



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2019**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities and the County of Los Angeles (the County) identified in Schedule 1, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2019 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management’s Responsibility

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

Auditor’s Responsibility

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

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





Opinion

In our opinion, the Cities and the County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-001 through #2019-037. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-008, #2019-009, #2019-028 and #2019-032 to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-003, #2019-006, #2019-010, #2019-013, #2019-018, #2019-020, #2019-025, #2019-026 and #2019-029 that we consider to be significant deficiencies.

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

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

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

Los Angeles, California
December 31, 2019

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2019**

The audits of the 49 cities and the County identified in Schedule 1 have resulted in 37 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
No timely use of funds.	1	Palos Verdes Estates (#2019-021)	None	\$ 178,474	\$ 178,474
Funds were expended without LACMTA's approval.	3	Artesia (#2019-002) Lancaster (#2019-016) San Marino (#2019-024)	\$ 342,991 - -	- 11,877 6,390	342,991 11,877 6,390
Total annual expenditures exceeded more than 25% of the approved budget.	6	Claremont (#2019-006) Glendora (#2019-013) Lancaster (#2019-017) Redondo Beach (#2019-022) Signal Hill (#2019-025) Temple City (#2019-030)	- None None None None None	None - - - - -	None None None None None None
Annual Project Summary Report (Form B) was not submitted on time.	5	Avalon (#2019-004) San Gabriel (#2019-023) Signal Hill (#2019-026) South Pasadena (#2019-028) Temple City (#2019-031)	None None None None None	None None None None None	None None None None None
Annual Expenditure Report (Form C) was not submitted on time	3	El Segundo (#2019-011) Manhattan Beach (#2019-019) Signal Hill (#2019-027)	None None None	None None None	None None None

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2019**

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Accounting procedures, record keeping, and documentation are adequate.	10	Artesia (#2019-003) Downey (#2019-008) Downey (#2019-009) El Segundo (#2019-012) Glendora (#2019-014) Manhattan Beach (#2019-020) South Pasadena (#2019-029) Temple City (#2019-032) Whittier (#2019-036) Whittier (#2019-037)	None \$ 410,594 126,690 11,658 4,679 6,113 - None - 8,171	None \$ 77,403 - - - - None - 102,863 210,238	None - - - \$ 4,679 - None None - -
Pavement Management System (PMS) is not in place or being used for Street Maintenance or Improvement Projects Expenditures.	3	Bradbury (#2019-005) Glendora (#2019-015) West Covina (#2019-034)	- - -	None None None	None None None
Recreational transit form was not submitted on time.	6	Alhambra (#2019-001) Covina (#2019-007) Downey (#2019-010) Lancaster (#2019-018) Temple City (#2019-033) West Covina (#2019-035)	None None None None None -	- - - - - None	None None None None None None
Total Findings and Questioned Cost	37		\$ 910,896	\$ 587,245	\$ 544,411

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019**

Compliance Area Tested	Alhambra	Arcadia	Artesia
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	PA: #2019-002 PC: Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Not Applicable	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	PA & PC: #2019-003
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	PA: #2019-001 PC: Compliant	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Avalon	Bellflower	Bradbury
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Not Applicable	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Not Applicable	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	PA & PC: #2019-004	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	PA: Not Applicable PC: #2019-005
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Burbank	Cerritos	Claremont
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Not Applicable	Compliant	PA: Compliant PC: #2019-006
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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(Continued)**

Compliance Area Tested	Covina	Diamond Bar	Downey
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	#2019-008 (PA & PC) #2019-009 (PA only, PC: Compliant)
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Compliant	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	PA: #2019-007 PC: Not Applicable	Compliant	PA: #2019-010 PC: Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Duarte	El Segundo	Glendale
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Not Applicable	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	PA & PC: #2019-011	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	PA: #2019-012 PC: Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	PA: #2019-013 PC: Compliant	Compliant	Not Applicable
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	PA: #2019-014 PC: Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	PA: Compliant PC: #2019-015	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Not Applicable	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Not Applicable	Compliant

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

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

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	La Verne	Lakewood	Lancaster
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	PA: Compliant PC: #2019-016
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	PA: #2019-017 PC: Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	PA: #2019-018 PC: Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
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(Continued)**

Compliance Area Tested	Los Angeles County	Manhattan Beach	Monrovia
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Not Applicable	Not Applicable	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	PA & PC: #2019-019	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	PA: #2019-020 PC: Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
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Summary of Audit Results
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(Continued)**

Compliance Area Tested	Norwalk	Palmdale	Palos Verdes Estates
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	PA: Compliant PC: #2019-021
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	Not Applicable
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Compliant	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2019
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Redondo Beach	Rolling Hills	Rolling Hills Estates
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	PA: #2019-022 PC: Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Not Applicable	Not Applicable

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(Continued)**

Compliance Area Tested	San Dimas	San Gabriel	San Marino
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	PA: Compliant PC: #2019-024
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	PA & PC: #2019-023	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	Compliant

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

Compliance Area Tested	Santa Clarita	Sierra Madre	Signal Hill
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Not Applicable	Compliant	PA: #2019-025 PC: Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Not Applicable	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	PA & PC: #2019-026
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	PA & PC: #2019-027
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Compliant

Los Angeles County Metropolitan Transportation Authority
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(Continued)

Compliance Area Tested	South Pasadena	Temple City	Torrance
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	PA: #2019-030 PC: Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	PA & PC: #2019-028	PA & PC: #2019-031	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	PA: Compliant PC: #2019-029	PA: #2019-032 PC: Compliant	Compliant
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	PA: #2019-033 PC: Not Applicable	Not Applicable

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Compliance Area Tested	West Covina	Whittier
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant
Timely use of funds.	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	#2019-036 (PC only, PA Compliant) PA & PC: #2019-037
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	PA: Compliant PC: #2019-034	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant
Recreational transit form was submitted on time.	PA: Not Applicable PC: #2019-035	Compliant

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PALRF Finding #2019-001	City of Alhambra
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 19, 2019.
Cause	Due to the retirement of management and change of personnel, the City was unaware of the deadline. As a result, the submittal of the form was delayed.
Effect	The City's Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	In the future, the City will ensure that the responsible personnel assigned to the submission of the Listing of Recreational Transit Services form will file the form in a timely manner.
Finding Corrected During the Audit	The City submitted the form to LACMTA on November 19, 2019. No follow-up is required.

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(Continued)**

PALRF Finding #2019-002	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section III (A) states “A new project that meets the eligibility criteria...must be submitted to Metro on Project Description Form (Form A) prior to the expenditure of funds. Metro will review the project to determine if it meets the statutory eligibility requirement and notify Jurisdictions of the project’s LR funding eligibility. If a Jurisdiction expends Proposition A or Proposition C LR funds for a project prior to Metro approval, the Jurisdiction will be required to reimburse its LR Account. Additionally, approvals cannot be retroactive.”
Condition	The City incurred expenditures for project code 300-01, Transit Facility Improvements, in the amount of \$342,991 for FY 2018-19 prior to LACMTA’s prior approval.
Cause	This is due to an oversight by the City’s staff.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure all new projects are approved by LACMTA prior to expending the funds by timely submission of Form A.
Management’s Response	In the future management will ensure obtaining LACMTA’s approval before expenditures incurred.
Finding Corrected During the Audit	On July 31, 2019, the City submitted Form A and received retroactive approval from LACMTA to increase budget for project code 300-01, Transit Facility Improvements, to \$800,000. No follow-up is required.

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 (Continued)**

PALRF & PCLRF Finding #2019-003	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	<p>To support the propriety of expenditures being charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, purchase orders, invoices, and canceled checks. Our review of expenditures charged to PALRF and PCLRF identified the following:</p> <ul style="list-style-type: none"> • Although payments to Fiesta Taxi for PALRF’s Project Code 120-03, Dial-A-Ride Project in the amounts of \$8,856 were allowable and were properly supported by an invoice and canceled check, the expenditures were not supported by any new or amended contract after the previous contract expired on December 31, 2018. • Although payments to American Gardens, Inc. for PCLRF’s Project Code 440-07, Pioneer, Artesia, & Norwalk Landscaped Median Project in the amounts of \$41,250 were allowable and were properly supported by an invoice and canceled check, the expenditures were not supported by any contract or purchase order. <p>This is a repeat finding from the fiscal year 2017.</p>
Cause	This is due to an oversight by the City administration to ensure that payments made to Fiesta Taxi and American Gardens, Inc. were supported by duly executed contracts or purchase orders.
Effect	The City was not in compliance with provisions of Proposition A and Proposition C Local Return Guidelines related to maintenance of proper accounting records and documentation for expenditures charged to PALRF and PCLRF.
Recommendation	We recommend that the City strengthen its internal control procedures to ensure that costs charged to PALRF and PCLRF are adequately supported by contracts, purchase orders, invoices, and canceled checks.
Management’s Response	The City will ensure that expenditures are adequately supported by documentations and Proposition A and Proposition C Local Return Guidelines are followed.

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PALRF & PCLRF Finding #2019-004	City of Avalon
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City did not submit the Annual Project Update (Form B) to LACMTA by August 1, 2018. However, the City submitted the Form B late on August 7, 2018.
Cause	The late submission was due to an oversight.
Effect	The City's Annual Project Update (Form B) was not submitted to LACMTA by August 1 st as required by the Proposition A and C Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Annual Project Update (Form B) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Proposition A and C Local Return Guidelines.
Management's Response	Management will ensure to submit the Form B by the due date going forward.
Finding Corrected During the Audit	The City submitted the Form B on August 7, 2018. No follow-up is required.

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 (Continued)**

PCLRF Finding #2019-005	City of Bradbury
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance" or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to LACMTA for project codes 430, 440, 450, 460, and 470.</p>
Condition	The City has incurred expenditures for PCLRF Project Code 440-01, Slurry Seal Design. However, the City’s latest PMS assessment was for FY 2015/16 which was provided to LACMTA on March 2016. A new PMS should have been submitted for FY 2018/19 by October 15, 2019. However, the City submitted the form on October 30, 2019.
Cause	This is due to City staff’s oversight.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City to strengthen internal controls to ensure the timely submission of all required forms and documentations.
Management’s Response	The Management concurred with the finding.
Finding Corrected During the Audit	The City subsequently submitted the PMS on October 30, 2019. No follow-up is required.

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PCLRF Finding #2019-006	City of Claremont
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects".
Condition	<p>The City exceeded more than 25 percent of LACMTA's approved budget on PCLRF Project Code 300-07 (Transit Center Maintenance) in the amount of \$19,224 and 480-08 (Overhead Support Services) in the amount of \$8,857. However, subsequently, the City submitted an amended Form A to LACMTA to revise the budget to include the increase for this project and received subsequent approval on October 10, 2019.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	<p>For Project Code 300-07, Transit Center Maintenance, the increase was due to emergency elevator repairs at the Village Parking Structure and unanticipated increases in maintenance costs.</p> <p>For Project Code 480-08, Overhead Support Services, the budgeted cost of \$39,305 in the Form B submitted was underestimated.</p>
Effect	The City did not comply with the Guidelines when the City's PCLRF project expenditure exceeded 25 percent of LACMTA's prior approval.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating Local Return projects.
Management's Response	Management will verify that Form A is submitted for each emergency expenditure prior issuing payment to the vendor going forward.
Findings Corrected During the Audit	On October 14, 2019, LACMTA Program Manger granted retroactive approval in the amount of \$115,357 for Transit Center Maintenance and \$55,000 for Overhead Support Services. No follow-up is required.

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PALRF Finding #2019-007	City of Covina
Compliance Reference	According to Proposition A and Proposition C Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on October 28, 2019.
Cause	Due to changes in staffing, the form submission process was not properly implemented.
Effect	The City's Listing of Recreational Transit Services was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	The City's department assigned to the submission of the form will implement internal checklist and will be reviewed by management in a timely fashion.
Finding Corrected During the Audit	The City submitted the form to LACMTA on October 28, 2019. No follow-up is required.

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 (Continued)**

<p>PALRF & PCLRF Finding #2019-008</p>	<p>City of Downey</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation... "In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock- out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, "(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances."</p>

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 (Continued)**

PALRF & PCLRF Finding #2019-008 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures being charged to Proposition A and Proposition C Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged were based on an estimate of a percentage of time spent on PALRF and PCLRF activities rather than the employee's actual working hours spent on the projects. Although the City provided a time study listing the employees charged to PALRF and PCLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2018-19.</p> <p>(a) PALRF's Fixed Route Program Project Code 110-13 in the amount of \$39,490.</p> <p>(b) PALRF's Revised Senior/Handicapped Transit Program Project Code 130-02 in the amount of \$371,104.</p> <p>(c) PCLRF's Ride Sharing Program Administration Project Code 480-02 in the amount of \$46,400.</p> <p>(d) PCLRF's Local Return Fund Administration (Public Works) Project Code 480-28 in the amount of \$31,003.</p> <p>This is a repeat finding from the prior three fiscal years.</p>
Cause	<p>The City allocates administrative charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.</p>
Effect	<p>The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may not be allowable Proposition A and Proposition C project expenditures. This resulted in questioned costs of \$410,594 and \$77,403 for PALRF and PCLRF, respectively.</p>

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PALRF & PCLRF Finding #2019-008 (Continued)	City of Downey
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and Proposition C Local Return Fund accounts for \$410,594 and \$77,403, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
Management's Response	The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration are less than the actual payroll costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered adding to administrative time. In fiscal year 2019-20, the City will implement KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and be able to track the time spent on each program. With the implementation of this system, the City will be able to charge administrative costs directly to the program.

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PALRF Finding #2019-009	City of Downey
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation ... "
Condition	To support the propriety of expenditures being charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, payments for equipment rental in the amount of \$126,690 were charged to PALRF's Senior/Handicapped Transit Program, Project Code 130-02, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements. This is a repeat finding from the prior two fiscal years.
Cause	The City allocates equipment rental charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.
Effect	The unsupported expenditures for the equipment rentals resulted in questioned costs of \$126,690.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Account for \$126,690. In addition, we recommend that the City establish controls to ensure that the costs charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management's Response	The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration and repairs are less than the actual costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the City maintained all the transit vehicles in its in-house garage for repairs, maintenance and general upkeep. The maintenance costs are directly charged to the City's equipment fund and the monthly charges are distributed to various departments for the repairs, maintenance, and general upkeep of the vehicles.

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PALRF Finding #2019-010	City of Downey
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section 11.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 18, 2019. This is a repeat finding from the prior fiscal year.
Cause	City staff changes resulted in misunderstanding regarding the submission of the Listing of Recreational Transit Services Form.
Effect	The City's Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management's Response	City management agrees with the finding. Management has created a schedule with reporting deadlines to be used by the City staff to monitor LACMTA's reporting requirements. City management will review the schedule on a regular basis to confirm that the staff is submitting reports on a timely basis.
Finding Corrected During the Audit	The City submitted the form to LACMTA on November 18, 2019. No follow-up is required.

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PALRF & PCLRF Finding #2019-011	City of El Segundo
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section III, "On or before October 15 of each fiscal year, Jurisdictions shall submit an Annual Expenditure Report (Form C) to notify LACMTA of previous year Local Return fund receipts and expenditures."
Condition	The City did not meet the October 15, 2019 deadline for submission of Form C. However, the City submitted the Form C on October 28, 2019.
Cause	This was an oversight by the City in submitting Form C before the due date.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form C is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City's fiscal year ends on September 30, 2019, and the reports were not finalized as of October 15, 2019. City staff submitted the Form C on October 28, 2019 when the reports were more accurate. In the future the City will make sure to submit Form C by the October 15th deadline to ensure compliance with the regulations.
Finding Corrected During the Audit	The City's Form C was submitted on October 28, 2019. No follow-up is required.

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 (Continued)**

PALRF Finding #2019-012	City of El Segundo
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, :It is the jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures being charged to Proposition A Local Return Fund (PALRF), all expenditures should be based on actual amounts incurred and supported by properly executed invoice, purchase order, contract, or other official documentation evidencing in proper detail the nature of the charges. Our review of expenditures charged to Dial-A-Ride Project funded by PALRF identified that equipment replacement cost in the amount of \$11,658 was allocated to PALRF without supporting documentation.
Cause	The City was not aware that charging estimated amounts to PALRF is not allowed.
Effect	The City allocated PALRF for equipment replacement cost by \$11,658 based on estimated amount.
Recommendation	We recommend that the City reimburse its PALRF by \$11,658. In addition, we recommend that the City ensure all expenditures charge to PALRF are based on actual amounts and have supporting documentation.
Management’s Response	When the City purchases capital equipment, the equipment is placed on an equipment replacement schedule. The purpose of the equipment replacement schedule is to accumulate funds to replace the equipment at the end of its useful life. The charge to the fund for the replacement of the equipment is based on the original cost of the equipment plus an estimated inflation factor for the remaining useful life of the equipment. When the funds have been accumulated to replace the equipment at the estimated replacement cost, the charge to the fund for the equipment will stop. The City provided the auditors the equipment replacement schedule documenting the charges to the fund for the equipment. The charges were based on the original cost of the equipment. Due to employee turnover at the City and the time period the equipment was purchased, the City was not able to document how the replacement cost for the equipment was calculated. In the future the City will create a policy and document how the replacement cost of the equipment is calculated for equipment purchased with grant funds.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PALRF Finding #2019-013	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 250-01, Proposition A Bus Pass Subsidy, in the amount of \$2,075. However, the City submitted an amended Project Description Form (Form A) to obtain a budget increase from LACMTA and received subsequent approval on September 16, 2019. This is a repeat finding from prior fiscal year.
Cause	The expenses accrued for the project exceeded than what was anticipated even after a budget increase was requested from LACMTA in June 2019.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's prior approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating Local Return projects.
Management's Response	The City departments will ensure that project budgets are evaluated timely to ensure an amended Form A is submitted prior to the expenditure of funds.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval in the amount of \$18,500 of the said expenditures on September 16, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

<p>PALRF Finding #2019-014</p>	<p>City of Glendora</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation..."</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one' s supervisor." Also, "(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(b) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances."</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

PALRF Finding #2019-014 (Continued)	City of Glendora
Condition	<p>During the testing of payroll, the City provided both timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet that is signed by an employee and an employee's supervisor. The Certification provides the detail breakdown of hours worked for the respective LRF in all payroll periods during fiscal year 2019. However, we noted that the employee hours charged to the following PALRF did not agree to the hours indicated on the Certification as shown below:</p> <p>Of the twenty-two (22) payroll samples, thirteen (13) payroll was over-charged to PALRF totaling \$4,679.</p> <p>Upon inquiry, it was noted that the City's payroll allocation schedule was used to record payroll costs in the City's accounting records. However, the City did not properly reconcile the hours worked between the Certification and the payroll allocation schedule resulting to payroll overcharges to PALRF.</p>
Cause	The City was not aware that its practice of time certification was not comparable to labor costs claimed on the timesheet.
Effect	The unreconciled variances on the payroll charges resulted in questioned costs of \$4,679 for PALRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Account for \$4,679. In addition, we recommend that the City establish controls to ensure that the payroll costs charged to the Local Return funds are adequately supported by timesheet, payroll register, personal actions or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management's Response	The City will modify its existing procedures to ensure accurate collection of time and effort documentation to support the salaries and benefits charged to PALRF. These controls will ensure salary charges were expended properly on local return approved projects.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
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 (Continued)**

PCLRF Finding #2019-015	City of Glendora
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance: or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects or Form B (biannually) for ongoing projects to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria."</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to LACMTA with project codes 430,440,450,460, and 470.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2019 since the City incurred PCLRF expenditures for its Project Code 440-18, Lone Hill Avenue Street Improvements Phase 2-Gladstone to LA Company Wash. However, the City did not submit the form. The last PMS Certification Form submitted was for fiscal year 2016 which was provided to LACMTA on October 14, 2016.</p>
Cause	<p>During fiscal year 2018-19, the City experienced a high volume of staff turnover that resulted in many vacancies. This created a delay in the projects that could have been completed within the fiscal year.</p>
Effect	<p>The City's PMS Certification Form was not submitted timely as required by Proposition A and Proposition C Local Return Guidelines.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that if the City incurred expenditures for projects with codes 430, 440, 450, 460, and 470, a PMS Certification Form is properly certified and executed by the City's Engineer or designated, registered Civil Engineer and submitted to LACMTA on the third year from the last submission date to be in compliance with the Guidelines.</p>

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

PCLRF Finding #2019-015 (Continued)	City of Glendora
Management's Response	The City has an approved project in the fiscal year 2019-20 budget to complete the pavement management certification.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PCLRF Finding #2019-016	City of Lancaster
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City expended a total of \$11,877 for the following three projects in FY2018/19 prior to receiving approvals from LACMTA: (1) 440-02 St Rehab/Repair-20th W/ Lanc Blvd to Ave J in the amount of \$10,356; (2) 450-28 15th Street West and Lancaster Blvd in the amount of \$720; and (3) 470-05 Cole Middle School and Tierra Bonita in the amount of \$801.
Cause	The City did not submit Form A to LACMTA prior to expenditure of funds on new projects due to an oversight.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that Form A is submitted to LACMTA prior to expending funds on a new project.
Management's Response	Staff did not submit Form A on time with the updated information due to staff turnover.
Finding Corrected During the Audit	Updated Form A was submitted to LACMTA and was retroactively approved on August 21, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PALRF Finding #2019-017	City of Lancaster
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF 480-05 General Fund Overhead Allocation Project without prior approval from LACMTA. The amount that exceeded the approved budget by more than 25 percent is \$58,747.
Cause	It was due to an oversight by the City's program department.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that project expenditures are within the 25 percent cap of LACMTA's approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should submit an amended Form A prior to the expenditure of funds.
Management Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of LACMTA's approved budget.
Finding Corrected During the Audit	An amended Form A was submitted to LACMTA and was approved on August 21, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PALRF Finding #2019-018	City of Lancaster
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, 1.3, Recreational Transit Service: "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15th after the fiscal year."
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City subsequently submitted the listing on October 21, 2019. This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight by the City's program department.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines for the submission of Listing of Recreational Transit Services.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Listing Recreational Transit Services is properly prepared and submitted before the due date of October 15th in accordance with the Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the listing was submitted in a timely manner.
Management's Response	The City will establish procedures to ensure the timely filing of all required listings. In addition, the City will retain a confirmation of receipt by LACMTA to indicate the listing was submitted in a timely manner.
Finding Corrected During the Audit	The City's Listing of Recreational Transit Services was submitted and approved on October 21, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2019
(Continued)**

PALRF & PCLRF Finding #2019-019	City of Manhattan Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section III, "On or before October 15 of each fiscal year, Jurisdictions shall submit an Annual Expenditure Report (Form C) to notify LACMTA of previous year Local Return fund receipts and expenditures."
Condition	The City did not meet the October 15, 2019 deadline for submission of Form C. However, the City submitted the Form C on October 18, 2019.
Cause	This was an oversight by the City due to onsite Enterprise Resource Planning (ERP) implementation training.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Funds Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Form C is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City was delayed in submitting the Form C on or before the deadline due to onsite Enterprise ERP implementation training. The City will endeavor to submit it on or before the deadline in the future.
Finding Corrected During the Audit	The City's Form C was submitted on October 18, 2019. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

PALRF Finding #2019-020	City of Manhattan Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is the jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	To support the propriety of expenditures being charged to Proposition A Local Return Fund (PALRF), all expenditures should be based on actual amounts incurred and supported by properly executed invoice, purchase order, contract, or other official documentation evidencing in proper detail the nature of the charges. However, during our review of expenditures charged to Dial-A-Ride Project funded by PALRF identified that information systems expenditure allocated to PALRF based on budgeted percentages and would not be "trued up" to actuals at year end, which resulted in over-charged of \$6,113. This is a repeat finding from the prior fiscal year.
Cause	The City was not aware that charging budgeted amounts to PALRF is not allowed.
Effect	The City overcharged PALRF for information systems by \$6,113.
Recommendation	We recommend that the City reimburse its PALRF by \$6,113. In addition, we recommend that the City ensure all expenditures charge to PALRF are "trued up" to actual amounts.
Management's Response	The Prop A Fund incurred a deficit of \$15,479 in FY2018-2019. The deficit was relieved by the General Fund through a transfer. Included in the deficit was a budgeted billing versus actual for information systems of \$6,113. Since the General Fund transferred in excess of \$6,113, no action is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PCLRF Finding #2019-021	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2016 ending fund balance in the amount of \$178,474 was not fully expended within 3 years as of June 30, 2019 and it was not reserved for capital projects as required by the Prop C Local Return Guidelines. However, on October 30, 2019, LACMTA granted the City an extension on the usage of lapsed funds until June 30, 2020.
Cause	The City designed a project last fiscal year with the intent to use last year's funding along with at least two additional years' allocation in order to have a project with a cost competitive magnitude of scale. Unfortunately, with a change in City Council majority in the last election, the City's Capital Improvement Program was placed on hold pending additional review by the new City Council. The City Council subsequently authorized proceeding with the proposed project on July 23, 2019.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management Response	Staff was monitoring the Prop C fund balance and pro-actively informed LACMTA of the City changes that had occurred throughout the year and the related project would not begin until first quarter of FY19/20. The Director of Community Planning & Public Works and the Finance Director will continue to schedule meetings and monitor funding to ensure all funds are appropriately expended or reserved for capital projects according to the Prop A and Prop C Local Return Guidelines.
Finding Corrected During the Audit	On October 30, 2019, LACMTA granted the City an extension on the usage of lapsed funds until June 30, 2020.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PALRF Finding #2019-022	City of Redondo Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Los Angeles County Metropolitan Transportation Authority's (LACMTA) approved budget on PALRF Project Code 180-01, Beach Cities Transit Fixed Route Bus Purchase in the amount of \$283. However, the City submitted a Project Description Form (Form A) to obtain the budget increase from LACMTA and received subsequent approval on November 22, 2019.
Cause	It was due to an oversight by the City's program department.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's prior approval and the City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget. If the City expects project expenditures will be in excess of 25 percent of approved budget, the City should submit an amended Form A prior to the expenditure of funds for approved projects.
Management Response	Staff did not anticipate an increase in fixed route project in the last quarter of the year.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive budget approval in the amount of \$283 for the project aforementioned on November 22, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PALRF & PCLRF Finding #2019-023	City of San Gabriel
Compliance Reference	According to Proposition A and Proposition C Guidelines, Section I. C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2018 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 21, 2018.
Cause	The person responsible for the submission of the reports has since retired from the City. As a result, the City was not able to determine the reason for the late filing.
Effect	The City's Form B was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management Response	To ensure that all future filings will be submitted timely, the reporting responsibility has been reassigned and calendared.
Finding Corrected During the Audit	The City subsequently submitted the Form B on August 21, 2018. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2019
(Continued)**

PCLRF Finding #2019-024	City of San Marino
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (B.3), "If Local Return Funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition C Local Return account..."
Condition	The City incurred expenditures prior to receiving approval from LACMTA for PCLRF's Project Code 400-01, Traffic Signal Synchronization, in the amount of \$6,390. However, the project was subsequently approved on September 25, 2019.
Cause	The City inadvertently listed the planning Traffic Signal Synchronization Project Code 400-01 as a Bus Bench Project Code 150-01 on the original Form A submitted to LACMTA in July 2018. Once the error was found by the City's personnel, the City amended the Project List accordingly with LACMTA staff.
Effect	The City did not comply with the Guidelines when expenditures for PCLRF project are incurred without LACMTA's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A and Proposition C Local Return projects. Form B (Annual Project Summary Report) should be properly prepared and submitted before the due date of August 1st so that the City's expenditures of Proposition A and Proposition C Local Return Funds are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form B.
Management's Response	In the future, the City will confirm with the responsible staff that only projects that are planned for the upcoming year will be listed in Form A prior to submission to LACMTA.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said expenditures on September 25, 2019.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

PALRF Finding #2019-025	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A), Item 5: "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of LACMTA approved budget on PALRF Project Code 140-03, Recreation Transit in the amount of \$1,186. This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight by the City's program department. The City initially requested the budget increased from \$34,000 to \$42,000; however, the amended amount was not enough to cover the expenditures.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval. The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget. If the City expects project expenditures will be in excess of 25 percent of approved budget, the City should submit an amended Form A before incurring expenditures.
Management Response	Staff anticipated an increase in recreational transit trips, but the amended amount from \$34,000 to \$42,000 was still not enough.
Finding Corrected During the Audit	The City's amended Form A was submitted and retroactively approved by LACMTA on December 10, 2019. No follow-up is required.

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

PALRF & PCLRF Finding #2019-026	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2018 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 15, 2018. This is a repeat finding from the prior fiscal year.
Cause	It was due to an oversight.
Effect	The City's Form B was not submitted timely. The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st in accordance with Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form B was submitted to LACMTA.
Finding Corrected During the Audit	The City's Form B was submitted and retroactively approved by LACMTA on August 15, 2018. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2019
(Continued)**

PALRF & PCLRF Finding #2019-027	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section C, "On or before October 15 of each fiscal year, Jurisdictions shall submit an Annual Expenditure Report (Form C) to notify Metro of previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2019 deadline for submission of the Annual Expenditure Report (Form C). However, the City submitted the Form C on October 23, 2019.
Cause	It was due to an oversight.
Effect	The City's Form C was not submitted timely. The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen internal control procedures to ensure that the Form C is properly prepared and submitted before the due date of October 15th in accordance with Proposition A and Proposition C Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner.
Management's Response	This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form C was submitted to LACMTA.
Finding Corrected During the Audit	The City's Form C was submitted and retroactively approved by LACMTA on October 23, 2019. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2019
(Continued)**

PALRF & PCLRF Finding #2019-028	City of South Pasadena
Compliance Reference	According to Proposition A & Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2018 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 13, 2018. This is a repeat finding from the prior two fiscal years.
Cause	A new employee was assigned to manage the LACMTA audit awards. However, he was not aware of the form submission deadlines.
Effect	The City's Form B was not submitted timely as required by Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management's Response	Several employees in the City departments are currently trained with the required deadlines to ensure timely submission of the form.
Finding Corrected During the Audit	The City subsequently submitted the Form B and August 13, 2018. No follow-up is required.

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

PCLRF Finding #2019-029	City of South Pasadena
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation... "
Condition	<p>To support the propriety of expenditures being charged to the PCLRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and payment vouchers. Although payments to vendors were allowable and were properly supported by invoices and canceled checks, the expenditures for Senior Dial-A-Ride Program Project Code 130-05 were not supported by an existing contract or purchase order form for the following vendors:</p> <p>a) Seventeen (17) payments made to Jack's Auto Repair in the total amount of \$6,955; b) Seven (7) payments made to Sunset Vans, Inc. in the total amount of \$2,020.</p> <p>This is repeat finding from the prior year.</p>
Cause	In fiscal year 2018-19, the Finance Department moved to a different location and could not locate the original copy of the purchase orders.
Effect	No contract or purchase order form to support the payments made to the vendors indicates a weakness in the City's internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return Funds, although allowable, are adequately supported by contracts, purchase orders, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management Response	On July 1, 2019, the City transitioned to an electronic purchase order which will ensure easy access and availability in the future.

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(Continued)**

PALRF Finding #2019-030	City of Temple City
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of LACMTA's approved budget on PALRF Project Code 480.05, Direct Administration, in the amount of \$4,049. However, the City submitted a Project Description Form (Form A) to obtain a budget increase from LACMTA and received subsequent approval on December 6, 2019.
Cause	The preparation and submission of the form was assigned to a new employee who was not aware of the deadline.
Effect	The City's PALRF project expenditure exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the LACMTA's approved budget and an amended Form A (Project Description Form) is properly prepared and submitted prior to the expenditure of funds which would result in a 25 percent or greater change in an approved Local Return project budget or scope on all operating Local Return projects.
Management Response	In FY 2019-20, the newly assigned employee has been made aware of the reporting deadline and has attended the necessary LACMTA training workshops.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive budget approval in the amount of \$83,755 of the said expenditures on December 6, 2019. No follow-up is required.

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Fiscal Year Ended June 30, 2019
(Continued)**

PALRF & PCLRF Finding #2019-031	City of Temple City
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2018 deadline for submission of the Annual Project Update (Form B). However, the City submitted the Form B on August 8, 2018.
Cause	The preparation and submission of the form was assigned to a new employee who was not aware of the deadline.
Effect	The City's Form B was not submitted timely as required by Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form B is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management Response	In FY 2019-20, the newly assigned employee has been made aware of the reporting deadline and has attended the necessary LACMTA training workshops.
Finding Corrected During the Audit	The City subsequently submitted the Form B on August 8, 2018. No follow-up is required.

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 (Continued)**

PALRF Finding #2019-032	City of Temple City
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation... "
Condition	<p>To support the propriety of expenditures being charged to the PALRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and payment vouchers. Although payments to vendors were allowable and were properly supported by invoices and canceled checks, the expenditures for Recreational Transit Project Code 140-02 were not supported by an existing contract or purchase order form for the following vendors:</p> <ul style="list-style-type: none"> a) Thirteen (13) payments made to Fast Deer Bus Charter, Inc. in the total amount of 20,376; and b) Two (2) payments made to Catalina Channel Express in the total amount of \$11,114. <p>This is a repeat finding from the prior two fiscal years.</p>
Cause	Contracts agreements with the transportation companies were not previously enforced by the City.
Effect	No contract or purchase order form to support the payments made to the vendors, Fast Deer Bus Charter, Inc. and Catalina Channel Express, indicates a weakness in the City's internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return Fund , although allowable, are adequately supported by contracts, purchase orders, invoices , canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management Response	Currently, the City department receives services from different bus charter vendors and prepares the necessary contracts for each vendor.

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 (Continued)**

PALRF Finding #2019-033	City of Temple City
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 6, 2019.
Cause	The preparation and submission of the form was assigned to a new employee who was not aware of the deadline.
Effect	The City's Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management Response	In FY 2019-20 the newly assigned employee has been made aware of the reporting deadline and has attended the necessary LACMTA training workshops.
Finding Corrected During the Audit	The City submitted the form to LACMTA on November 6, 2019. No follow-up is required.

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 (Continued)**

PCLRF Finding #2019-034	City of West Covina
Compliance Reference	<p>According to Proposition A and C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance: or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement-for current and following triennial period(s). <p>Self-certifications executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects or Form B (biannually) for ongoing projects to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria."</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to LACMTA when the City incurred expenditures on projects with project codes 430, 440,450, 460, and 470.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2019 since the City incurred PCLRF expenditures for its Project Code 440-16, SP1 7003 Street Rehabilitation - Cameron venue. However, the City did not submit the form. The last PMS Certification Form submitted was for fiscal year 2016 which was provided to LACMTA on June 30, 2016. The City is currently in the process of updating the certification which will be completed in January 2020.</p>
Cause	<p>Due to the City's reorganization and turnover, the submission of PMS Certification lapsed.</p>
Effect	<p>The City's PMS Certification Form was not submitted timely.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that if the City incurred expenditures for projects with codes 430, 440, 450, 460, and 470, a PMS Certification Form is properly certified and executed by the City's Engineer or designated, registered Civil Engineer and submitted to LACMTA on the third year from the last submission date to be in compliance with the Guidelines.</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
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 Fiscal Year Ended June 30, 2019
 (Continued)**

<p>PCLRF Finding #2019-034 (Continued)</p>	<p>City of West Covina</p>
<p>Management Response</p>	<p>Due to the City's reorganization and turnover, the PMS Certification lapsed. The City is in the process of updating the PMS Certification. A Request for Proposal was published on November 7, 2019 and closed on December 2, 2019. The contract is expected to be awarded in January 2020 and completed by May 2020.</p>

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(Continued)**

PCLRF Finding #2019-035	City of West Covina
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section 11.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2019 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on October 29, 2019.
Cause	Due to the City's reorganization and reassignment of duties, new staff assigned to oversee the program was unaware of the program.
Effect	The City's Listing of Recreational Transit Services was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition C Local Return Fund will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner.
Management Response	Due to the City's reorganization and reassignment of duties, the new staff assigned to oversee the program was unaware of the deadline. The City has put measures in place to ensure the Recreational Transit Form will be submitted by the October 15th deadline from this point forward.
Finding Corrected During the Audit	The City submitted the form to LACMTA on October 29, 2019. No follow-up is required.

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 (Continued)**

<p>PCLRF Finding #2019-036</p>	<p>City of Whittier</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation... "In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are "that an electronic system is acceptable as long as how much time is identified o the project (i.e. not just a clock-in-clock- out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, "(4) Where employees work on multiple activities o cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standard in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency . Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and no -Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution on of the actual activity of each employee,</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual cost to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances."</p>
<p>Condition</p>	<p>To support the propriety of expenditures being charged to Proposition C Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, payroll expenditures allocated to the PCLRF (Greenway Trail Maintenance Project Code</p>

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 (Continued)**

<p>PCLRF Finding #2019-036 (Continued)</p>	<p>City of Whittier</p>
<p>Condition (Continued)</p>	<p>430-123) were not properly supported for two (2) employees sampled out of eight (8) total employees allocated to the PCLRF.</p> <p>Timesheets were requested for two (2) employees (directors) sampled to support the allocation of payroll expenditures to the PCLRF project. However, the City stated that the employees did not maintain/utilize timesheets. Instead, the City provided a memorandum, initialed by the employees, which "certified" a percentage of time that the employees worked on the PCLRF project for the entire fiscal year. However, the following issues were noted with the memorandum:</p> <ul style="list-style-type: none"> • The memorandums used the term "approximately" when reporting the hours charged to the PCLRF project for the fiscal year. The term "approximately" signifies an estimate. • The memorandums included a percentage of time the employees worked on the program, along with an approximation of hours worked. However, the memorandum only exclusively accounted for the hours worked on the PCLRF for the fiscal year for each employee. As a result, a recalculation of the percentage of time worked on the PCLRF project could not be performed. • The memorandums itemized the duties that the employees performed in relation to the PCLRF project. However, the list of duties did not include the amount of time spent performing each duty. • The memorandums did not show evidence of supervisor review or approval. <p>Based on the issues noted, the memorandums function as an estimate of time worked exclusively on the PCLRF project. Moreover, the City stated that a "true-up" or an adjustment to reflect "true" hours was not performed. As a result, a total of \$102,863 payroll costs which were allocated to the PCLRF Greenway Trail Maintenance Project Code 430-123 were unsupported.</p>
<p>Cause</p>	<p>The City believed that the signed memorandum was sufficient support for the allocation of payroll costs.</p>
<p>Effect</p>	<p>Without time sheets that track hours by funding source and/or project, the City may be unable to accurately track, manage, record, and bill payroll related expenditures. Unsupported payroll costs claimed may result in questioned or disallowed costs.</p>
<p>Recommendation</p>	<p>We recommend that the City reimburse its Proposition C Local Return Fund account for \$102,863. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Proposition C Local Return Funds are adequately supported by timesheet, a recent time study, or a supported, relevant, and equitable allocation method for personnel.</p>

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 (Continued)**

<p>PCLRF Finding #2019-036 (Continued)</p>	<p>City of Whittier</p>
<p>Management Response</p>	<p>The City agrees with the finding, however, disagrees with the recommendation to reimburse Proposition C Local Return Funds in the amount of \$102,863. The City has provided documentation for the time incurred and believed that this amount covers the minimum amount of time spent on the project for the eight (8) individuals. Effective immediately, the City has started to utilize the timesheets to track the actual time worked by the aforementioned employees to prevent future similar findings.</p>
<p>Auditor's Rejoinder</p>	<p>Although the City's claim that the memorandums support the "minimum amount of time spent on the project" may be true, we were unable to verify the hours reported based on the documentation provided. As a result, the hours charged to the PCLRF project were determined unsupported.</p> <p>The Auditor also notes that the City has begun to implement the utilization of timesheets to track actual time worked by the aforementioned employees.</p>

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(Continued)**

PALRF & PCLRF Finding #2019-037	City of Whittier
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation... "
Condition	To support the propriety of expenditures being charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, indirect costs charged to PALRF and PCLRF in the amounts of \$8,171 and \$210,238, respectively, were based on a Cost Allocation Plan (CAP) that was prepared in fiscal year 1991-92.
Cause	The City is in the final stages of reviewing the CAP. It has taken longer than expected.
Effect	The expenditures allocated may not reflect the appropriate share of costs charged to PALRF and PCLRF.
Recommendation	We recommend that the City update its CAP either by the City's own qualified personnel or by an independent external party to perform a study of the share of costs between departments, programs and funds throughout the City. The study ensures that the respective funds, including PALRF and PCLRF, are fairly and accurately paying for the services received. For a CAP to be reasonable, the City needs to establish an allocation system that is fair, equitable, and supported by current data.
Management Response	The City will implement a revised CAP.