

# **Metro**

*Los Angeles County Metropolitan Transportation Authority  
One Gateway Plaza  
3rd Floor Board Room*



**Metro**<sup>®</sup>

## **Agenda - Final**

**Wednesday, August 17, 2016**

**1:00 PM**

**One Gateway Plaza, Los Angeles, CA 90012,  
3rd Floor, Metro Board Room**

### **Finance, Budget and Audit Committee**

*Jacquelyn Dupont-Walker, Chair*

*Diane DuBois, Vice Chair*

*Don Knabe*

*Ara Najarian*

*Hilda Solis*

*Carrie Bowen, non-voting member*

*Phillip A. Washington, Chief Executive Officer*

**METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES (ALSO APPLIES TO BOARD COMMITTEES)**

**PUBLIC INPUT**

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board should be submitted in person at the meeting to the Board Secretary. Individuals requesting to speak on more than three (3) agenda items will be allowed to speak up to a maximum of three (3) minutes per meeting. For individuals requiring translation service, time allowed will be doubled.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for up to three (3) minutes per meeting and may speak no more than once during the Public Comment period. Speakers will be called according to the order in which the speaker request forms are received. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

**CONDUCT IN THE BOARD ROOM** - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

**REMOVAL FROM THE BOARD ROOM** The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

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Agendas for the Regular MTA Board meetings are prepared by the Board Secretary and are available prior to the meeting in the MTA Records Management Department and on the Internet. Every meeting of the MTA Board of Directors is recorded on CD's and as MP3's and can be made available for a nominal charge.

**DISCLOSURE OF CONTRIBUTIONS**

The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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**NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA**

## CALL TO ORDER

## ROLL CALL

### 5. APPROVE Consent Calendar Items: 6 and 7.

Consent Calendar Items are approved by one motion unless held by a Director for discussion and/or separate action.

### CONSENT CALENDAR

6. RECEIVE AND FILE the year-end report of **Management Audit Services** [2016-0577](#)  
for the period ending June 30, 2016.

Attachments: [Attachment A - FY16 Year-End Report](#)

7. RECEIVE AND FILE the **Consolidated Audit financial and compliance audit reports** completed by Vasquez and Company (Vasquez) and Simpson and Simpson, CPA's (Simpson & Simpson) for the Fiscal Year ending June 30, 2015. [2016-0578](#)

Attachments: [Attachment A - FY 2015 Measure R Consolidated Report Vasquez](#)  
[Attachment B - FY 2015 Measure R Consolidated Audit Final Report \(SS\)](#)

### NON-CONSENT

8. ADOPT a resolution, Attachment A, authorizing the Chief Executive Officer and other Authorized Officers to negotiate and execute the **loan agreement and related documents between LACMTA and the U.S. Department of Transportation related to a \$307.0 million Transportation Infrastructure Finance and Innovation Act loan** for the Westside Purple Line Extension Project Section 2. [2016-0504](#)

**(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE.)**

Attachments: [Attachment A - Authorizing Resolution](#)  
[Attachment B - Preliminary Terms](#)  
[Attachment C - Finding of Benefit Resolution](#)

9. AUTHORIZE the Chief Executive Officer to execute a **five-year lease agreement**, including one (1) five (5) year option, with Downtown Properties effective March 1, 2017 for the rental of approximately 12,912 square feet of **office space in an office building located at 818 West 7th Street, 5th Floor, Los Angeles**, at an estimated rental cost of \$2,055,891.59 over the term of the lease.

[2016-0553](#)

**Attachments:**      [Att. A – Rental Rates of Comparable Properties in the Vicinity of 818 W 7th St.](#)

## Adjournment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.



## Board Report

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**File #:** 2016-0577, **File Type:** Informational Report

**Agenda Number:** 6.

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### FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 17, 2016

#### **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2016 YEAR-END REPORT**

#### **ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the year-end report of **Management Audit Services** for the period ending June 30, 2016.

#### **ISSUE**

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit Services (MAS) on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the fourth quarter of FY 2016.

#### **DISCUSSION**

Management Audit Services (MAS) provides audit support to the Chief Executive Officer (CEO) and his executive management. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in MAS: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking. The summary of MAS activity for the fourth quarter and for the fiscal year ending June 30, 2016 is as follows:

**Internal Audits:** 2 internal audits were completed for the fourth quarter; 8 reports were completed for the year. As of June 30, 2016, 15 internal audits were in process.

**External Audits:** 9 contract audits with a total value of \$26 million and 12 incurred cost audits with a total value of \$111 million were completed during fourth quarter. Forty-four contract pre-award audits with a total value of \$302 million and 35 incurred cost audits with a total value of \$232 million were completed for the year. Three contract pre-award audits and 35 incurred cost audits were in process.

**Other Audits:** 124 financial and compliance audits were completed by external certified public accountants (CPAs) during the year. MAS coordinated and managed the completion of these audits.

**Audit Follow-up and Resolution:** 27 recommendations were added and 9 recommendations were closed during the fourth quarter. Seventy-three recommendations were added and 32 recommendations were closed during the year. As of June 30, 2016, there were 87 open audit recommendations.

MAS' FY 2016 year-end report is included as Attachment A.

### **NEXT STEPS**

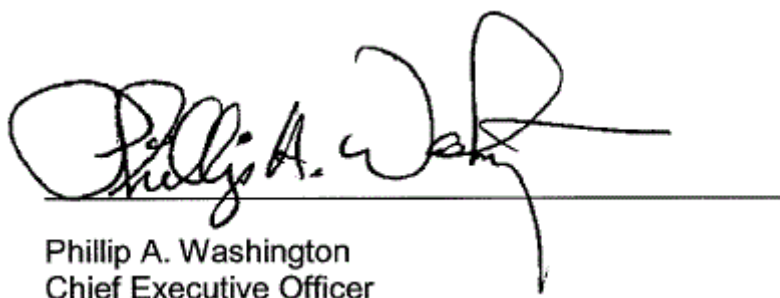
MAS will provide the first quarter summary of FY 2017 audit activity to the Board at the November 2016 Finance, Budget and Audit Committee meeting.

### **ATTACHMENTS**

Attachment A - Management Audit Services Year-End Report to the Board for the fiscal year ending June 30, 2016.

Prepared by: Monica Del Toro, Audit Administration, (213) 922-7494

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



Phillip A. Washington  
Chief Executive Officer

**MANAGEMENT AUDIT SERVICES  
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan  
Transportation Authority**

***YEAR-END REPORT  
FY 2016***



# TABLE OF CONTENTS

EXECUTIVE SUMMARY	
FY16 Summary of Audit Activity	1
EXTERNAL AUDITS	
Contract Pre-Award Audit	2
Incurred Cost Audit	2
INTERNAL AUDITS	
Performance Audit of Special Fares	3
Performance Audit of Business Interruption Fund	3
OTHER AUDITS	4
AUDIT SUPPORT SERVICES	
Audit Follow-Up and Resolution	8
SUMMARY TABLES	
Appendix A – Contract Pre-Award Audits Completed	9
Appendix B – Incurred Cost Audits Completed	13
Appendix C – Internal Audits Completed	17
Appendix D – Internal Audits in Process	18
Appendix E – Open Audit Recommendations	20



# EXECUTIVE SUMMARY

## FY16 Summary of Audit Activity

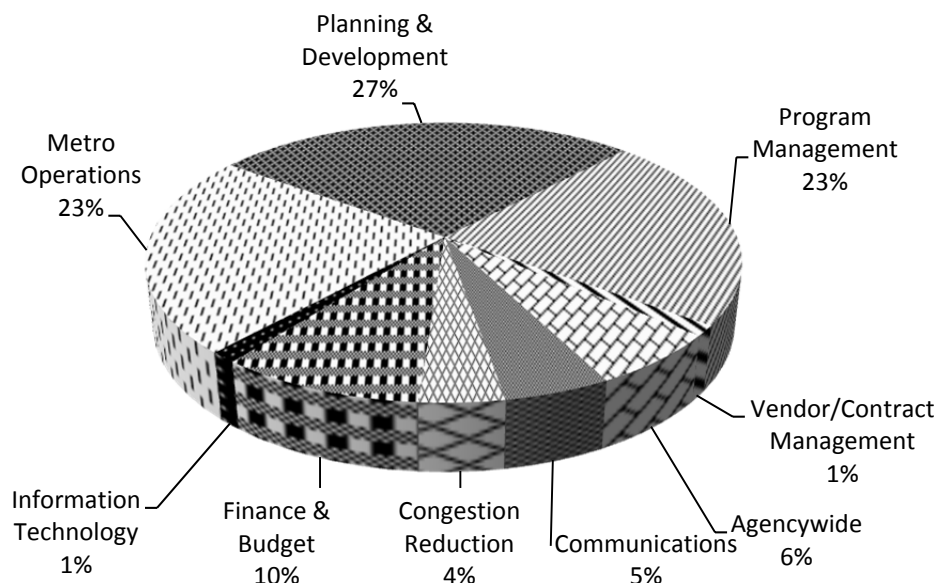
During FY 2016, we completed/managed 211 engagements consisting of 87 audits issued by MAS and 124 external CPA firms' reports. Details as follows:

- 17 audit reports issued in the first quarter;
- 12 audit reports issued in the second quarter;
- 35 audit reports issued in the third quarter;
- 23 audit reports issued in the fourth quarter;
- 124 financial and compliance audits issued during the fiscal year (mostly legally mandated such as Prop A & C, Measure R, STA, TDA, NTD, and other funds distributed to the cities and County of Los Angeles).

The work completed in the first, second, and third quarters of FY 2016 are summarized in the quarterly reports issued in January 2016, March 2016 and May 2016. The completed audits for fourth quarter include 2 internal audit reports, 9 contract pre-award audits and 12 incurred cost audits. The completed contract pre-award and incurred cost audits are summarized on page 2 and completed internal audits begin on page 3. Fifty-three audits were in process at the end of FY 2016.

Appendix A and B contain a list of all contract pre-award and incurred cost audit projects completed in FY 2016. Appendix C lists all internal audits completed during FY 2016. Appendix D lists all internal audits in process as of June 30, 2016.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during FY 2016:



# *EXTERNAL AUDITS*

## Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During FY 2016, we completed 44 audits, reviewing a net value of \$302 million. Auditors questioned \$19.7 million or 6.5% of the proposed costs. The 44 audits supported procurements in the following areas:

- 10 Program Management projects procurements;
- 9 Heavy Rail Technical and Engineering Consulting Services procurements;
- 6 Congestion Reduction projects procurements;
- 5 Elevator/Escalator Maintenance procurements;
- 3 Bus Purchase procurements;
- 3 Highway projects procurements;
- 4 Regional Planning projects procurements;
- 2 Technology systems procurements;
- 1 Metro Rideshare Program Support procurement; and
- 1 Transit Access Pass Project procurement;

Three contract pre-award audits were in process as of June 30, 2016.

Details on Contract Pre-Award Audits completed during FY 2016 are in Appendix A.

## Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, and various other transportation related projects, including Caltrans projects. The purpose of the audits is to ensure that grantees spend funds in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed 35 audits during FY 2016. We reviewed \$232 million of funds and identified \$8.4 million of unused funds that may be reprogrammed by Planning and Development for other projects. Thirty-five incurred cost audits were in process as of June 30, 2016.

Details on Incurred Cost Audits completed during FY 2016 are in Appendix B.

# *INTERNAL AUDITS*

Management Audit completed eight internal audit reports in FY 2016. Fifteen internal audits were in process as of June 30, 2016. A list of the internal audits in process is included in Appendix D.

Details of the two internal audits completed during the fourth quarter are listed below in the order of the magnitude of risks that their findings represent to the agency.

## *Performance Audit of Special Fare Programs*

The audit objective was to evaluate the adequacy and effectiveness of internal controls over Special Fare Programs.

We found that the controls over eligibility review process for Business Transit Access Pass (B-TAP) Program have improved since June 2015. Specifically, Metro now verifies that the businesses actually have the employees on their payroll prior to B-TAP cards issuance. However, we found control weaknesses in the Reduced Fare Programs such as inadequate monitoring over temporary Reduced Fare TAP card distribution, inadequate control over cash received for application fees, lack of independent review and inadequate documentation retention for eligibility proof. In addition, we found inadequate oversight over Metro Employee TAP Cards and B-TAP Program Pricing. Management agrees with the findings and has already taken steps to resolve some of the issues. Other corrective actions are still in progress.

## *Performance Audit of Business Interruption Fund (BIF)*

The audit objective was to determine compliance with administrative guidelines and fund and disbursement procedures.

We found the Business Interruption Fund is being administered in compliance with administrative guidelines and disbursement procedures. However, we found \$1.2 million in unrecorded grant expenditures because the Accounting Department records transactions as prepaid expenditures when providing funds to the program administrator and does not record the expenditures for funds disbursed by program administrator to the small businesses. During the audit, Accounting corrected the issue and recorded the grant expenditures paid by the program administrator to small businesses. Management concurred with our recommendation and is implementing corrective actions.

## *OTHER AUDITS*

Other audits completed during FY16 by external CPA firms include:

### Measure R Special Revenue Fund Audit – Issued November 2015

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to ensure that the Los Angeles County Metropolitan Transportation Authority (LACMTA) complies with the terms of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. BCA Watson Rice (BCA) completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund, which fulfills the requirement for the year ended June 30, 2015. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures.

### Proposition A and C Special Revenue Funds Audit – Issued November 2015

The MTA Reform and Accountability Act of 1998 requires the completion of an independent audit to determine compliance by the LACMTA with the provisions of Propositions A and C. BCA completed the Independent Auditor's Report on Schedule of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds, which fulfills the requirement for the year ended June 30, 2015. The auditors found that MTA complied, in all material respects, with the requirements applicable to the Proposition A and Proposition C revenues and expenditures.

### Measure R Compliance Audit of the Cities and County – Issued December 2015

The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the net revenues allocated to the Local Return Subfund during the fiscal year. For efficiency and effectiveness, we contracted with two firms (Simpson & Simpson and Vasquez & Company, LLP) to conduct the audits of Measure R sales tax revenues used by the 87 cities as well as the County of Los Angeles. The auditors found that the cities and county generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, the auditors did find a 2% rate of non-compliance, which the LACMTA will follow-up for corrective action. As required by law, Simpson & Simpson and Vasquez presented their audit report to the Measure R Oversight Committee in March 2016.

### Gateway Center & Union Station Properties Financial Statements and Independent Auditor's Reports – Issued January 2016

LACMTA acquired the Union Station and Gateway Center properties in April 2011 and entered into a Leasing and Operations Management Agreement with Morlin Asset Management for the management and operations of the Gateway Center and Union Station.

## *OTHER AUDITS*

We contracted BCA to conduct an audit of the financial statements for these two entities for the year ended June 30, 2015. The auditor found that the financial statements present fairly, in all material respects, the financial position of each entity.

Access Services Schedule of Revenues and Expenditures and Report on Compliance with Requirements Applicable to Federal Transit Administration Section 5310 and Proposition C Discretionary in accordance with MOU No. P000ASI19 – Issued January 2016

Access Services (Access) administer the Los Angeles County Coordinated Paratransit Plan on behalf of the County's 44 public fixed route operators. Access provides approximately 3.1 million trips per year to more than 163,000 qualified disabled riders in a service area of over 1,950 square miles. In September 2014, LACMTA and Access executed an agreement to provide funding to Access during the period July 1, 2014 through June 30, 2015. Funding consisted of \$60,600,000 Regional Surface Transportation Program funds under FTA Section 5310 Program and \$68,513,472 of Proposition C Discretionary.

BCA conducted the audit of the Schedule of Revenues and Expenditures and Report on Compliance with Requirements Applicable to Federal Transit Administration Section 5310 and Proposition C Discretionary of Access under MOU P000ASI19 for the year ended June 30, 2015 and found that they present fairly, in all material respects.

PTSC-MTA Risk Management Authority Basic Financial Statements – Issued February 2016

In October 1998, the Public Transportation Services Corporation (PTSC) and the LACMTA entered into a joint powers agreement to create the PTSC-MTA Risk Management Authority (PRMA) for the purpose of establishing and operating a program of cooperative self-insurance and risk management. PRMA receives all of its funding from LACMTA and PTSC. As PTSC also receives its funding from LACMTA, PRMA is a component unit of the LACMTA and is included in LACMTA's financial statements as a blended component unit.

An audit of PRMA's financial statements by an independent CPA firm is required annually. We retained BCA to conduct the audit for the fiscal year ended June 30, 2015. BCA found that the financial statements present fairly, in all material respects, the position of PRMA as of June 30, 2015.

## *OTHER AUDITS*

### Basic Financial Statements – All parts Issued by March 2016

An audit of our financial statements by an independent CPA firm is required annually. We retained Crowe Horwath LLP to conduct the audit for the fiscal year FY15. The following reports include MTA's basic financial statements and following component audits for the year ended June 30, 2015.

- Basic Financial Statement Report;
- Independent auditors' SAS 114 letter covering required communications;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2015 which include:
  - 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; and
  - Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards as Required by OMB Circular A-133;
- Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2015;
- Federal Funding Allocation Data for the L.A. County Small Operators (ID# 90166) for the fiscal year ended June 30, 2015;
- Transportation Development Act Operations Agency for the year ended June 30, 2015;
- Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2015;
- State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2015 and 2014;
- Crenshaw Project Corporation basic financial statements and other supplementary information as of and for the period from March 23, 2012 through June 30, 2015; and
- Service Authority for Freeway Emergencies' financial statements and other supplementary information as of and for the years ending June 30, 2015 and 2014.

Crowe issued unmodified opinions on all audit reports; however, Crowe noted one finding in the Independent Auditors' 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. The finding was related to lifetime benefits for some of Amalgamated Transit Union (ATU) employees not reflected in the prior period valuations prepared by the former actuarial firm, Mercer. The new actuarial firm, AON, recommended they should have been included and Management agreed. With the addition of the lifetime benefits, the calculation of prior Annual Required Contributions were understated and resulted in the Net OPEB (Other Post Employment Benefits) obligation liability being understated. Management has already resolved the issue.

## *OTHER AUDITS*

### Audited Financial Statements of Metro ExpressLanes – Issued June 2016

Metro ExpressLanes started as a one-year demonstration program to test innovations in order to improve existing transportation systems in three sub-regions: the San Gabriel Valley, Central Los Angeles, and the South Bay. An audit of the financial statements of Metro ExpressLanes, an enterprise fund of the LACMTA, was performed by Vasquez for the year ended June 30, 2015. Vasquez found that the financial statements present fairly, in all material respects.

### Consolidated Audit – Issued various dates

These financial and compliance audits are needed to ensure that the recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration guidelines. Vasquez & Company and Simpson & Simpson performed the audits of the Proposition A Local Return Fund, Proposition C Local Return Fund, Measure R Local Return Fund and the Transportation Development Act Article 3 Fund for various cities for the year ended June 30, 2015.

In addition to the Measure R individual audit reports of the 88 cities and Los Angeles County, the auditors issued two summary audits on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines that were presented to the Measure R Oversight Committee as required by Ordinance. The auditors found that the cities and Los Angeles County generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, they did find 17 instances of non-compliance representing a 53% reduction from the 32 findings noted in the previous year. Questioned costs totaling \$1.5 million represents approximately 1% of the total funds reviewed. All of the findings have been resolved. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During FY 2016, 32 recommendations were completed and closed. At the end of this quarter, there were 87 outstanding audit recommendations. The table below summarizes the fourth quarter activity.

### Summary of MAS and External Audit Recommendations As of June 30, 2016

Executive Area	Closed	Late	Extended	Not Yet Due/Under Review	Total Open
Program Management				8	8
Labor/Employee Relations	1		3	5	8
Finance and Budget	1			1	1
Information Technology			3		3
Metro Operations	6	1	14	14	29
Planning and Development	1		15		15
Communications				22	22
Congestion Reduction				1	1
Totals	9	1	35	51	87

In addition to the above MAS and external audit recommendations, we closed 19 recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 11 outstanding OIG audit recommendations.\*

\*This total does not include recommendations included in the Capital Project Construction Management Best Practices Study, Metro Policing and Security Workload and Staffing Analysis and Audit of Westside Purple Line Extension Section 2- Modification No. 52, as the management response and/or estimated completion dates are still pending.



## Appendix A

<b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Information Technology	15-ITS-A02 - Attestation Agreed-upon Procedures	Smartdrive Systems, Inc.	Contractual	7/2015
Program Management	16-CON-A01A - Attestation Agreed-upon Procedures	RNL Interplan Inc.	Contractual	8/2015
Program Management	16-CON-A01B - Attestation Agreed-upon Procedures	Kimley-Horn and Associates, Inc.	Contractual	8/2015
Metro Operations	15-OPS-A08 - Attestation Agreed-upon Procedures	New Flyer of America, Inc.	Contractual	8/2015
Metro Operations	15-OPS-A02 - Attestation Agreed-upon Procedures	New Flyer of America, Inc.	Contractual	8/2015
Metro Operations	16-OPS-A01 - Attestation Agreed-upon Procedures	Inland Transportation Services	Contractual	9/2015
Program Management	16-CON-A02 - Attestation Agreed-upon Procedures	Regional Connector Constructors JV	Contractual	11/2015
Congestion Reduction	16-CEO-A01A - Attestation Agreed-upon Procedures	Xerox State and Local Solutions, Inc.	Contractual	11/2015
Program Management	15-CON-A10 - Attestation Agreed-upon Procedures	Maintenance Design Group	Contractual	11/2015
Planning & Development	16-PLN-A13 - Attestation Agreed-upon Procedures	Ted Tokio Tanaka Architects	Contractual	2/2016
Finance & Budget	16-OMB-A01 - Attestation Agreed-upon Procedures	Cubic Transportation Systems, Inc.	Contractual	2/2016
Congestion Reduction	16-CEO-A02A - Attestation Agreed-upon Procedures	Cambria Solutions, Inc.	Contractual	2/2016

<b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Program Management	16-CON-A05 - Attestation Agreed-upon Procedures	Ghirardelli Associates, Inc.	Contractual	2/2016
Congestion Reduction	16-CEO-A02B - Attestation Agreed-upon Procedures	HNTB Corporation	Contractual	2/2016
Program Management	16-CON-A12B - Attestation Agreed-upon Procedures	V&A, Inc.	Contractual	2/2016
Program Management	16-CON-A06 - Attestation Agreed-upon Procedures	MNS Engineers, Inc.	Contractual	2/2016
Program Management	16-CON-A12A - Attestation Agreed-upon Procedures	HDR Engineering, Inc.	Contractual	2/2016
Program Management	16-CON-A04- Attestation Agreed-upon Procedures	Regional Connector Constructors, JV	Contractual	3/2016
Metro Operations	16-OPS-A05A - Attestation Agreed-upon Procedures	STV, Inc.	Contractual	3/2016
Metro Operations	16-OPS-A05B - Attestation Agreed-upon Procedures	Parsons Brinkerhoff, Inc.	Contractual	3/2016
Metro Operations	16-OPS-A05C - Attestation Agreed-upon Procedures	Systems Consulting, LLC	Contractual	3/2016
Metro Operations	16-OPS-A05D - Attestation Agreed-upon Procedures	Information Design Consultants, Inc.	Contractual	3/2016
Metro Operations	16-OPS-A05E - Attestation Agreed-upon Procedures	Virginkar & Associates, Inc.	Contractual	3/2016
Metro Operations	16-OPS-A04A - Attestation Agreed-upon Procedures	LTK Engineering Services	Contractual	3/2016

<b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Metro Operations	16-OPS-A04B - Attestation Agreed-upon Procedures	Virginkar & Associates, Inc.	Contractual	3/2016
Metro Operations	16-OPS-A04C - Attestation Agreed-upon Procedures	CH2M Hill, Inc.	Contractual	3/2016
Metro Operations	16-OPS-A04D- Attestation Agreed-upon Procedures	Ramos Consulting Services, Inc.	Contractual	3/2016
Program Management	16-HWY-A01 - Attestation Agreed-upon Procedures	Guida Surveying, Inc.	Contractual	3/2016
Planning & Development	16-PLN-A21- Attestation Agreed-upon Procedures	RBF Consulting	Contractual	3/2016
Program Management	16-CON-A13 - Attestation Agreed-upon Procedures	Cityworks Design	Contractual	3/2016
Metro Operations	16-OPS-A06B- Attestation Agreed-upon Procedures	Elite Escalator, Inc.	Contractual	3/2016
Metro Operations	16-OPS-A06A- Attestation Agreed-upon Procedures	Mitsubishi Electric U.S. Inc.	Contractual	3/2016
Metro Operations	16-OPS-A06F - Attestation Agreed-upon Procedures	Elevators Etc.	Contractual	3/2016
Metro Operations	16-OPS-A06E - Attestation Agreed-upon Procedures	Excelsior Elevator Corporation	Contractual	3/2016
Metro Operations	16-OPS-A06C - Attestation Agreed-upon Procedures	Vintage Elevator Services, Inc.	Contractual	3/2016
Program Management	16-HWY-A02 - Attestation Agreed-upon Procedures	ACT Consulting Engineers, Inc.	Contractual	5/2016

<b>Contract Pre-Award Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Contractor</b>	<b>Requirement</b>	<b>Date Completed</b>
Program Management	16-HWY-A03 - Attestation Agreed-upon Procedures	Sarakki Associates, Inc.	Contractual	5/2016
Congestion Reduction	16-CEO-A04 - Attestation Agreed-upon Procedures	OZ Engineering, LLC	Contractual	5/2016
Congestion Reduction	16-CEO-A03B - Attestation Agreed-upon Procedures	Z3, Inc.	Contractual	5/2016
Congestion Reduction	16-CEO-A03A - Attestation Agreed-upon Procedures	IBI Group	Contractual	5/2016
Metro Operations	16-OPS-A10 - Attestation Agreed-upon Procedures	New Flyer of America, Inc.	Contractual	6/2016
Metro Operations	16-OPS-A09 - Attestation Agreed-upon Procedures	ARINC, Inc.	Contractual	6/2016
Planning & Development	16-PLN-A36A - Attestation Agreed-upon Procedures	TRC Solutions, Inc.	Contractual	6/2016
Planning & Development	16-PLN-A36B - Attestation Agreed-upon Procedures	GPA Consulting	Contractual	6/2016

## Appendix B

<b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Grantee</b>	<b>Requirement</b>	<b>Date Completed</b>
Program Management	15-PLN-A03 - Closeout	City of Westlake Village	Contractual	7/2015
Program Management	15-PLN-A04 - Closeout	City of Westlake Village	Contractual	7/2015
Planning & Development	14-PLN-A24 - Closeout	County of Los Angeles	Contractual	7/2015
Planning & Development	13-PLN-A20 - Closeout	County of Los Angeles	Contractual	7/2015
Planning & Development	14-PLN-A27 - Closeout	County of Los Angeles	Contractual	8/2015
Planning & Development	13-PLN-A18 - Closeout	City of Los Angeles	Contractual	8/2015
Planning & Development	13-PLN-A22 - Closeout	City of Calabasas	Contractual	8/2015
Planning & Development	14-PLN-A23 - Closeout	County of Los Angeles	Contractual	8/2015
Program Management	15-PLN-A28 - Closeout	City of Glendale	Contractual	9/2015
Planning & Development	14-PLN-A34 - Closeout	City of Los Angeles Department of Transportation	Contractual	11/2015
Planning & Development	13-PLN-A05A - Closeout	CH2M Hill, Inc.	Contractual	11/2015

<b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Grantee</b>	<b>Requirement</b>	<b>Date Completed</b>
Planning & Development	15-PLN-A33 - Closeout	Burbank-Glendale-Pasadena Airport Authority	Contractual	12/2015
Planning & Development	15-PLN-A32 - Closeout	City of Duarte	Contractual	12/2015
Program Management	15-CON-A12B - Closeout	DHS Consulting, Inc.	Contractual	12/2015
Program Management	15-CON-A12B - Closeout	ARCADIS U.S., Inc.	Contractual	12/2015
Program Management	15-CON-A12C - Closeout	EPC Consultants, Inc.	Contractual	12/2015
Program Management	15-CON-A12A - Closeout	ABA Global, Inc.	Contractual	12/2015
Program Management	15-PLN-A08 - Closeout	City of Los Angeles	Contractual	1/2016
Program Management	13-PLN-A19 - Closeout	Los Angeles County	Contractual	1/2016
Program Management	15-PLN-A20- Closeout	City of Montebello	Contractual	2/2016
Program Management	11-PLN-G05 - Interim	Caltrans	Contractual	2/2016
Program Management	15-PLN-A31 - Closeout	City of Agoura Hills	Contractual	3/2016

<b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Grantee</b>	<b>Requirement</b>	<b>Date Completed</b>
Program Management	15-PLN-A14 - Closeout	City of Westlake Village	Contractual	3/2016
Planning & Development	16-PLN-A01 - Closeout	Orangeline Development Authority	Contractual	5/2016
Planning & Development	16-PLN-A11 - Closeout	City of Azusa	Contractual	5/2016
Program Management	14-PLN-A10 - Interim	Caltrans	Contractual	5/2016
Planning & Development	16-PLN-A06 - Closeout	City of West Hollywood	Contractual	5/2016
Planning & Development	14-PLN-A25 - Interim	Los Angeles County	Contractual	5/2016
Program Management	15-PLN-A34 - Closeout	Caltrans	Contractual	5/2016
Program Management	16-PLN-A02 - Closeout	Caltrans	Contractual	5/2016
Planning & Development	14-PLN-A31- Closeout	City of Los Angeles	Contractual	6/2016
Planning & Development	16-PLN-A05 - Closeout	City of El Monte	Contractual	6/2016
Planning & Development	14-PLN-A02 - Closeout	City of Los Angeles	Contractual	6/2016

<b>Incurred Cost Audit FY 2016 - Audits Completed During Fiscal Year</b>				
<b>Area</b>	<b>Audit Number &amp; Type</b>	<b>Grantee</b>	<b>Requirement</b>	<b>Date Completed</b>
Planning & Development	15-PLN-A06 - Closeout	City of Los Angeles	Contractual	6/2016
Planning & Development	16-PLN-A03 - Closeout	City of Downey	Contractual	6/2016



## Appendix C

<b>Internal Audit FY 2016 - Audits Completed During Fiscal Year</b>			
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Date Completed</b>
Finance & Administration	10-ACC-F04 - Chart of Accounts	Verify that the Chart of Accounts adequately reflects the current business process and reporting needs.	7/2015
Metro Operations	13-OPS-P02 - Non-Revenue Vehicle Usage (Agencywide)	Evaluate efficiency and effectiveness of bus division non-revenue vehicle usage.	8/2015
Metro Operations	13-OPS-P06 - Contracted Bus Services	Evaluate the efficiency and effectiveness of contracted bus services contracts.	12/2015
Vendor / Contract Management	13-ADM-P01 - FP Process	Assess efficiency and effectiveness and timeliness of Procurement's RFP processes.	1/2016
Metro Operations	13-OPS-P04 - Operations KPI Audit	Evaluate the accuracy and completeness of Operations KPIs.	1/2016
Vendor / Contract Management	13-CEO-P01 - Cost Estimating Process	Assess efficiency and effectiveness and timeliness of Procurement's cost estimating process.	3/2016
Vendor / Contract Management	16-VCM-P02 - Annual Audit of Business Interruption Fund	Annual required audit of Business Interruption Fund program.	5/2016
Communications	16-COM-P01 - Audit of Special Fares Programs	Evaluate the effectiveness of internal controls over special fare programs.	6/2016

## Appendix D

<b>Internal Audit FY 2016 - Progress Towards Completing Audit Plan</b>			
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Estimated Date of Completion</b>
Vendor / Contract Management	13-ADM-O02 - Automated Storage and Retrieval System Phase I & II	Evaluate the adequacy of internal controls over the Automated Storage and Retrieval System (ASRS).	8/2016
Planning & Development	14-EDD-P01 - Real Estate Property Management Follow-up	Evaluate accuracy and completeness of tracking real estate properties in Real Property Management System.	8/2016
Agencywide	16-AGW-P03 - Overtime Usage	Evaluate the accuracy, efficiency and effectiveness of overtime usage.	9/2016
Vendor / Contract Management	12-ADM-I01 - Contract Information Management System	Assess the system implementation process to acquire, design, test and implement the Contract Information Management System that meets specific functionalities required by the MTA	9/2016
Finance & Budget	10-ACC-F01 - Accounts Receivable	Validate adequacy of current policies and procedures.	9/2016
Congestion Reduction	16-CEO-P02 - 511 follow-up audit	Follow Up on 511 audit.	9/2016
Metro Operations	16-OPS-P01 - Wayside System	Evaluate effectiveness of maintenance of the Rail track & signaling systems.	10/2016
Program Management	16-CON-P04 - Quality Assurance	Effectiveness and efficiency of quality assurance processes.	10/2016
Metro Operations	16-OPS-P02 - Rail Overhaul and Maintenance	Evaluate the efficiency and effectiveness of the Rail Overhaul and Refurbishment Program.	10/2016
Metro Operations	16-OPS-P03 Performance Audit of Accident Prevention Program	Evaluate effectiveness of accident prevention practices	10/2016
Vendor / Contract Management	16-VCM- P01 - Audit of P Card	Evaluate compliance to P-card purchase requirements.	10/2016

<b>Internal Audit FY 2016 - Progress Towards Completing Audit Plan</b>			
<b>Area</b>	<b>Audit Number &amp; Title</b>	<b>Description</b>	<b>Estimated Date of Completion</b>
Program Management	16-CON-P01 - Performance Audit of Indefinite Delivery / Indefinite Quantity (IDIQ) Type Contracts	Determine the efficiency and effectiveness of the administration of IDIQ Contracts.	11/2016
Metro Operations	16-OPS-P05 Performance Audit of Division Practices	Evaluate effectiveness of division management practices	11/2016
Program Management	12-CON-P03 - I-405 Follow-up	Verify if management's corrective actions from the prior audit were implemented and resulting in improvements.	12/2016
Program Management	10-CPC-K02 - Third Party Utility Relocation Agreement Efficiency	Assess the adequacy and effectiveness of the Third Party Utility Relocation.	12/2016

## Appendix E

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	11-OPS-006 - HASTUS	1	We recommend the Chief Operations Officer require the Scheduling department to: Upgrade to 2013 HASTUS and change their current practices to fully utilize the ATP module to calibrate route runtimes and trip-specific operational layover requirements to feed back into key scheduling processes.	6/30/2016	12/31/2016
2	Operations	11-OPS-006 - HASTUS	2	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all ATP features.	6/30/2016	12/31/2016
3	Operations	11-OPS-006 - HASTUS	3	We recommend the Chief Operations Officer require the Scheduling department to: Provide training on all AP features. a. Develop the requirements to utilize AVL data to supplement missing data from the APC. b. Customize the current ATP module to improve its functionality until the proposed 2013 upgrade can be accomplished.	6/30/2016	12/31/2016
4	Operations	11-OPS-006 - HASTUS	4	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the higher minimum of either 1) the United Transportation Union Labor Agreement, or 2) an operational minimum layover time.	6/30/2016	12/31/2016
5	Operations	11-OPS-006 - HASTUS	5	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Looking for opportunities to interline routes as a strategy for achieving a more cost effective solution.	6/30/2016	12/31/2016
6	Operations	11-OPS-006 - HASTUS	6	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Developing a more robust, realistic deadhead matrix and use the matrix during the vehicle blocking process to globally optimize its bus system schedules.	6/30/2016	12/31/2016
7	Operations	11-OPS-006 - HASTUS	7	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Defining the maximum number of vehicle groups possible for any given trip.	6/30/2016	12/31/2016
8	Operations	11-OPS-006 - HASTUS	8	We recommend the Chief Operations Officer consider utilizing more of HASTUS' Minbus module features by: Training Schedulers to use Minbus advanced features.	6/30/2016	12/31/2016
9	Operations	11-OPS-006 - HASTUS	11	We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions.	6/30/2014	12/31/2016
10	Operations	11-OPS-006 - HASTUS	12	We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts	6/30/2014	12/31/2016
11	Operations	11-OPS-006 - HASTUS	13	We recommend the Chief Operations Officer transition to HASTUS for scheduling rail service. The plan should include transition milestones and estimated completion dates.	6/30/2016	12/31/2016
12	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	4	Document existing procedures to improve internal control and oversight of grantees/sub-recipients	6/30/2015	6/30/2016
13	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	5	Activities at high risk for error and non-compliance should be identified and procedures documented for consistent implementation across all modes and project managers.	6/30/2015	6/30/2016
14	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	7	Proceed with development of grants management module in the FIS system.	12/31/2015	12/31/2016

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
15	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	8	Coordinate FIS module development with a more comprehensive grants management database system for tracking grants within the RGM Unit. Consider using a user-friendlier "Windows-based" environment for the grants management database.	12/31/2015	12/31/2016
16	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	9	Inventory and evaluate current "shadow systems" to help determine project manager requirements. This may provide useful information for the creation of a centralized database.	12/31/2015	12/31/2016
17	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	10	Develop protocols on who can update the data and how often.	12/31/2015	12/31/2016
18	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	11	Develop a high-level summary of grants for Metro executive staff and Board members based on their need for that information.	12/31/2015	12/31/2016
19	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	12	Consider revising its organizational structure to provide clearer definition of responsibilities, improved levels of supervision and review, and improved management control and oversight. One possible structure would be around the key functions or elements of grants management.	6/30/2015	6/30/2016
20	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	13	Develop teams around each of these key elements, with a supervisor responsible for managing and directing each team's activities.	6/30/2015	6/30/2016
21	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	19	Develop a process to ensure implementation of timely and appropriate corrective actions to address closeout activities such as final reporting, project closeouts and other events that affect the closeout process.	6/30/2015	12/31/2016
22	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	20	Designate an individual to serve as the grant closeout liaison.	6/30/2015	12/31/2016
23	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	21	Create a tool, such as an "Aging Report" to enable the liaison to quickly identify a critical event and to perform necessary updates to close the grant.	6/30/2015	12/31/2016
24	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	26	Inventory individual roles and responsibilities and develop procedures for transfer of knowledge and cross training of other team members.	6/30/2015	6/30/2016
25	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	27	Develop a process focused less on modal specialization and adopt a model whereby a greater number of team members are trained across a wider spectrum of activities and modes.	6/30/2015	6/30/2016
26	Planning & Development	13-PLN-P01 - Grants Management and Call for Projects	28	Establish formal training; verify that processes are consistent but sufficiently flexible to accommodate variations in managing grants and projects.	6/30/2015	6/30/2016
27	Congestion Reduction	12-HCP-P01 - Metro Freeway Service Patrol	3	Develop goals and objectives, and reinstitute performance measurements, for the oversight of the Metro Freeway Service Patrol Program	5/30/2016	
28	Information Technology	14-ADM-P01 - Mobile Devices	2	We recommend that the Chief Information Officer implement appropriate Mobile Device Management software to manage all mobile devices and enforce security	9/30/2015	10/31/2016
29	Information Technology	14-ADM-P01 - Mobile Devices	3	We recommend that the Chief Information Officer expand ITS wireless Device and Service policies and procedures to include written security requirements for mobile devices.	9/30/2015	10/31/2016

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
30	Information Technology	14-ADM-P01 - Mobile Devices	4	We recommend that the Chief Information Officer implement a device management platform that will provide adequate device level security controls.	9/30/2015	10/31/2016
31	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	1	We recommend the Executive Director, Maintenance, require Non-Revenue Fleet management to perform a one-time analysis to establish a baseline for the optimum fleet size for the non-revenue fleet based on mission needs, vehicle utilization, life cycle costs, etc.	11/30/2015	6/30/2016
32	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	2	We recommend the Executive Director, Maintenance, require Non-Revenue Fleet management to monitor the assignment and usage of non-revenue vehicles fleet.	11/30/2015	6/30/2016
33	Operations	13-OPS-P02 - Non-Revenue Vehicle Usage	5	We recommend the Executive Director, Maintenance direct Non-Revenue to customize the M3 Motor Pool application to improve its functionality to track and report overnight usage for all department pools.	11/30/2015	6/30/2016
34	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	6	We recommend the Executive Director, Employee and Labor Relations direct General Services to fully utilize M3 Motor Pool application to track and report overnight usage for General Services Pool vehicles.	9/30/2015	4/30/2016
35	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	7	We recommend the Executive Director, Employee and Labor Relations direct General Services to immediately cancel all unknown key card assignments.	9/30/2015	4/30/2016
36	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	8	We recommend the Executive Director, Employee and Labor Relations direct General Services to recertify all key card assignees and implement a process to manage key card assignments.	3/31/2016	
37	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	9	We recommend the Executive Director, Employee and Labor Relations direct General Services to update GEN 17 to provide specific guidelines for the assignment and use of complementary key cards.	6/30/2016	
38	Labor / Employee Relations	13-OPS-P02 - Non-Revenue Vehicle Usage	12	We recommend the Executive Director, Employee and Labor Relations direct General Services to provide training to TCU / Maintainers on GEN 16 requirements to overnight use of pool vehicles.	12/31/2015	4/30/2016
39	Operations	13-OPS-P06 - Contracted Bus Service	1	We recommend the Executive Director, Transportation, to require Contracted Services to: develop a Contract Monitoring System that includes but is not limited to: a. A Contract Administration Plan that specifies the performance outputs of the statement of work and describes the methodology to conduct monitoring or surveillance. The extent and frequency of monitoring activities should be based on an assessment of risk related to each contractor and the impact if the work is not performed adequately. b. Written policies and procedures that serve as a guide to ensuring consistent, high quality contract monitoring process. c. A centralized location for receiving and maintaining contractors' submittals and reports by utilizing Metro's existing web based SharePoint system.	10/31/2016	
40	Operations	13-OPS-P06 - Contracted Bus Service	3	We recommend the Executive Director, Transportation, to require Contracted Services to include in Policy and Procedures: a statement that documentation of decisions, requiring executive approval and authorization, be maintained. All modifications of contractual terms must be in writing and executed by the Contract Administrator, as the CEO's designee, in compliance with the contract.	10/31/2016	

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
41	Operations	13-OPS-P06 - Contracted Bus Service	4	We recommend the Executive Director, Transportation, to require Contracted Services to consult with County Counsel on their concerns regarding the liquidated damages provisions in the current contracts. Based on the outcome either reassess liquidated damages and collect amounts owed to Metro during the suspended period or issue contract amendments to change the liquidated damages provisions.	1/31/2016 (LATE)	
42	Operations	13-OPS-P06 - Contracted Bus Service	6	We recommend the Executive Director, Transportation, to require Contracted Services to develop procedures for monitoring contractors performance, including, but not limited to, spot checks, periodic inspections, random sampling of routine functions, based on the risk identified in the Contract Administration Plan and the analyses of contractors monthly submittals.	6/30/2016	
43	Operations	13-OPS-P06 - Contracted Bus Service	7	We recommend the Executive Director, Transportation, to require Contracted Services to develop a comprehensive checklist of review tasks for each procedure used to conduct the contractors review, document deficiencies identified and corrective actions taken.	6/30/2016	
44	Operations	13-OPS-P06 - Contracted Bus Service	12	We recommend the Executive Director of Transportation, require that Contracted Services follow-up variances and anomalies in KPI data and results with contractor to determine their cause and ensure that any necessary corrective actions have been implemented.	3/31/2016	
45	Operations	13-OPS-P06 - Contracted Bus Service	13	We recommend the Executive Director of Transportation, require that Contracted Services identify KPIs as measurements for contractors' performance within future contracts.	6/30/2016	
46	Operations	13-OPS-P06 - Contracted Bus Service	14	We recommend the Executive Director of Transportation, require that Contracted Services document follow-up of exceptions, cited in both CHP and QA inspection reports, and corrective actions taken.	5/31/2016	
47	Operations	13-OPS-P04 - Operations Key Performance Indicators	2	We recommend that the Chief Operations Officer works with ITS to determine whether the ATMS incident number can be carried over to the VAMS.	9/30/2016	
48	Operations	13-OPS-P04 - Operations Key Performance Indicators	3a	We recommend that the Chief Operations Officer explore the feasibility of capturing rail miles automatically, similar to the capture of bus mileage data, Fleetwatch System, by implementing a wireless access point on all rail cars. In the interim, require Rail Operations to fully utilize the ITS developed Web Application to semi-automate the collection of all Rail mileage data.	8/30/2016	
49	Operations	13-OPS-P04 - Operations Key Performance Indicators	4	We recommend that the Chief Operations Officer develops standard operating procedures (SOP) to require operations to notify M3 whenever there are codes updates/changes for failures that have been implemented in ATMS and are to be picked up by M3.	3/31/2016	
50	Operations	13-OPS-P04 - Operations Key Performance Indicators	5	We recommend that the Chief Operations Officer requires SPA to work with ITS to pull data directly from M3.	4/1/2016	
51	Operations	13-OPS-P04 - Operations Key Performance Indicators	6	We recommend that the Chief Operations Officer requires SPA to continue to work with ITS to develop a Business Intelligence software application that includes a customizable interface with the ability to pull data from multiple sources.	6/30/2017	

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
52	Operations	13-OPS-P04 - Operations Key Performance Indicators	7	We recommend that the Chief Operations Officer requires data owners to validate the data supporting KPIs for accuracy and completeness.	4/30/2016	
53	Operations	13-OPS-P04 - Operations Key Performance Indicators	8	We recommend that the Chief Operations Officer require that Executive Management adjust KPI targets and document the process used.	6/30/2016	
54	Program Management	13-CEO-P01 - Cost Estimating Process	1	We recommend that Estimating Management develop comprehensive policies and procedures that at a minimum should include: a) Clear definition of the role of the Cost Estimating department in the following areas: preparation of independent cost estimates including thresholds when the estimating department is responsible in preparing the cost estimates, review, validation and approval of cost estimates, involvement in budget planning phase b) Standard process and format including the requirement to use Work Breakdown Structure (WBS) to be used by consultants, contractors and internal staff.	3/31/2017	
55	Program Management	13-CEO-P01 - Cost Estimating Process	2	Communicate the policies and procedures to staff, consultants and users.	3/31/2017	
56	Program Management	13-CEO-P01 - Cost Estimating Process	3	Evaluate resources to meet the role and responsibilities of cost estimating department.	3/31/2017	
57	Program Management	13-CEO-P01 - Cost Estimating Process	4	Collaborate with procurement and program management in revising the naming convention on policies and procedures.	3/31/2017	
58	Program Management	13-CEO-P01 - Cost Estimating Process	5	We recommend that Estimating Management evaluate the training needs for estimating staff based on the changes of agency's risk, and ensure knowledge is transferred as staff retired.	3/31/2017	
59	Program Management	13-CEO-P01 - Cost Estimating Process	6	Based on the training need assessment, evaluate the required resources for training and develop a training program.	3/31/2017	
60	Program Management	13-CEO-P01 - Cost Estimating Process	7	Consider adding the training requirements in the policy and procedures.	3/31/2017	
61	Program Management	13-CEO-P01 - Cost Estimating Process	8	We recommend that Estimating Management provide estimating guidelines and formats when utilizing two independent estimates, so that they may be compared productively. Guidelines should be developed that cover estimating approach, methodology, Work Breakdown Structures (WBS) and cost account structure.	3/31/2017	
62	Communications	16-COM-P01 - Special Fares Programs	1	We recommend that the Customer Programs and Services Department encourage walk-in customers to submit application form for permanent card. For those who still do not turn in application form, require them to complete a temporary card request form "short form" which will serve as a record for the customer who was issued temporary cards on that day. This form can be useful in reconciling the number of issued temporary cards by customer representatives to the records collected for the day. Customer information on the "short form" can also be used to assess the reasonableness of cards issued to customers.	8/1/2016	
63	Communications	16-COM-P01 - Special Fares Programs	2	We recommend that the Customer Programs and Services Department reconcile the number of all issued temporary cards by the customer representatives against number of records retained such as applications received for permanent card, temporary card requests, and card replacements on a daily basis.	8/1/2016	



Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
64	Communications	16-COM-P01 - Special Fares Programs	3	We recommend that the Customer Programs and Services Department periodically monitor records of walk-in customers from short forms collected for any potential abuse (i.e. customer seems to be back every few weeks for temporary cards but never turn in application for permanent card).	8/1/2016	
65	Communications	16-COM-P01 - Special Fares Programs	4	We recommend that the Customer Programs and Services Department implement an independent review to reconcile the total processing fees collected and the application forms received on a daily basis by the customer representatives to help ensure all cash collected from the customers are accounted and recorded.	9/1/2016	
66	Communications	16-COM-P01 - Special Fares Programs	5	We recommend that the Customer Programs and Services Department establish a mandatory independent review of Reduced Fare application eligibility approvals processed by the Customer Service Agents.	9/1/2016	
67	Communications	16-COM-P01 - Special Fares Programs	6	We recommend that the Customer Programs and Services Department rotate the independent reviewer(s) periodically.	9/1/2016	
68	Communications	16-COM-P01 - Special Fares Programs	7	We recommend that the Customer Programs and Services Department improve the document retention process so the batched eligibility documents are easily accessible.	9/1/2016	
69	Communications	16-COM-P01 - Special Fares Programs	8	We recommend that the Customer Programs and Services Department collaborate with TAP operation to explore feasibility of system enhancement to allow the eligibility supporting documentation along with the application form to be stored electronically.	9/1/2016	
70	Communications	16-COM-P01 - Special Fares Programs	9	We recommend that the Customer Programs and Services Department retain the hardcopy eligibility supporting documentation in storage for minimum of one year until electronic system implementation is completed.	9/1/2016	
71	Labor / Employee Relations	16-COM-P01 - Special Fares Programs	10	We recommend that the HR department to identify the cardholders immediately for the missing 3,019 active cards, or deactivate Metro Employee TAP Cards that are not linked to a current Metro employee.	7/31/2016	
72	Labor / Employee Relations	16-COM-P01 - Special Fares Programs	11	We recommend that the HR Department maintain an inventory log to record the receipts and distribution of the Metro employee cards, and perform physical count periodically to ensure the log reconciles with the inventories on hand.	7/31/2016	
73	Finance & Budget	16-COM-P01 - Special Fares Programs	12	We recommend that the TAP Operations retain inventory request forms and receipts issued by HR to establish the accountability for the cards physically transferred to HR.	7/31/2016	
74	Labor / Employee Relations & Finance & Budget	16-COM-P01 - Special Fares Programs	13	We recommend that the HR Department and TAP Operations collaborate periodically (at least annually) to reconcile the lists of active Metro Employee TAP cards and current Metro employees to ensure all active cards are assigned to current Employees.	7/31/2016	
75	Communications	16-COM-P01 - Special Fares Programs	14	We recommend the Communications Department recalculate the level of service annually at contract renewal to ensure proper program pricing to our customers.	3/31/2017	
76	Communications	16-COM-P01 - Special Fares Programs	15	We recommend the Communications Department to maintain an accurate count of authorized/issued B-TAP cards, and reconcile the count against the list of active B-TAP cards periodically to help ensure all active B-TAP cards have been paid and authorized for issue.	9/30/2016	

Open Audit Recommendations						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
77	Communications	16-COM-P01 - Special Fares Programs	16	We recommend the Communications Department to implement a formal detailed review where the price is recalculated and employment status is verified for accuracy on a sample basis. This review should be performed periodically by individual(s) independent of the sales team to assess the reasonableness, eligibility and accuracy of the customer data and program pricing.	3/31/2017	
78	Communications	16-COM-P01 - Special Fares Programs	17	We recommend the Communication Department to define roles and responsibilities, and implement adequate control to ensure that I-TAP Program meets its purpose and requirements.	9/30/2016	
79	Communications	16-COM-P01 - Special Fares Programs	18	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making in the continuation of the pilot programs.	9/30/2016	
80	Communications	16-COM-P01 - Special Fares Programs	19	We recommend the Communications Department to define the program ownership, and clarify the roles and responsibilities to ensure the program performance is monitored and evaluated.	3/31/2017	
81	Communications	16-COM-P01 - Special Fares Programs	20	We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making.	3/31/2017	
82	Communications	16-COM-P01 - Special Fares Programs	21	We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement.	3/31/2017	
83	Communications	16-COM-P01 - Special Fares Programs	22	We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance.	3/31/2017	
84	Communications	16-COM-P01 - Special Fares Programs	23	We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements.	3/31/2017	
85	Communications	16-COM-P01 - Special Fares Programs	24	We recommend the Communications Department to implement periodic review (at least annually) of YOTM cardholders to ensure their eligibility.	3/31/2017	
86	Communications	16-COM-P01 - Special Fares Programs	25	We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management.	3/31/2017	
87	Communications	16-COM-P01 - Special Fares Programs	26	We recommend the Communications Department to revisit the program purpose and assess the pricing model to generate the optimal program revenue.	3/31/2017	



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File #: 2016-0578, File Type: Informational Report

Agenda Number: 7.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
AUGUST 17, 2016**

**SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2015**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the **Consolidated Audit financial and compliance audit reports** completed by Vasquez and Company (Vasquez) and Simpson and Simpson, CPA's (Simpson & Simpson) for the Fiscal Year ending June 30, 2015.

**ISSUE**

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

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

- Measure R Local Return Program;
- Proposition 1B funds;
- Transportation Development Act (TDA) Article 3 and Article 8 Programs;
- Proposition A and Proposition C Local Return Programs;
- Proposition A Discretionary Incentive Program;
- Regional Transit Systems Operating funds and Measure R Operating and Clean Fuel Bus funds for the cities of Commerce, Redondo Beach and Torrance;
- Metrolink Program;
- EZ Transit Pass Program;
- Immediate Needs Transportation Program (INTP);
- Riders Relief Transportation Program (RRTP); and
- Support for Homeless on Re-Entry Program (SHORE).

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

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

## **DISCUSSION**

### Local Return

Vasquez and Simpson & Simpson found that the Cities and County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2015. The audit results were presented to the Measure R Independent Taxpayer Oversight Committee (MRITOC) and the Independent Citizen's Advisory and Oversight Committee (ICAOC) on March 10, 2016 and January 12, 2016, respectively. Public Hearings for MRITOC and ICAOC were also conducted to receive public input on April 18 and 19, 2016, respectively.

The auditors found that the cities and Los Angeles County generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, they did find 17 instances of non-compliance representing a 53% reduction from the 32 findings noted in the previous year. Questioned costs totaling \$1.5 million represents approximately 1% of the total funds reviewed. All of the findings have been resolved. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

### Non-Local Return

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; seven findings for the TDA Article 3 program and seven for the EZ Transit Pass Program, all of which were resolved during the audit. Four compliance findings were also identified for the INTP (2), RRTP (1) and SHORE (1) programs which had no impact on the funds Metro distributes for these programs.

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

For the audit reports issued by Vasquez, please visit:

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[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0578/2%20Vasquez%20Final%20Reports/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0578/2%20Vasquez%20Final%20Reports/)

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

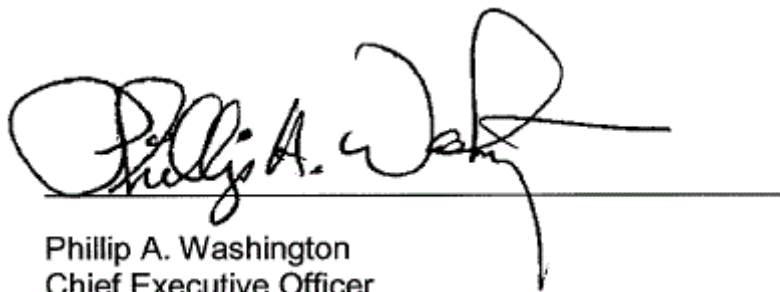
[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0578/1%20Simpson%20Final%20Reports/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0578/1%20Simpson%20Final%20Reports/)

## **ATTACHMENTS**

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

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

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



Phillip A. Washington  
Chief Executive Officer



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

An Independently Owned Member  
**McGLADREY ALLIANCE**



**Vasquez**  
**& Company LLP**  
Certified Public Accountants and Business Consultants

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES	1
Summary of Compliance Findings	4
Schedule 1 – Summary of Measure R Audit Results	5
Schedule 2 – Schedule of Findings and Questioned Costs	22

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

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

**Report on Compliance**

We have audited the compliance of the Forty-nine (49) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2015 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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



## ***Opinion***

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2015.

## ***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 #2015-001 through #2015-005. Our opinion is not modified with respect to these matters.

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2015-002 and #2015-003, that we consider to be material weaknesses.

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

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

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

**Los Angeles, California**  
**December 16, 2015**

**Los Angeles County Metropolitan Transit Authority  
 Summary of Compliance Findings  
 Fiscal Year Ended June 30, 2015**

The audits of the 49 cities identified in Schedule 1 have resulted in 5 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding No. Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended without LACMTA's approval	3	La Verne (#2015-002) Lancaster (#2015-003) Whittier (#2015-005)	\$ 301,778 263,387 114	\$ 301,778 263,387 114
Expenditure Plan (Form One) was not submitted timely	1	Hawaiian Gardens (#2015-001)	-	-
Expenditure Report (Form Two) was not submitted on time.	1	Palos Verdes Estates (#2015-004)	-	-
<b>Total Findings and Questioned Costs</b>	<b>5</b>		<b>\$ 565,279</b>	<b>\$ 565,279</b>

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**

<b>Compliance Area Tested</b>	<b>Alhambra</b>	<b>Arcadia</b>	<b>Artesia</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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(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
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Burbank</b>	<b>Cerritos</b>	<b>Claremont</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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
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Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Covina</b>	<b>Diamond Bar</b>	<b>Downey</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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
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Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Compliant

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Duarte</b>	<b>El Segundo</b>	<b>Glendale</b>
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable



**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Glendora</b>	<b>Hawaiian Gardens</b>	<b>Hermosa Beach</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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	<b>Finding #2015-001</b>	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>La Canada- Flintridge</b>	<b>La Habra Heights</b>	<b>La Mirada</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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
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Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

Compliance Area Tested	La Verne	Lakewood	Lancaster
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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	<b>Finding #2015-002</b>	Compliant	<b>Finding #2015-003</b>
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Not applicable
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Lomita</b>	<b>Long Beach</b>	<b>Los Angeles</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Manhattan Beach</b>	<b>Monrovia</b>	<b>Norwalk</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

Compliance Area Tested	Palos Verdes		
	Palmdale	Estates	Paramount
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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	<b>Finding #2015-004</b>	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Pasadena</b>	<b>Rancho Palos Verdes</b>	<b>Redondo Beach</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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Rolling Hills</b>	<b>Rolling Hills Estates</b>	<b>San Dimas</b>
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable



**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

Compliance Area Tested	San Gabriel	San Marino	Santa Clarita
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
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Sierra Madre</b>	<b>Signal Hill</b>	<b>South Pasadena</b>
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Temple City</b>	<b>Torrance</b>	<b>West Covina</b>
Funds were expended for transportation purposes.	Not applicable	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Whittier</b>
Funds were expended for transportation purposes.	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant
Verification that funds were expended with LACMTA's approval.	<b>Finding #2015-005</b>
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant
Timely use of funds.	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2015**

<b>Finding #2015-001</b>	<b>Hawaiian Gardens</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 15, 2014, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is submitted on time.
Effect	Form One was not submitted on time as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One is submitted by August 1 as required by the Guidelines.
Management Response	The City had a transition of the Finance Director position with multiple consultants filling the role during the 2013-2014 and 2014-2015 fiscal years. The position has now been filled with a full time employee. As part of the effort to ensure these deadlines are not missed a calendar for the Finance department has been developed that can be used by staff to monitor dates for submission of the forms even if another staff transition occurs.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-002</b>	<b>City of La Verne</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for Project code 01-002 Street Repairs and Maintenance – Old Ranch Road Area ARAM project totaling \$301,778 with no prior approval from LACMTA.</p> <p>Although, this project was previously approved in FY 2014, the City was still required to submit Form One for FY 2015, carry over the budget, and have it approved prior to spending the money.</p> <p>LACMTA Program Manager granted retroactive approval of the said project on December 15, 2015.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$301,778 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The Project code 01-002 was originally submitted and approved in FY 2013/14. Our Public Works Director was under the belief that once the funds were approved and encumbered in FY 2013/14 that he did not need to include the project in the FY2014/15 Form One. We have submitted another Form One to LACMTA and Project 01-002 is included in this Form One for FY2014/15. We received approval for the Form One from MTA on December 15, 2015.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on December 15, 2015. No additional follow up is required.</p>

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-003</b>	<b>City of Lancaster</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the purchase of the Avalanche Sweeper totaling \$263,387 with no prior approval from LACMTA.</p> <p>Although, this project was previously approved in FY 2014, the City was still required to submit Form One for FY 2015, carry over the budget, and have it approved prior to spending the money.</p> <p>LACMTA Program Manager granted retroactive approval of the said project on December 14, 2015.</p>
Cause	The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.
Effect	The City claimed expenditures totaling \$263,387 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.
Management Response	We recognize that it should have also been on our FY 2014/15 budget approval (not just FY 2013/14) and accept the audit finding. We are in the process of revising our procedures and making some personnel changes in order to avoid this happening in the future.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 14, 2015. No additional follow up is required.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-004</b>	<b>City of Palos Verdes Estates</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on November 13, 2015, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form Two is filed on time.
Effect	Form Two (Expenditure Report) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form Two (Expenditure Report) is submitted by October 15 as required by the Guidelines.
Management Response	At the end of FY 2015 the City lost two and a half long term staff members. As the department has a total of 4.5 FTE positions, that was over half the department. The duties of the departed staff were highly segregated and not well known to the remaining and newly hired staff. The City will work toward developing its remaining and new staff to be able to complete all required forms in a timely manner.



**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-005</b>	<b>City of Whittier</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for Project code 1.05 Palm Ave. Street Repairs project totaling \$114 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for MRLRF funding, this project had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$114 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The Palm Avenue project was listed as pending in the submittal to Metro due to the continued delay of waiting for the utility work to move forward. Measure R funds were already programmed in the City budget for the project and have submitted the Form One to Metro on July 20, 2015 for FY 2015/16 program year.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on December 14, 2015. No additional follow up is required.</p>



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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, 2015**



**Los Angeles County Metropolitan Transportation Authority  
Measure R Consolidated Audit Report  
Fiscal Year Ended June 30, 2015**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES	1
Summary of Compliance Findings	4
Schedule 1 – Summary of Measure R Audit Results	5
Schedule 2 - Schedule of Findings and Questioned Costs	18



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

### Report on Compliance

We have audited the compliance of the thirty-eight (38) 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, 2015 (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 County's management.

### *Auditor's Responsibility*

Our responsibility is to express opinions on the Cities' and 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; 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.



### ***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, 2015.

### ***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 #2015-001 through #2015-012. 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 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 we consider to 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 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding #2015-012 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 Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings #2015-004 and #2015-009 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 black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
December 28, 2015

**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2015**

The audit of the thirty-eight (38) Cities and the County of Los Angeles has resulted in 12 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
No adequate evidence that funds were expended for transportation purposes	4	Huntington Park (#1) Lawndale (#2) Rosemead (#3) South El Monte (#4)	\$ 8,282 \$ 1,872 \$ 92 \$ 14,798	None None None None
Funds were expended without LACMTA's approval	5	Compton (#5) Cudahy (#6) Monterey Park (#7) San Fernando (#8) South El Monte (#9)	\$ 798,683 \$ 710 \$ 12,491 \$ 23,254 \$ 3,064	\$ 798,683 \$ 710 \$ 12,491 \$ 14,159 \$ 3,064
Expenditure Plan (Form One) was not submitted timely	1	Calabasas (#10)	None	None
Expenditure Report (Form Two) was not submitted timely	1	Hidden Hills (#11)	None	None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	1	Huntington Park (#12)	\$ 63,034	\$ 63,034
<b>Total Findings and Questioned Cost</b>	<b>12</b>		<b>\$ 926,280</b>	<b>\$ 892,141</b>

Details of the findings can be found in Schedule 2.



**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**

<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
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(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
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Calabasas</b>	<b>Carson</b>	<b>Commerce</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	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	<b>#2015-010</b>	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(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
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	<b>#2015-005</b>	<b>#2015-006</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>El Monte</b>	<b>Gardena</b>	<b>Hawthorne</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Hidden Hills</b>	<b>Huntington Park</b>	<b>City of Industry</b>
Funds were expended for transportation purposes	Compliant	#2015-001	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	#2015-011	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	#2015-012	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(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
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Lawndale</b>	<b>Los Angeles County</b>	<b>Lynwood</b>
Funds were expended for transportation purposes	<b>#2015-002</b>	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Malibu</b>	<b>Maywood</b>	<b>Montebello</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	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Monterey Park</b>	<b>Pico Rivera</b>	<b>Pomona</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	<b>#2015-007</b>	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Rosemead</b>	<b>San Fernando</b>	<b>Santa Fe Springs</b>
Funds were expended for transportation purposes	<b>#2015-003</b>	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	<b>#2015-008</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Santa Monica</b>	<b>South El Monte</b>	<b>South Gate</b>
Funds were expended for transportation purposes	Compliant	<b>#2015-004</b>	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	<b>#2015-009</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(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
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Not Applicable
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2015**

<b>Finding #2015-001</b>	<b>City of Huntington Park</b>
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
Condition	During our audit of the local funds, we noted that the City did not reverse the prior year's accounts payable for the MRLRF in fiscal year 2014-15. As such, the current year's expenditures were overstated by \$8,282 for MRLRF. Subsequent to our inquiries, the City prepared a journal entry to correct the expenditures and the accounts payable balances of the fund under audit.
Cause	There appears to be a lack of adequate controls over financial reporting and the accounts payable reconciliation.
Effect	Accounts payable that was not reversed in the subsequent year leads to over-reporting the program expenditures in the following fiscal year.
Recommendation	The City should update its internal accounting controls to ensure that appropriate procedures are in place to reconcile year-end accounts payable of all LRF balances in a timely manner. The City should also revise and resubmit the Form C and Form II to reflect the adjustments made for the project costs.
Management's Response	The City Staff will work more diligently to make sure Account Payable is correctly balanced, thus insuring proper reporting.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-002</b>	<b>City of Lawndale</b>
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	<p>During our review of payroll salary expenditures, we noted that four (4) positions were partially funded by the Measure R Local Return Fund (MRLRF). The allocation percentages claimed to the fund were not supported by timesheets certified by the employees or a cost allocation with verifiable data. Through our inquiry with the City's Accounting Manager, the basis of the allocation percentages were based on annual budget (predetermined). The total questioned costs are \$1,872.</p> <p>This is a repeated finding of FY 2014; however, corrective actions were taken and a new timekeeping system was implemented to track the actual hours worked on the local return funds starting October 2014.</p>
Cause	During the first few months of FY 2014-15, the Public Works Director position was vacant causing a lack of oversight of timesheets. It was overlooked until October 2014, when the Payroll Staff noticed that timesheet verification was lacking and corrective action was not taken.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF.
Recommendation	We do not have any recommendation since the City has implemented a timekeeping system to ensure salaries and related fringe benefits are supported by adequate documentation (i.e. activity report, timesheet, or time study) as of October 2014.
Management's Response	Management agrees with the finding that certain Public Works employees timesheets were on the allocation basis and not actual. October 2014 corrective action was taken so all employees' time was based on actual hours worked.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-003</b>	<b>City of Rosemead</b>
Compliance Reference	According to the Measure R Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based on estimated percentage of actual salaries, determined by the City to be attributable to the funds for the period 7/1/2014 through 1/4/2015. The payroll charges are supported by timesheets; however, actual timesheet documentation did not accurately equal the estimated percentages used to allocate the employee' salaries to the local return fund for the period 7/1/2014 through 1/4/2015. Some pay periods are over the estimates and some are under the estimates. No true-up of the estimates was done at the end of the fiscal year. There was a total of 23 employees tested where the hours on the timesheet did not equal the estimated percentages. Total questioned costs are \$92.
Cause	The City uses its best estimate of percentage of its employees' salaries to determine its payroll charges to the MRLRF. Actual timesheets filled out by employees may or may not equal the estimates used by the City's payroll system to automatically charge the local return fund.
Effect	Insufficient supporting documentation (activity report, timesheets, and/or time study) to substantiate the charges for "Direct Administrative" could result in disallowed costs claimed to the MRLRF.
Recommendation	We recommend that the City periodically reconcile estimates (charged hours) to the timesheet hours and record the required adjustments to reflect actual hours.
Management's Response	The City will meet with staff under the Bus Shelter Maintenance department to reinforce the procedures for tracking time on these programs.



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-004</b>	<b>City of South El Monte</b>
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), “Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines” and “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation.”
Condition	<p>In order to ensure the propriety of expenditures being charged to the Measure R Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, vouchers, or other official documentation, evidencing in proper detail, the nature of the charges.</p> <ol style="list-style-type: none"> <li>1. The City reimbursed Arroyo Strategy Group (Consultant) for various expenses including Outreach Education program expenses, website creation and upgrades, two extra nights at a hotel for a conference in the amount of \$14,798. The City charged these reimbursements to LACMTA’s approved SR Coalition Work project for the Measure R Local Return Fund. The Contract between the City of South EL Monte and Arroyo Strategy Group (Consultant), states that the “Consultant shall not be reimbursed for any expenses unless it receives prior written authorization from the City Council.” We requested but the City did not provide us with the evidence of Prior Written Authorization for these cost reimbursements.</li> <li>2. In addition, we noted that some reimbursements did not have proper documentation such as receipts, timesheets or a basis for the charges. Of the \$14,798 reimbursements, \$12,563 did not have proper documentation.</li> </ol>
Cause	The City ascertains that the various expenditures by the Consultant were covered under the Professional Services Agreement (PSA) Exhibit A under “Assist in the Advocacy of the SR-60 Alternative of the Eastside Goldline Corridor Phase II” and “Other tasks there onto assigned.” Because these expenditures were named in the Scope of Work, the City did not treat these expenditures as “Reimbursements” which require prior written approval by the City.
Effect	The reimbursements without proper supporting documentation and/or prior written authorization resulted in questioned costs of \$14,798.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2015  
 (Continued)**

<b>Finding #2015-004</b>	<b>City of South El Monte (Continued)</b>
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$14,798. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation and properly authorized so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.</p>
Management's Response	<p>The City will amend all Professional Services Agreement (PSA) to reflect a more detailed explanation of the services encompassed by any use of Measure R funds. In addition, the PSA will also amend the language to clarify what "Reimbursable Expenses" includes and the process to differentiate between reimbursable and non-reimbursable expenses. Also, the City Council will approve a resolution authorizing specific authorization of approval for the City Manager as it pertains to the expenditures of Measure R Funds. Each assignment listed in Exhibit A of the Professional Service Agreement will only need to be approved by the City Manager upon the Execution of said Resolution.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-005</b>	<b>City of Compton</b>
Compliance Reference	<p>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:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	The expenditures for MRLRF’s Administration project in the amount of \$798,683 were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the MRLRF project on November 24, 2015.
Cause	The Public Works department unintentionally did not include Fund Administration as a line item in the budget request from MTA.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF project is incurred without LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects.
Management’s Response	The City received approval subsequently on November 24, 2015. However, in the future the Public Works department will ensure they receive approval for MRLRF Fund Administration prior to expending the funds.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the MRLRF project on November 24, 2015. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-006</b>	<b>City of Cudahy</b>
Compliance Reference	<p>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:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	The expenditures for MRLRF’s Administration project in the amount of \$710 were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the MRLRF project on October 7, 2015.
Cause	The City did not anticipate administrative expenditures during fiscal year 2014-15 for MRLRF. Therefore, the City did not include a request for approval for the project in the Annual Project Update Form (Form I) submitted to LACMTA on July 31, 2014. However, the City failed to submit a Form I for the project when the audit fee in the amount of \$710 was allocated to the fund in April 2015.
Effect	The City did not comply with the Guidelines when expenditure for MRLRF project is incurred without LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects.
Management’s Response	The City will ensure that the Administration Cost is included in Form I for Measure R when budget is submitted to Metro.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the MRLRF project on October 7, 2015. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-007</b>	<b>City of Monterey Park</b>
Compliance Reference	<p>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:</p> <p>Verification that funds were expended with Metro’s Approval.”</p>
Condition	<p>The expenditures for the Measure R Transportation Services project in the amount of \$12,491 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on October 6, 2015.</p>
Cause	<p>Form R forms have Macros built into the spreadsheets that sometimes do not function properly with City software. While the project code 1.05, Localized Pavement Repairs, was identified in the Form One budget, costs associated for that project were inadvertently left out.</p>
Effect	<p>The expenditures for Measure R Local Return programs were incurred prior to LACMTA’s approval. Incurred expenditures prior to LACMTA’s approval resulted in questioned costs of \$12,491.</p>
Recommendation	<p>We recommend the City establish procedures to ensure that 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.</p>
Management’s Response	<p>Staff will revise the mapping spreadsheet to incorporate the budget expenditures in order to identify discrepancies with the actual expenditures prior to submittal to MTA. In addition, a review will be properly done by both Program and Finance personnel to ensure proper data submittal.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the MRLRF project on October 6, 2015. No additional follow up is required.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-008</b>	<b>City of San Fernando</b>
Compliance Reference	<p>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:</p> <p>Verification that funds were expended with Metro’s Approval.</p>
Condition	<p>The project expenditures for project codes 1.90 and 7.90 funded by Measure R totaling \$14,159 and \$9,095 respectively, were incurred without an approval from LACMTA. Total questioned costs are \$23,254.</p>
Cause	<p>The City represented to us that the expenditures for project codes 1.9 and 7.90 were budgeted under project code 1.05 in the amount of \$592,000 and was approved in the Form 1. However, when preparing the Form II, the City separated the project codes in accordance with the Guidelines.</p> <p>The City was granted a subsequent approval for project code 1.90 by LACMTA on December 15, 2015. Expenditure for project code 7.90 was not subsequently approved by LACMTA.</p>
Effect	<p>The expenditures for Measure R Local Return programs were incurred prior to LACMTA’s approval and incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.</p>
Recommendation	<p>We recommend the City establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1<sup>st</sup> so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines. The City should prepare a journal entry to transfer funds from the general fund to reimburse the Measure R for the disapproved project cost.</p> <p>We also recommend the City return the unapproved project expenditure of \$9,095 to LACMTA.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

Finding #2015-008	City of San Fernando (Continued)
Management's Response	<p>The City maintains that Form One was properly prepared and submitted prior to August 1<sup>st</sup> and fiscal year 2014-2015 expenditures were in accordance with Metro's approval. The original Metro approved budget included \$592,000 in Street and Roads expenditures, classified broadly using Sub-category 1.05 – Street Repair and Maintenance.</p> <p>The revised budget, submit during the fiscal year in which the funds were expended, included a total of \$34,278 in expenditures using more defined expenditure categories, including \$25,000 in Streets and Roads expenditures, Sub-category 1.20 – Consulting Services/Professional Services; and \$9,278 in Transportation Administration, Sub-category 8.10 – Fund Administration. As the City understands the guideline referenced above, the funds were expended with Metro's approval. Metro approved \$592,000 for Streets and Roads under the broad Sub-category of Street Repair and Maintenance.</p> <p>Of the \$23,254 in questioned costs, \$14,159 was reported using a more defined Sub- category under the originally approved Streets and Roads category. The remaining \$9,095 in questioned costs were reported under the Transportation Administration Category to better reflect actual activity during the year. We concur that all activities funded by Measure R Local Return must be accurately reported; however, it is also required to be preapproved by MTA. In an effort to make reporting as accurate as possible, staff reported expenses using more detailed codes rather than the broad codes approved in the budget. Going forward, staff will ensure that the same codes used for budgeting purposes will be used for reporting purposes.</p> <p>Additionally, City staff responsible for management and reporting of the Measure R Local Return Program attended training on July 22, 2015, to ensure that expenditures of the Measure R Local Return Funds will continue to be in accordance with Metro's approval and program Guidelines.</p>
Finding Corrected During the Audit	<p>Out of the \$23,254 questioned costs, LACMTA Program Manager partially granted retroactive approval of project codes 1.9 in the amount of \$14,159 on December 15, 2015.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-009</b>	<b>City of South El Monte</b>
Compliance Reference	<p>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:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	<p>The expenditures for the Measure R Administration project in the amount of \$3,064 were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the MRLRF project on October 15, 2015.</p> <p>This is a repeated finding of FY 2014.</p>
Cause	<p>The Grants Coordinator of the Finance Department has been catching up on her duties since she was on an extended leave of absence due to illness. There were instances, such as that identified in finding, that lead to documents being submitted late to entities. The Grants Coordinator of the Finance Department has trained the Accountant of the Department to avoid issues such as mentioned in this finding.</p>
Effect	<p>The City did not comply with the Guidelines when the expenditures for MRLRF project were incurred without LACMTA’s approval.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management’s Response	<p>The City will continue to monitor its program to ensure that the expenditures for projects/programs have been prepared correctly and submitted to LACMTA on a timely manner to ensure the expenditures are approved by LACMTA prior to incurring the cost.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the MRLRF project on October 15, 2015. No additional follow up is required.</p>



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-010</b>	<b>City of Calabasas</b>
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "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, 2014 deadline for submission of Form One. However, the City submitted the Form One on September 23, 2014.
Cause	During the transition period of hiring a new staff, the previous employee did not inform the supervising staff the reporting deadline for the submission of Form One to Metro.
Effect	The City's Form One was not submitted timely.
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 to retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner.
Management's Response	Besides the City employee who is responsible for submitting the Form One, the supervising staff is also aware of the required forms and their due dates to ensure that the City does not miss the LACMTA reporting deadlines in the future.

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2015  
(Continued)**

<b>Finding #2015-011</b>	<b>City of Hidden Hills</b>
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not submit Form Two to LACMTA until November 17, 2014.
Cause	The condition was due to oversight of the City's management.
Effect	The City's Form Two were not submitted timely.
Recommendation	The City should establish procedures to ensure that Form Two be submitted timely.
Management's Response	The City will make a better effort to file in a timely manner.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-012</b>	<b>City of Huntington Park</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section A.II. 8, "The administrative expenditures for any year shall not exceed twenty percent (20%) of the total local return annual expenditures."
Condition	The City's administrative expenditures exceeded more than twenty percent of its total Measure R local return annual expenditures in the amount of \$63,034. Subsequently, the City transferred \$63,034 to its Measure R Local Return account on December 23, 2015.
Cause	The condition was due to oversight of the City's management.
Effect	The City's MRLRF administrative expenditures exceeded 20 percent of its local return annual expenditures and the City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned costs of \$63,034.
Recommendation	We recommend that the City establish procedures and controls to ensure that administrative expenditures are within the 20% cap of the MRLRF's total annual expenditures.
Management's Response	City staff will work more diligently to adhere to the Metro approved budget which includes but not limited to tracking expenditures and monitoring compliance to City Budget as well.
Finding Corrected During the Audit	The City subsequently transferred \$63,034 to its Measure R Local Return account on December 23, 2015. No additional follow up is required.

**Board Report**

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**File #:** 2016-0504, **File Type:** Resolution**Agenda Number:** 8.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
AUGUST 17, 2016****SUBJECT: WESTSIDE PURPLE LINE EXTENSION PROJECT SECTION 2****ACTION: ADOPT A RESOLUTION AUTHORIZING EXECUTION OF AGREEMENT RELATED TO A TIFIA LOAN****RECOMMENDATION**

ADOPT a resolution, Attachment A, authorizing the Chief Executive Officer and other Authorized Officers to negotiate and execute the **loan agreement and related documents between LACMTA and the U.S. Department of Transportation related to a \$307.0 million Transportation Infrastructure Finance and Innovation Act loan** for the Westside Purple Line Extension Project Section 2.

**(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE.)**

**ISSUE**

The TIFIA loan documents are expected to be ready for execution as early as September, allowing LACMTA to potentially secure attractive loan rates at that time.

**DISCUSSION**

Securing the loan's fixed interest rate as soon as the documents are finalized with U.S. Department of Transportation (USDOT) will provide a hedge against any rise in interest rates during the subsequent several years we would have to draw on the loan. The Transportation Infrastructure Finance and Innovation Act (TIFIA) loan will bear interest at a fixed rate that is set on the day the loan is executed. The interest rate is based on the yield of the U.S. Treasury security of comparable final maturity as our loan, plus one basis point (0.01%). Under current market conditions, U.S. Treasury rates are at or near historical lows making it an excellent time to lock in a long-term fixed rate. Preliminary terms for the Westside Purple Line Extension Project Section 2 (Westside 2) loan are provided in Attachment B. Executing the loan agreement will not commit us to draw on the loan in the event that capital market interest rates are favorable in the future. The Board approved the submission of a TIFIA loan Letter of Interest (LOI) for Westside 2 at its September 2014 meeting, the LOI was submitted in December 2014 and staff made an initial credit presentation to TIFIA in April 2016.

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The TIFIA loan is also a key portion of the matching funds necessary to secure a \$1.18 billion Full Funding Grant Agreement (FFGA) from the Federal Transit Administration (FTA) for the project. FTA approval for the FFGA is expected in October 2016.

The TIFIA loan will be repaid from Measure R 35% Transit Capital receipts. In accordance with Section 8(i)(4) of the Measure R Ordinance, the Proposition R Independent Taxpayers Oversight Committee of LACMTA (“Measure R Oversight Committee”) is required to find that the benefits of any proposed Measure R debt financing for accelerating project delivery, avoiding cost escalation and related factors exceed issuance and interest costs prior to the MTA Board authorizing the debt issuance. The Measure R Oversight Committee made the finding of benefit at its July 19, 2016 meeting, Attachment C.

### **DETERMINATION OF SAFETY IMPACT**

There is no safety impact from this action.

### **FINANCIAL IMPACT**

The costs associated with entering into the TIFIA loan will be paid by LACMTA. Funding to pay fees and expenses in the range of \$300 - \$500 thousand to USDOT for the TIFIA loan application, credit and documentation process is included in LACMTA’s FY17 budget cost center 0521, account 50316, project 660304.

### **ALTERNATIVES CONSIDERED**

The Board could decide not to adopt the Resolution authorizing the loan at this time. This is not recommended as it would delay locking in the interest rate on the loan, which could be higher if interest rates start to rise.

The Board could decide not to enter into the TIFIA loan at all, which is not recommended because it would necessitate securing alternative sources of funding in order to complete the project.

### **NEXT STEPS**

- Negotiate TIFIA loan documents
- Obtain investment grade ratings
- Execute loan agreement and related documents to enter into TIFIA loan with USDOT


### **ATTACHMENTS**

Attachment A - Authorizing Resolution  
Attachment B - Preliminary Loan Terms  
Attachment C - Finding of Benefit Resolution

Prepared by: Donna Mills, Treasurer, 213-922-4047  
Danny R. Jasper, Jr., Debt Manager, 213-922-4026

Matthew Wingert, Financial Analyst, 213-922-2553

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington  
Chief Executive Officer

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**Authorizing Resolution**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A TIFIA LOAN AGREEMENT FOR THE WESTSIDE PURPLE LINE EXTENSION SECTION 2 PROJECT IN A PRINCIPAL AMOUNT NOT TO EXCEED \$307,000,000, A FOURTH SUPPLEMENTAL TRUST AGREEMENT SUPPLEMENTING AND AMENDING THE AMENDED AND RESTATED TRUST AGREEMENT RELATING TO THE MEASURE R SALES TAX, AND AUTHORIZING ALL ACTIONS NECESSARY OR DESIRABLE IN CONNECTION THEREWITH**

**WHEREAS**, the Los Angeles County Metropolitan Transportation Authority (“LACMTA”) has applied to the U.S. Department of Transportation (acting on its own behalf or acting by and through the Federal Transit Administration or the Federal Highway Administration, “USDOT”) for a Transportation Infrastructure Finance and Innovation Act (TIFIA) Secured (Direct) Loan (the “TIFIA Loan”) in the initial principal amount of not to exceed \$307,000,000 in connection with the Westside Purple Line Extension Section 2 Project (the “Project”); and

**WHEREAS**, the basic terms of the TIFIA Loan include the following: (i) LACMTA shall be the Borrower under the TIFIA Loan; (ii) the initial principal amount of the TIFIA Loan shall not exceed \$307,000,000; (iii) the interest rate on the TIFIA Loan shall be not greater than 6.5% per annum; (iv) the obligation to pay the TIFIA Loan shall be secured by a junior subordinate pledge of Measure R Sales Tax revenues; and (v) the final maturity of the TIFIA Loan shall not be later than the expiration date of the Measure R Sales Tax; and

**WHEREAS**, in order to document the terms of the TIFIA Loan, LACMTA wishes to negotiate and enter into a loan agreement relating to the TIFIA Loan substantially on the terms set forth above (the “TIFIA Loan Agreement”); and

**WHEREAS**, in order to secure its obligation to make payments under the TIFIA Loan to USDOT, LACMTA will pledge, on a junior subordinate basis, Pledged Revenues consisting of monthly Measure R Sales Tax revenues, less any refunds and the administrative fee paid to the California State Board of Equalization in connection with the collection and disbursement of the Measure R Sales Tax, less 15% thereof which constitutes the Local Return allocated to local jurisdictions pursuant to the Measure R Ordinance, as provided under the existing Measure R Trust Agreement, as amended from time to time; and

**WHEREAS**, in order to provide for the issuance of bonds secured by the Measure R Sales Tax, LACMTA has heretofore executed and delivered the Amended and Restated Trust Agreement, dated as of February 1, 2014, by and between LACMTA and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented and amended by the First Supplemental Trust Agreement, dated as of November 1, 2010, the Second Supplemental Trust Agreement, dated as of February 20, 2014, and the Third Supplemental Trust Agreement, dated as of May 21, 2014, each by and between LACMTA and the Trustee (collectively, the “Measure R Trust Agreement”); and

**WHEREAS**, as contemplated by the TIFIA Loan Agreement, LACMTA and the Trustee desire to enter into a Fourth Supplemental Trust Agreement (the “Fourth Supplemental Trust Agreement”) providing for the issuance of a junior subordinate sales tax revenue bond evidencing the obligation to repay the TIFIA Loan, supplementing and amending the Measure R Trust Agreement; and

**WHEREAS**, the Board desires to authorize and direct the negotiation, execution and delivery of the TIFIA Loan Agreement, the Fourth Supplemental Trust Agreement and such other agreements, instruments and documents as are necessary or desirable in connection with the TIFIA Loan and to authorize and direct the consummation of the TIFIA Loan Agreement; and

**WHEREAS**, the Measure R Independent Taxpayers Oversight Committee has made a finding, pursuant to the Measure R Ordinance, that the economic, environmental and transit benefits of the TIFIA Loan, which would free up Measure R funds to potentially accelerate delivery of Measure R transit capital projects, exceed the issuance and interest costs; and

**WHEREAS**, the TIFIA Loan is in compliance with the Debt Policy of LACMTA; and

**WHEREAS**, LACMTA is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the TIFIA Loan, to authorize the execution and delivery of the TIFIA Loan Agreement, the Fourth Supplemental Trust Agreement and such other agreements, instruments and documents as are necessary or desirable in connection with the TIFIA Loan, in the manner and upon the terms provided;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of LACMTA (the “Board”) as follows:

**Section 1.** The Chief Executive Officer, the Chief Financial Officer, the Treasurer and any Assistant Treasurer of LACMTA, and each of their respective designees (each, an “Authorized Officer”), are each authorized and directed, for and in the name of and on behalf of LACMTA, to execute and deliver the TIFIA Loan Agreement with such terms as the Authorized Officer executing the same may deem necessary or desirable. The initial principal amount of the TIFIA Loan shall not exceed \$307,000,000, and the interest rate on the TIFIA Loan shall not exceed 6.5% per annum.

**Section 2.** Each Authorized Officer is hereby authorized and directed, for and in the name and on behalf of LACMTA, to execute and deliver the Fourth Supplemental Trust Agreement with such terms as the Authorized Officer executing the same may deem necessary or desirable.

**Section 3.** Each Authorized Officer is hereby authorized and directed, for and in the name of and on behalf of LACMTA, to negotiate such agreements with and payments to the Trustee as may be necessary or desirable in order to cause the Trustee to execute and deliver the Fourth Supplemental Trust Agreement and to perform its duties as Trustee thereunder.

**Section 4.** Funds of LACMTA are hereby authorized to be used to pay costs of preparation, negotiation, execution and delivery of the TIFIA Loan Agreement, the Fourth



Supplemental Trust Agreement and any related documents and agreements, including but not limited to costs of attorneys, accountants and financial advisors, the costs associated with rating agencies, filing fees and any related expenses.

**Section 5.** All approvals, consents, directions, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution may be given or taken by any Authorized Officer without further authorization or direction by the Board, and each Authorized Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order and request, and take any such action, and to execute such agreements, instruments and documents, that such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

**Section 6.** All actions heretofore taken by the officers, employees and agents of LACMTA with respect to the TIFIA Loan Agreement or the Fourth Supplemental Trust Agreement are hereby ratified, confirmed and approved. The officers, employees and agents of LACMTA are hereby authorized and directed, jointly and severally, for and in the name and on behalf of LACMTA, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, instruments, certificates and documents, which they, or any of them, may deem necessary or advisable in order to consummate the transactions contemplated by the TIFIA Loan Agreement and the Fourth Supplemental Trust Agreement, to manage and administer the TIFIA Loan and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution and the documents approved hereby.

**Section 7.** The provisions of this Resolution are hereby declared to be severable and if any section, phrase or provision shall for any reason be declared to be invalid, such sections, phrases and provisions shall not affect any other provision of this Resolution.

**Section 8.** The effective date of this Resolution shall be the date of its adoption.

The undersigned, duly qualified and acting as Board Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true and correct copy of the resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on \_\_\_\_\_, 2016.

By: \_\_\_\_\_  
Board Secretary, Los Angeles County  
Metropolitan Transportation Authority

**Preliminary Terms**

**Westside Purple Line Extension Section 2 TIFIA Loan Preliminary Terms**

Lender:	U.S. Department of Transportation
Borrower:	Los Angeles County Metropolitan Transportation Authority
Loan Amount:	Proposed principal amount up to \$307,000,000.00
Interest Rate:	Tied to U.S. Treasury Rate for final maturity of the loan, plus one basis point. The actual interest rate on our loan is a fixed rate and is set on the day we sign the loan with TIFIA.
Final Maturity:	The proposed final maturity of the loan is June 1, 2037.
Drawdown:	The loan can be drawn down over time and interest does not accrue until the proceeds are drawn. We are not required to draw down any of the loan proceeds.
Debt Service Reserve Fund:	We are required to set aside a reserve fund equal to 5% of the outstanding principal.
Source of Repayment:	Measure R Sales Tax Revenues after payment of all senior obligations and subordinate obligations
Expected Ratings:	"A" Category

**Finding of Benefit Resolution**

**RESOLUTION PURSUANT TO MEASURE R ORDINANCE FINDING THAT THE BENEFITS OF A TIFIA LOAN UP TO \$307 MILLION EXCEED ISSUANCE AND INTEREST COSTS**

WHEREAS, the Measure R Ordinance provides sales tax revenues for the construction of 12 transit capital projects over 30 years; and

WHEREAS, accelerated construction would avoid inflationary cost growth; and

WHEREAS, the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans for qualified transportation projects of regional and national significance; and

WHEREAS, LACMTA is seeking a \$307 million TIFIA loan for the Westside Purple Line Extension Section 2 Project; and

WHEREAS, LACMTA retains the right to use traditional tax-exempt borrowing for the Westside Purple Line Extension Section 2 Project in lieu of the TIFIA loan, if doing so would be more advantageous; and

WHEREAS, the Measure R transit capital projects are estimated to generate more than 77 million additional annual transit boardings; 568,458 fewer pounds of reactive organic gases, nitrous oxides, carbon monoxide and particulate matter; 207,942,017 less vehicle miles traveled annually; and 10,294,159 fewer gallons of gasoline consumed annually; and

WHEREAS, the Los Angeles Economic Development Corporation estimates that the Measure R transit construction program has generated 49,850 annual full-time and part-time jobs since 2010; and is expected to generate 124,030 annual full-time and part-time jobs during the remaining construction program.

NOW, THEREFORE, the Proposition R Independent Taxpayers Oversight Committee of Metro finds that the economic, environmental and transit benefits of the \$307 million TIFIA loan, which would accelerate project delivery and avoid inflationary cost growth, exceed issuance and interest costs.

Adopted this 19th day of July, 2016

Signed:

  
Michele Jackson  
LACMTA Board Secretary

**Board Report**

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**File #:** 2016-0553, **File Type:** Policy**Agenda Number:** 9.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
AUGUST 17, 2016****SUBJECT: LEASE OF OFFICE SPACE FOR OFFICE OF INSPECTOR GENERAL****ACTION: CONSIDER APPROVING A NEW LEASE FOR 818 WEST 7<sup>TH</sup> STREET****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute a **five-year lease agreement**, including one (1) five (5) year option, with Downtown Properties effective March 1, 2017 for the rental of approximately 12,912 square feet of **office space in an office building located at 818 West 7th Street, 5th Floor, Los Angeles**, at an estimated rental cost of \$2,055,891.59 over the term of the lease.

**BACKGROUND**

The Office of the Inspector General ("OIG") has occupied office space in the 818 W. 7th Street Building since 1998. This space is used by 24 OIG staff and OIG consultants also use the space from time to time. The current lease was originally executed effective March 1, 2007. The lease covered the use of 12,912 square feet for a term of five (5) years ending February 28, 2012, with one (1) five-year option. The option to extend was exercised effective March 1, 2012 and will expire on February 28, 2017. Metro has an option to extend the lease for an additional five years by providing notice between June 1, 2016 and August 31, 2016. Instead of exercising the option, staff has negotiated new lease terms effective March 1, 2017 pending Board approval. Early negotiations regarding the lease renewal provided the opportunity to negotiate free rent, establish a new 2017 base year for expense purposes and obtain tenant improvements provided by the landlord.

**DETERMINATION OF SAFETY IMPACT**

This Board Action will not have an impact on safety standards for METRO operations.

**FINANCIAL IMPACT**

Current funding for the payment of rent for the OIG space is included in the FY17 budget in cost center 0651, Non-Departmental Real Estate, under project number 100002, Governmental Oversight and Activities. The total rental cost for the OIG to occupy the 818 Building for the term covering March 1, 2017 to February 28, 2021 is estimated to be \$2,055,891.59. The cost center manager, DEO of Real Estate, will be accountable for budgeting the cost in future years.

### Impact to Budget

The source of funds is Proposition A and C and TDA administration budget. This fund is not eligible for bus/rail operating or capital expense.

### Rental Value

The current rental rate for the period of March 1, 2016 - February 28, 2017 is \$28.61/PSF plus approximately \$0.94/PSF in pass through expenses above the 2012 base year for a total rent of \$29.55 psf. The rental rate for the new term commencing March 1, 2017 will be \$32.00/PSF on a full service gross ("FSG") and rentable square foot ("RSF") basis and shall increase by three percent (3%) per annum thereafter. There will be no obligation to pay Base Rent during the initial four (4) months of the Lease Term or pass through expenses during calendar year 2017. The effective start rent for Year One of the new lease term will be \$29.97/PSF, when factoring in the free rent provided, which is substantially similar to the current rent paid for the OIG space. In addition, the landlord has committed to making certain tenant improvements as requested by the OIG at the landlord's sole cost. The improvements include new carpet throughout the Premises, painting in select portions of the Premises and addressing several miscellaneous alterations to the space as requested by the OIG staff.

The proposed lease rate has been compared to other comparable office buildings located in Downtown Los Angeles. Rental rates for nearby Class A office space currently range from \$39.00 per square foot to \$48.00 per square foot on an annual basis and rental rates for Class B office space currently range from \$34.00 per square foot to \$45.00 per square foot. Attachment A is a list of rental rates in comparable buildings located in the general vicinity of the 818 Building. Current asking rent at 818 West 7th Street is \$36.00 psf. OIG's rent compares favorably at \$32.00 psf. In a relocation to a comparable building shown on the attachment, the OIG would pay a similar or more expensive rent plus incur considerable out of pocket capital costs related to a new build-out, furniture, fixtures, equipment and moving costs.

### **ALTERNATIVES CONSIDERED**

Do not extend the term and relocate to another downtown location. This alternative is not cost effective. The time and resources required to select another downtown office location, negotiate a favorable lease rate, construct tenant improvements and communications facilities and relocate the staff from the existing space would far exceed the rental payment required to remain in the existing location.

Exercise the existing option. This alternative is less cost effective than the recommendation. The lease provides that if the option is exercised, the rent will be adjusted to fair market value for similar office buildings in the area which is estimated at \$36.00 per square foot.

Do not extend the term and relocate the OIG staff to Gateway. It would not be feasible to relocate this function into Gateway as there is insufficient vacant space available without relocating other functions from the building.

**NEXT STEPS**

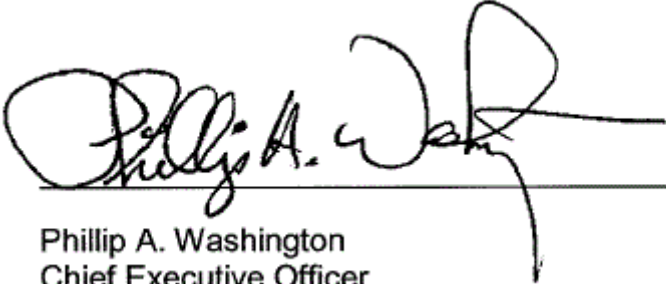
Staff will complete negotiations of a lease agreement through the broker subject to review and approval by County Counsel.

**ATTACHMENTS**

Attachment A - Rental Rates of Comparable Properties in the Vicinity of 818 West 7<sup>th</sup> Street

Prepared by: Calvin E. Hollis, Executive Officer, (213) 922-7319  
Velma C. Marshall, Deputy Executive Officer, (213) 922-2415

Reviewed by: Therese W. McMillan, Chief Planning Officer, (213) 922-7077



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Phillip A. Washington  
Chief Executive Officer

**ATTACHMENT A**

**Office Rental Properties in the Vicinity of 818 W. 7<sup>th</sup> Street**

<b>Building Address (Building Name)</b>	<b>Building Class</b>	<b>Space Available</b>	<b>Asking Rate</b>
611 W 6 <sup>th</sup> Street	B	Suite 1500 – 12,000 SF	\$39.00-\$42.00 FSG
523 W 6 <sup>th</sup> Street (Pacific Center)	B	11 <sup>th</sup> floor – 10,020 SF	\$48.00 FSG
888 W 6 <sup>th</sup> Street	B	Suite 600 – 6,398 SF	\$39.00 FSG
617 W 7 <sup>th</sup> Street	B	11 <sup>th</sup> Floor – 10,000-16,000 SF	\$42.00 FSG
601 S Figueroa Street (Figueroa at Wilshire)	A	Suite 4350 10,418 SF	\$45.00 FSG
660 S Figueroa Street (Figueroa Tower)	B	Suite 800 – 15,679 SF	\$34.00 FSG
725 S Figueroa Street (Ernst & Young Plaza)	A	Suite 2600 – 12,000-23,000 SF	\$42.00 FSG
777 S Figueroa Street (777 Tower)	A	Suite 500 – 12,851 SF	\$44.00 FSG
801 S Figueroa Street (801 Tower)	A	3 <sup>rd</sup> Floor – 11,986 SF	\$43.20 FSG
865 S Figueroa Street	A	23 <sup>rd</sup> floor – 10,782 SF	\$41.00 FSG
888 S Figueroa Street	B	Suite 1500 – 12,000–18,000 SF	\$36.50 FSG
555 S Flower Street (City National Plaza)	A	7 <sup>th</sup> Floor – 13,402 SF	\$45.00 FSG
700 S Flower Street (MCI Center)	B	Suite 1801 – 13,942 SF	\$43.20 FSG
550 S Hope Street	A	4 <sup>th</sup> floor – 10,000-19,722 SF	\$39.00 FSG
600 Wilshire Boulevard (Wilshire Grand)	B	Suite 400 – 18,853 SF	\$34.00 FSG
707 Wilshire Boulevard (Aon Center)	A	Suite 1000 – 12,000-19,000 SF	\$40.00 FSG
800 Wilshire Boulevard	B	Suite 800 – 7,966 SF	\$35.00 FSG