projects that are not reported on the original Form One.
Management’s Response	The City was aware of the finding and had submitted retroactive approval on September 29, 2020.
Finding Corrected During the Audit	The City submitted an updated Form-One to LACMTA and received retroactive approval on the project on September 29, 2020. No follow-up is required.

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

<b>Finding #2020-010</b>	<b>City of Signal Hill</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.”
Condition	The City did not meet the August 1, 2019 deadline for submission of the Expenditure Plan (Form One). However, the City submitted the Form One 246 days late on April 3, 2020.
Cause	It was due to an oversight.
Effect	The City did not comply with Measure R Local Return Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form One is properly prepared and submitted prior to the August 1st deadline in accordance with Measure R Local Return Guidelines.  Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	This was due to an oversight in the Public Works Department. As soon as the Finance Department became aware, the Form One was submitted to LACMTA.
Finding Corrected During the Audit	The City’s Form One was submitted and retroactively approved by LACMTA on April 3, 2020. No follow-up is required.



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

<b>Finding #2020-011</b>	<b>City of South Pasadena</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF’s Hawthorne Street Improvements Project Code 1.05 in the amount of \$270,116 were incurred prior to LACMTA’s approval. However, the City subsequently received an approved budget amount of \$271,000 from LACMTA for the MRLRF 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 MRLRF projects were incurred prior to LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects, and Form One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure R Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One.
Management’s Response	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.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 13, 2020. No follow-up is required.

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

<b>Finding #2020-012</b>	<b>City of South Pasadena</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.II.1, Expenditure Plan (Form One): “To maintain legal eligibility and meet Measure R LR Program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.”
Condition	The City did not meet the August 1, 2019 deadline for submission of the Expenditure Plan (Form One). However, the City submitted the Form 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 Expenditure Plan (Form One) was not submitted to LACMTA by August 1st as required by Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	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.
Finding Corrected During the Audit	The City subsequently submitted the Form One on October 13, 2020. No follow up is required.

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

<b>Finding #2020-013</b>	<b>City of Temple City</b>
Compliance Reference	According to Measure R Local Return Guidelines Section B.II.1, Expenditure Plan (Form One): “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.”
Condition	The City did not meet the August 1, 2019 deadline for submission of Form One. However, the City submitted the Form 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 One was not submitted timely, the City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management’s Response	The new Director of Parks and Recreation has now taken charge to ensure the necessary forms are submitted by the reporting deadlines.
Finding Corrected During the Audit	The City subsequently submitted the Form One on August 16, 2019. No follow-up is required.

FISCAL YEAR 2020  
MEASURE R  
REVENUES AND EXPENDITURES AUDIT  
WITH  
INTERNAL CONTROLS AND COMPLIANCE REPORT

**P R E S E N T A T I O N T O**

**MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE**

**APRIL 19, 2021**



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# Contents

- Auditor and LACMTA Management Responsibility
- Summary of Audit Results
- Financial Highlights
- Required Communications
- Management Letter Comments

# Responsibilities

- LACMTA Management Responsibility
  - Preparation of the Schedule of Measure R Revenues and Expenditures
- Auditor's Responsibility
  - To express an opinion on the fair presentation on the Schedule of Measure R Revenues and Expenditures based on our audit.
  - To express an opinion on compliance with the *Traffic Relief and Rail Expansion Ordinance* (Measure R Ordinance).

# Summary of Audit Results

- Schedule of Measure R Revenues and Expenditures Audit
  - Unmodified opinion
- No internal control material weaknesses over financial reporting identified.
- No significant internal control deficiencies over compliance identified.
- LACMTA complied with the *Traffic Relief and Rail Expansion Ordinance (Measure R Ordinance)*

# Financial Highlights

- Sales tax revenue decreased by \$23.4 million compared to prior year (-2.8% change from prior year).
- Actual expenditures decreased by \$7.5 million compared to prior year (-1.5% change from prior year) due primarily to a decrease in bus transportation subsidies.
- Transfers out decreased by \$94.5 million compared to prior year (-19.9% change from prior year). Decrease was mainly attributed to decrease in funding for capital projects mostly related to Westside Subway Extension and Westside Subway Extension 2 project.
- Actual sales tax revenue was less than budgeted by \$49.6 million.
- Actual expenditures was less than budgeted by \$133.3 million mainly due to actual amounts for acquisition and professional and technical services costs of capital projects (Southern California Regional Interconnector Project, Rosecrans & Marquardt Grade Project, I-5 North Enhancement SR14/Kern County Project, West Santa Ana Branch Corridor Administration Project) coming in less than budgeted.
- Actual transfers out was less than budgeted by \$158.6 million mainly due to some capital projects costs (Westside Subway Extension and Westside Subway Extension 2 Projects) coming in less than budgeted.
- Measure R fund at June 30, 2020 had a deficiency of revenues over expenditures and other financing uses of \$5.3 million, decreasing Measure R fund balance from \$335.4 million to \$330.1 million at June 30, 2020.



# Required Communications

## Items to be Communicated

### Auditor's Responsibility Under Generally Accepted Auditing Standards

- To express an opinion on the Schedules of Measure R Revenues and Expenditures.
- To provide reasonable, not absolute, assurance of detecting material misstatements.
- To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.
- To inform LACMTA of any illegal acts that we become aware of.
  - None

## Required Communications (Continued)

- Adoption/Change in accounting policies
  - None
- Significant or unusual transactions
  - None
- Alternative treatments discussed with management
  - None
- Significant issues discussed with management
  - None
- Difficulties encountered in performing the audit
  - We encountered no difficulties in dealing with management in performing or conducting the audit.

# Required Communications (Continued)

- Consultations with other accountants
  - To our knowledge, no such consultation has occurred.
- Discussions held prior to retention
  - No major issues were discussed as a condition to our retention
- Disagreements with management
  - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedules of Measure R Revenues and Expenditures or the auditor's report.
    - None
- Management representation
  - We requested certain representations from management which are included in the management representation letter.

## 2020 Management Letter Comments

There are no management letter comments.

## Audited Financial Statements for Measure R Special Revenue Fund

LACMTA's Comprehensive Annual Financial Report (CAFR)  
– pages 44 through 49

# QUESTIONS AND ANSWERS

**Measure R Local Return Fund Audit Results  
For the Fiscal Year Ended June 30, 2020  
(Package B)**

**Simpson & Simpson, LLP**



Measure R Independent Taxpayers Oversight Committee Meeting  
Date: April 19, 2021

# Agenda

- ❖ Presenters: Melba Simpson, CPA, Engagement Partner  
Etta Hur, CPA, Partner
  - Background
  - Required Audit Communication under SAS 114
  - Consideration of Internal Controls
  - Summary of Audit Results
  - Analysis of Measure R Audit Results
  - S&S Contact Information
  - Questions



# Background





# Simpson and Simpson, LLP

- We have audited the compliance of the following 49 cities and the County of Los Angeles (50 Jurisdictions) under Package B.

1. Alhambra	11. Diamond Bar	21. La Mirada	31. Palmdale	41. San Marino
2. Arcadia	12. Downey	22. La Verne	32. Palos Verdes Estates	42. Santa Clarita
3. Artesia	13. Duarte	23. Lakewood	33. Paramount	43. Sierra Madre
4. Avalon	14. El Segundo	24. Lancaster	34. Pasadena	44. Signal Hill
5. Bellflower	15. Glendale	25. Lomita	35. Rancho Palos Verdes	45. South Pasadena
6. Bradbury	16. Glendora	26. Long Beach	36. Redondo Beach	46. Temple City
7. Burbank	17. Hawaiian Gardens	27. Los Angeles City	37. Rolling Hills	47. Torrance
8. Cerritos	18. Hermosa Beach	28. Manhattan Beach	38. Rolling Hills Estates	48. West Covina
9. Claremont	19. La Canada Flintridge	29. Monrovia	39. San Dimas	49. Whittier
10. Covina	20. La Habra Heights	30. Norwalk	40. San Gabriel	50. County of Los Angeles



# Simpson and Simpson, LLP

- We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in government auditing standards, and the compliance requirements described in the Measure R Ordinance, the Measure R Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds.



# Required Audit Communication under SAS 114



# Auditor's Required Communication to the Measure R Oversight Committee

## **1. *Our Responsibility under Generally Accepted Auditing Standards (GAAS)***

- ❑ Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control.
- ❑ Design and implement audit procedures based on our understanding of the Measure R Local Return Funds for the 50 jurisdictions to obtain reasonable, not absolute, assurance on the financial statements, and about whether noncompliance with the Measure R Local Return Guidelines that could have a direct and material effect on the Measure R Local Return Program occurred.



# Auditor's Required Communication to the Measure R Oversight Committee (Cont.)

## **2. *Significant Accounting Policies***

The significant accounting policies adopted by the 50 jurisdictions are described in the notes of their respective financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.

## **3. *Management Consultations with Other Independent Accountants***

To the best of our knowledge, the 50 jurisdictions audited have not consulted with or obtained opinions, written or oral, from other independent accountants with respect to the Measure R Local Return Fund, other than the jurisdiction's external auditor for the cities' and the County's comprehensive annual report.



# Auditor's Required Communication to the Measure R Oversight Committee (Cont.)

## **4. *Disagreements or Difficulties with Management***

There were no disagreements with management of the 50 jurisdictions on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report, nor were there significant difficulties in dealing with management in performing our audit.

## **5. *Management Representations***

We have requested certain representations from management of the 50 jurisdictions that are included in management representation letters dated as of the date of our opinion.



# Consideration of Internal Controls



# Consideration of Internal Controls

- In planning and performing our audits, we considered each City's and the County's internal controls over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program.
- 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 and requirements will not be prevented, or detected and corrected, on a timely basis.





## Consideration of Internal Controls (Cont.)

- A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
- We identified certain conditions in internal control over compliance that we considered to be a material weakness and significant deficiencies.



# Summary of Audit Results – Findings and Questioned Costs



# Summary of Findings

## ❖ We performed all 50 jurisdictions' audits.

- Total dollar amounts associated with the findings have increased from \$790,257 in FY2019 to \$1,450,589 in the FY2020 compliance audit.
- Total questioned costs of \$1,450,589 is about 1.5% of the FY2020 allocations of \$99,813,414 to jurisdictions under Package B.
- Of the total questioned cost of \$1,450,589, \$1,424,311 was resolved during the audits.

### Types of Questioned Costs:

- \$26,278 of the questioned cost related to expenditures incurred with inadequate evidence that funds were expended for transportation purposes.
- \$1,424,311 of the questioned cost related to funds expended on Measure R eligible projects without prior approval from LACMTA; however, all issues were resolved during the audit.



## Summary of Findings (Cont.)

One (1) material weakness and two (2) significant deficiencies (repeat findings):

- 1 material weakness (City of Downey)
- 2 significant deficiencies (City of Lancaster and City of Temple City)

We will explain the specific conditions for the material weakness and the significant deficiencies in internal control over Compliance as we present each finding.



## Summary of Findings (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended for transportation purpose	2	Downey (#2020-004) Glendora (#2020-006)	\$ 26,278 None	\$ - None
Funds were expended with LACMTA's approval	5	Artesia (#2020-002) Downey (#2020-005) Lancaster (#2020-008) Lomita (#2020-009) South Pasadena (#2020-011)	13,730 45,205 1,081,868 13,392 270,116	13,730 45,205 1,081,868 13,392 270,116



# Summary of Findings (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Expenditure Plan (Form One) was submitted on time	5	Alhambra (#2020-001) Hermosa Beach (#2020-007) Signal Hill (#2020-010) South Pasadena (#2020-012) Temple City (#2020-013)	None None None None None	None None None None None
Expenditure Report (Form Two) was submitted on time	1	Artesia (#2020-003)	None	None
<b>Total Findings and Questioned Cost</b>	<b>13</b>		<b>\$ 1,450,589</b>	<b>\$ 1,424,311</b>



# Material Weakness and Significant Deficiencies In Internal Controls over Compliance

➤ **One (1) material weakness:**

**City of Downey (#2020-004):**

- Funds were expended without adequate evidence that funds were expended for transportation purposes.
- Salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$26,278 were based on an estimate of a percentage of time spent on MRLRF activity rather than the employee's actual working hours spent on the project. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2019-20.
- This is a repeat finding from the prior four fiscal years.
- The City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on project. The City expects this finding to be fully resolved in fiscal year 2020-21.



# Material Weakness and Significant Deficiencies In Internal Controls over Compliance (Cont.)

➤ **Two (2) significant deficiencies:**

**City of Lancaster (Finding #2020-008)**

- The City used Measure R Local Return funds for Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond issued in the amount of \$1,081,868 prior to LACMTA's approval as the project was not reported on the Expenditure Plan (Form One).
- This was due to oversight by the City's program department.
- This is a repeat finding from the prior fiscal year.
- The City will strengthen internal control procedures to ensure all expenditures with the correct project information on Form One will be submitted in the future.





# Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ **Two (2) significant deficiencies (continued):**

**City of Temple City (Finding #2020-013)**

- The City did not meet the August 1, 2019 deadline for the submission of Form One. However, the City submitted the Form One on August 16, 2019.
- The former Director of Parks and Recreation who was responsible for the submission of the forms has since retired from the City. As a result, the submission of the form was overlooked.
- This is a repeat finding from the prior year.
- The new Director of Parks and Recreation has now taken charge to ensure the necessary forms are submitted by the reporting deadlines.

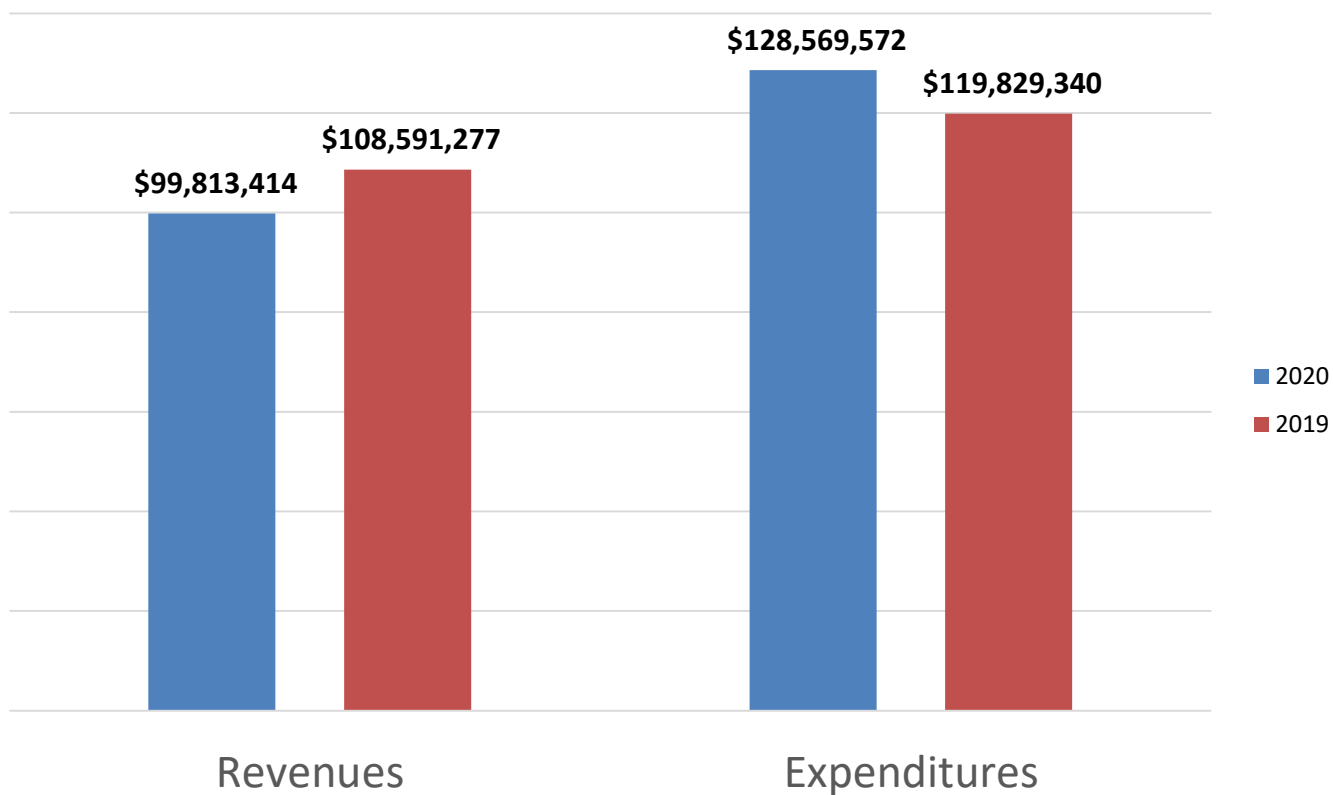


# Analysis of Measure R Audit Results



# Revenue and Expenditures of 50 Jurisdictions

FY 2020 & FY 2019 Revenues and Expenditures



# S&S Contact information

Team member	Contact information
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# Questions





**Presentation to the Measure R Oversight  
Committee  
Measure R Local Return Funds**

April 19, 2021



**Metro<sup>®</sup>**

Los Angeles County  
Metropolitan Transportation Authority

# AGENDA

- Scope of the Audits
- Levels of Assurance, Compliance Criteria and Auditing Standards Utilized
- Revenue and Expenditures of 39 Jurisdictions
- Overview of the Audit Results
- Details of Audit Results
- Material Weakness and Significant Deficiency in Internal Control over Compliance
- Required Communications to the Measure R Oversight Committee
- Contact Information
- Q&A

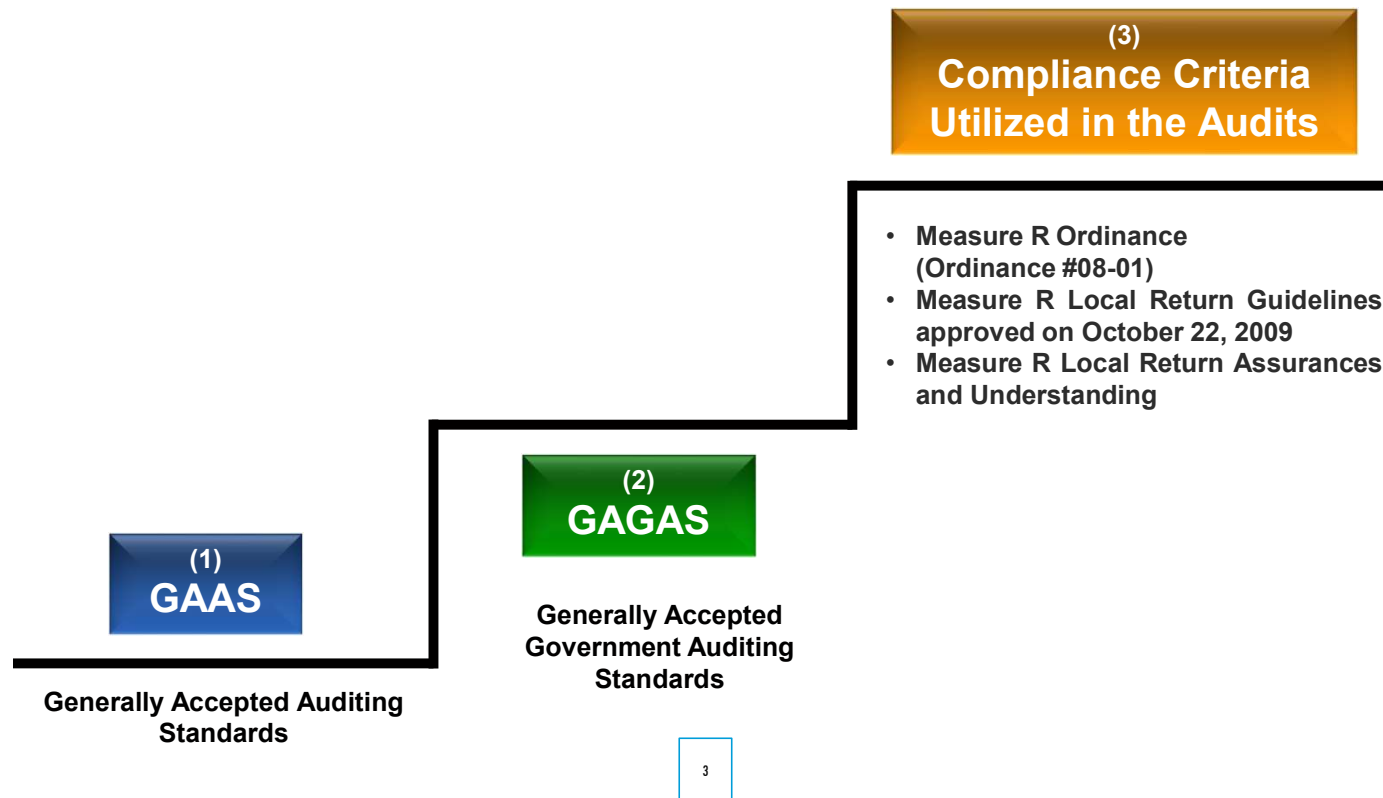
# SCOPE OF THE AUDITS

Financial and Compliance Audit of Measure R Local Return Funds held by the 39 Cities under Package A (in alphabetical order)

- |                  |                     |                      |
|------------------|---------------------|----------------------|
| 1. Agoura Hills  | 16. Hidden Hills    | 31. San Fernando     |
| 2. Azusa         | 17. Huntington Park | 32. Santa Fe Springs |
| 3. Baldwin Park  | 18. Industry        | 33. Santa Monica     |
| 4. Bell          | 19. Inglewood       | 34. South El Monte   |
| 5. Bell Gardens  | 20. Irwindale       | 35. South Gate       |
| 6. Beverly Hills | 21. La Puente       | 36. Vernon           |
| 7. Calabasas     | 22. Lawndale        | 37. Walnut           |
| 8. Carson        | 23. Lynwood         | 38. West Hollywood   |
| 9. Commerce      | 24. Malibu          | 39. Westlake Village |
| 10. Compton      | 25. Maywood         |                      |
| 11. Cudahy       | 26. Montebello      |                      |
| 12. Culver City  | 27. Monterey Park   |                      |
| 13. El Monte     | 28. Pico Rivera     |                      |
| 14. Gardena      | 29. Pomona          |                      |
| 15. Hawthorne    | 30. Rosemead        |                      |

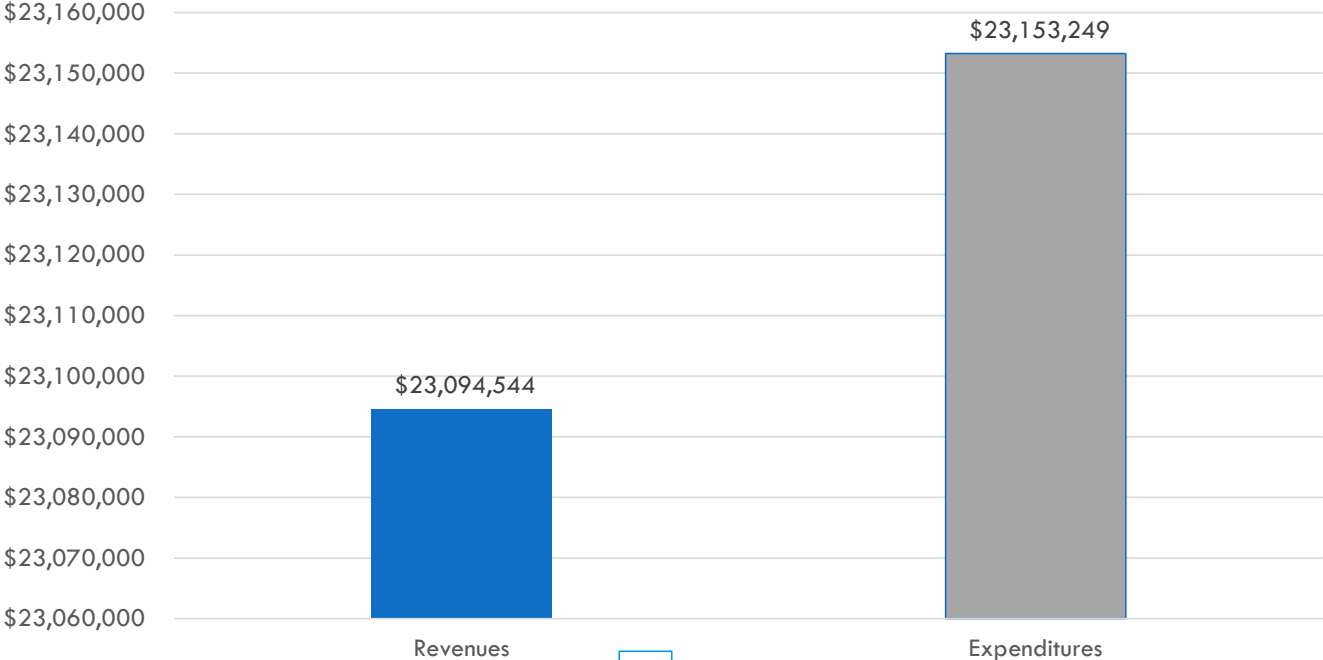


# LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



# REVENUE AND EXPENDITURES OF 39 JURISDICTIONS

FY 2020 Revenues and Expenditures



# OVERVIEW OF THE AUDIT RESULTS

## FY 2020 Summary of Audit Results

- Dollars associated with the findings have decreased from \$1,224,388 in FY2019 to \$628,828 in FY2020 audit.
- Total questioned costs of \$628,828 is about 2.7% of the total Measure R FY2020 allocations of \$23,094,544 to cities under Package A.

## Questioned Costs

- \$7,889 of the questioned cost relates to expenditures incurred with no adequate evidence that funds were expended for transportation purposes.
- \$620,939 of the questioned cost relates to funds expended on Measure R eligible projects with no prior approval from LACMTA. **All of these were resolved during the audit.**

## DETAILS OF AUDIT RESULTS

Our findings are as follows:

- A. No adequate evidence that funds were expended for transportation purposes.
- B. Funds were expended without LACMTA's approval.
- C. Expenditure Plan (Form One) was not submitted timely.

# DETAILS OF AUDIT RESULTS

## A. No adequate evidence that funds were expended for transportation purposes.

Compliance References	Number of cities involved: 1 of 39 cities	Questioned costs for 2020
<p>Section VII of the Measure R Local Return Guidelines states that, 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>	<ol style="list-style-type: none"><li>1. <a href="#">City of South El Monte</a> (Finding #2020-008, page 27 of the report)</li></ol>	<p>\$7,889</p>

# DETAILS OF AUDIT RESULTS

## B. Funds were expended without LACMTA’s approval.

- Compliance Reference: Section B(II) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year”.
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2020:

	<b>Total Expenditures Claimed for 2020</b>	<b>Questioned</b>	<b>Resolved During the Audit</b>	<b>Report Reference</b>
1. Bell Gardens	\$ 39,335	\$ 38,835	\$ 38,835	Finding #2020-002, Page 19
2. Calabasas	12,655	12,655	12,655	Finding #2020-004, Page 22
3. Carson	1,140,695	569,449	569,449	Finding #2020-005, Page 23
	<b>\$ 1,192,685</b>	<b>\$ 620,939</b>	<b>\$ 620,939</b>	

# DETAILS OF AUDIT RESULTS

## C. Expenditure Plan (Form One) was not submitted timely.

Compliance Reference	Number of cities involved: 4 of 39 cities	Questioned costs for 2020
<p>Section B(II) Expenditure Plan (Form One) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".</p>	<ol style="list-style-type: none"><li>1. <a href="#">City of Azusa</a> (Finding #2020-001, page 18 of the report)</li><li>2. <a href="#">City of Bell Gardens</a> (Finding #2020-003, page 21 of the report)</li><li>3. <a href="#">City of Industry</a> (Finding #2020-006, page 25 of the report)</li><li>4. <a href="#">City of Maywood</a> (Finding #2020-007, page 26 of the report)</li></ol>	<p>None</p>

# MATERIAL WEAKNESS AND SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

One (1) Material Weakness and One (1) Significant Deficiency (Repeat Findings):

## City of Calabasas

(Finding #2020-004)

### Material Weakness: Finding #2020-004

The City claimed expenditures under MRLRF Project Code 1.05 Rondell Park & Ride project, totaling \$12,655 with no prior approval from LACMTA.

This is a repeat finding from prior year's audit.

## City of Bell Gardens

(Finding #2020-003)

### Significant Deficiency: Finding #2020-003

The City submitted its Expenditure Plan (Form One) on August 21, 2019, 20 days after the due date of August 1, 2019.

This is a repeat finding from prior year's audit.



# REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

## REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

Professional standards require independent accountants to discuss with those in charge of governance matters of importance which arise during the course of their audit as well as significant matters concerning the audited jurisdictions' internal controls and the preparation and composition of the financial statements. We therefore present the following information required to be communicated to the Measure R Oversight Committee based upon the results of our audit of the Measure R Local Return Funds of the 39 cities.

Matters to be Communicated	Auditor's Response
<p><i>The Auditor's Responsibility Under Generally Accepted Auditing Standards ("GAAS")</i></p> <p>The auditor should communicate the level of responsibility assumed under auditing standards generally accepted in the United States of America.</p>	<p>Our level of responsibility is communicated in the auditors' report. An audit conducted in accordance with GAAS is designed to obtain reasonable, rather than absolute, assurance on the financial statements, and about whether noncompliance the Measure R Local Return Guidelines that could have a direct and material effect on the Measure R Local Return Programs occurred.</p>
<p><i>Significant Accounting Policies and Unusual Transactions</i></p> <p>The auditor should determine that the Committee is informed about the initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.</p>	<p>The significant accounting policies adopted by audited jurisdictions are described in the notes to their respective financial statements. We do not consider any of the accounting elections made by any of the 39 cities we audited to be controversial.</p>
<p><i>Management Judgments and Accounting Estimates</i></p> <p>The Committee should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.</p>	<p>Accounting estimates are required for determining the fair value of investments and collectability of accounts receivable. Management's judgment is required in making assessments in estimating those items and accounts in the financial statements.</p> <p>We consider management's estimates to be reasonable, based on our audit.</p>

# REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

(Continued)

Matters to be Communicated	Auditor's Response
<p><i>Management Consultations with Other Independent Accountants</i></p> <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the jurisdiction's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, the professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.</p>	<p>To our knowledge, there were no such consultations made with other accountants.</p>
<p><i>Internal Controls</i></p> <p>The Committee should be advised of any significant deficiencies or material weaknesses in the design or operation of the internal control structure coming to the auditor's attention during the audit.</p>	<p>We noted a material weakness and a significant deficiency in internal controls over financial reporting and compliance in certain audited jurisdictions.</p>
<p><i>Difficulties Encountered in Performing the Audit</i></p> <p>Serious difficulties encountered in dealing with management that related to the performance of the audit are required to be brought to the attention of the Committee.</p>	<p>Delays in providing audit requirements by certain audited jurisdictions.</p>
<p><i>Fraud, Irregularities and Illegal Acts</i></p> <p>The Committee should be adequately informed of fraud, irregularities and illegal acts coming to the auditor's attention during the course of the audit.</p>	<p>The fraud reported in prior years in the City of Compton did not involve the use of the Measure R Local Return Funds.</p>

# REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

(Continued)

Matters to be Communicated	Auditor's Response
<p><i>Significant Audit Adjustments</i></p> <p>The Committee should be adequately informed about adjustments arising from the audit that could individually or in the aggregate, have a significant effect on the jurisdictions' financial reporting process.</p>	<p>None noted.</p>
<p><i>Other Information in Documents Containing Audited Financial Statements</i></p> <p>The Committee should be informed as to the auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed, and the results.</p>	<p>As required by the auditing standards, if you publish or otherwise reproduce the financial statements and make reference to our firm, we are required to be provided with a copy of the material before it is published.</p>
<p><i>Disagreements With Management</i></p> <p>Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the jurisdictions' financial statements or the auditor's report should be communicated to the Committee.</p>	<p>There were no such disagreements.</p>
<p><i>Related Parties</i></p> <p>The Committee should be informed about related party transactions and policies governing related party transactions.</p>	<p>There were no related party transactions noted that relate to the Measure R Local Return Funds.</p>
<p><i>Independence</i></p> <p>The Audit Committee should be informed as to the auditor's continuing independence.</p>	<p>We confirm that, we are independent with respect to the 39 cities that we audited as required by the AICPA and GAGAS (Yellow Book). We are not aware of any relationships between Vasquez &amp; Co. LLP and any of the 39 cities that, in our professional judgment, may reasonably be thought to bear on our independence.</p>

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# Q&A



THANK YOU FOR YOUR TIME  
AND ATTENTION

