



**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, 2016**



Simpson & Simpson, LLP  
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority  
Proposition A and Proposition C Consolidated Audit Report  
Fiscal Year Ended June 30, 2016**

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**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: 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 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 (the County) voter approved law in November 1980 and November 1990, respectively, and; 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 for the year ended June 30, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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





### ***Opinion***

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return Programs for the year ended June 30, 2016.

### ***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 Proposition A and Proposition C Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-033. Our opinion is not modified with respect to these matters.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 as Findings #2016-001, #2016-007 (related to PCLRF), #2016-013, #2016-025 (related to PALRF), and #2016-030 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 as Findings #2016-004, #2016-007 (related to PALRF), #2016-022, 2016-025 (related to PCLRF), and #2016-026 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 &amp; Simpson".

Los Angeles, California  
December 30, 2016

**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2016**

The audit of the 49 cities identified in Schedule 1 have resulted in 33 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 adequate evidence that funds were expended for transportation purposes.	17	Artesia (#2016-001)	\$ 84,379	\$ 49,458	None
		Covina (#2016-002)	46,290	-	None
		Downey (#2016-004)	137,000	25,366	None
		Hawaiian Gardens (#2016-007)	38,388	36,268	None
		Hawaiian Gardens (#2016-010)	None	None	None
		La Cañada Flintridge (#2016-012)	None	None	None
		La Mirada (#2016-013)	81,786	-	None
		Lomita (#2016-015)	20,513	-	None
		Norwalk (#2016-019)	None	2,982	None
		Rolling Hills Estates (#2016-020)	26,145	-	None
		San Dimas (#2016-022)	61,714	None	None
		South Pasadena (#2016-025)	90,718	13,911	None
		South Pasadena (#2016-027)	9,604	None	None
		Temple City (#2016-029)	None	None	None
		West Covina (#2016-030)	-	312,345	None
		West Covina (#2016-031)	None	None	None
		Whittier (#2016-033)	None	None	None
Funds were expended without LACMTA's approval.	5	Downey (#2016-003)	-	80,856	80,856
		Long Beach (#2016-016)	618,743	2,706,406	None
		San Dimas (#2016-021)	-	31,730	31,730
		South Pasadena (#2016-024)	-	8,842	8,842
		Whittier (#2016-32)	-	405	405
Annual Expenditure Report (Form C) was not submitted on time.	2	El Segundo (#2016-005)	None	None	None
		Hawaiian Gardens (#2016-009)	None	None	None
Total annual expenditures exceeded more than 25% of the approved budget.	3	La Cañada Flintridge(#2016-011)	None	None	None
		Monrovia (#2016-017)	None	None	None
		South Pasadena (#2016-026)	None	None	None

**Los Angeles County Metropolitan Transportation Authority  
 Summary of Compliance Findings  
 Fiscal Year Ended June 30, 2016**

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Administrative expenses exceeded the 20% cap.	2	Glendora (#2016-006) Hawaiian Gardens (#2016-008)	- -	11,395 7,029	None None
Recreational transit form was not submitted on time.	3	La Verne (#2016-014) Monrovia (#2016-018) Temple City (#2016-028)	None None None	None None None	None None None
No timely use of funds.	1	Signal Hill (#2016-023)	11,724	None	11,724
<b>Total Findings and Questioned Cost</b>	<b>33</b>		<b>\$ 1,227,004</b>	<b>\$ 3,286,993</b>	<b>\$ 133,557</b>

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016**

<b>Compliance Area Tested</b>	<b>Alhambra</b>	<b>Arcadia</b>	<b>Artesia</b>
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	See Finding #2016-001
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Avalon</b>	<b>Bellflower</b>	<b>Bradbury</b>
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: Not Applicable PC: 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	PA: Not Applicable PC: 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) 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	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	Compliant	PA: Not Applicable PC: Compliant

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Burbank</b>	<b>Cerritos</b>	<b>Claremont</b>
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	Compliant
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Covina</b>	<b>Diamond Bar</b>	<b>Downey</b>
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	See Finding #2016-003
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.	See Finding #2016-002	Compliant	See Finding #2016-004
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Duarte</b>	<b>El Segundo</b>	<b>Glendale</b>
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	See Finding #2016-005	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) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Glendora</b>	<b>Hawaiian Gardens</b>	<b>Hermosa Beach</b>
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.	See Finding #2016-006	See Finding #2016-008	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	See Finding #2016-009	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	See Finding #2016-007 #2016-010	Compliant
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>La Cañada Flintridge</b>	<b>La Habra Heights</b>	<b>La Mirada</b>
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).	See Finding #2016-011	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.	See Finding #2016-012	Compliant	See Finding #2016-013
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>La Verne</b>	<b>Lakewood</b>	<b>Lancaster</b>
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	Compliant
Pavement Management System (PMS) 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	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	See Finding #2016-014	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Lomita</b>	<b>Long Beach</b>	<b>Los Angeles</b>
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	See Finding #2016-016	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.	See Finding #2016-015	Compliant	Compliant
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Manhattan Beach</b>	<b>Monrovia</b>	<b>Norwalk</b>
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	See Finding #2016-017	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	See Finding #2016-019
Pavement Management System (PMS) 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	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	Compliant	See Finding #2016-018	Compliant

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Palmdale</b>	<b>Palos Verdes Estates</b>	<b>Paramount</b>
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	Compliant
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Pasadena</b>	<b>Rancho Palos Verdes</b>	<b>Redondo Beach</b>
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	Compliant
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Rolling Hills</b>	<b>Rolling Hills Estates</b>	<b>San Dimas</b>
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.	Not Applicable	Compliant	See Finding #2016-021
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.	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.	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	See Finding #2016-020	See Finding #2016-022
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>San Gabriel</b>	<b>San Marino</b>	<b>Santa Clarita</b>
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	Compliant
Pavement Management System (PMS) 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	Compliant
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  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Sierra Madre</b>	<b>Signal Hill</b>	<b>South Pasadena</b>
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	See Finding #2016-023	Compliant
Funds expended were approved and have not been substituted for property tax.	PA: Compliant PC: Not Applicable	Compliant	See Finding #2016-024
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant	Compliant	See Finding #2016-026
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	PA: Compliant PC: 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.	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	See Finding #2016-025 #2016-027
Pavement Management System (PMS) 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	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	PA: Compliant PC: Not Applicable	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Temple City</b>	<b>Torrance</b>	<b>West Covina</b>
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.	See Finding #2016-029	Compliant	See Finding #2016-030 #2016-031
Pavement Management System (PMS) 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	Compliant
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational transit form was submitted on time.	See Finding #2016-028	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority  
Summary of Proposition A and C Audit Results  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>Compliance Area Tested</b>	<b>Whittier</b>
Uses the State Controller's Uniform System of Accounts and Records.	Compliant
Timely use of funds.	Compliant
Funds expended were approved and have not been substituted for property tax.	See Finding #2016-032
Expenditures that exceeded 25% of approved project budget have approved amended project Description Form (Form A).	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant
All on-going and carryover projects were reported in Form B.	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant
Cash or cash equivalents are maintained.	Compliant
Accounting procedures, record keeping and documentation are adequate.	See Finding #2016-033
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Compliant
Assurances and Understandings form was on file.	Compliant
Recreational transit form was submitted on time.	Compliant



**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016**

<p><b>PALRF &amp; PCLRF          Finding #2016-001</b></p>	<p><b>City of Artesia</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A &amp; 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;">(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> <p>According to Proposition A and C Local Return Guidelines, Section II (A. 15), “The administrative expenditures for any year shall not exceed 20 percent of the total Local Return annual expenditures, based on year-end expenditures.”</p>

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016**

<b>PALRF &amp; PCLRF Finding #2016-001 (Continued)</b>	<b>City of Artesia</b>
<b>Condition</b>	To support the propriety of expenditures being charged to Proposition A & C Local Return Funds, 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 total payroll expenditures of \$56,082 for Proposition A General Program Administration which exceeds the 20% administration cap by \$27,542, \$28,297 for the Prop A Vehicle Project and \$49,458 for Proposition C General Program Administration which exceeds the 20% administration cap by \$14,482 were based on an estimate of a percentage of time spent on Proposition A & C activity rather than employee's actual working hours spent for the Proposition A and Proposition C projects. The City provided us with the payroll register and the timesheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project.
<b>Cause</b>	The City did not comply with the Guidelines and indicated that it was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.
<b>Effect</b>	The payroll costs claimed under the Proposition A & C Local Return Funds projects may include expenditures which may not be an allowable Proposition A project expenditures or Proposition C project expenditures, resulting in questioned costs of \$84,379 and \$49,458, respectively.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund and Proposition C Local Return Fund accounts by \$84,379 and \$49,458, 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.
<b>Management's Response</b>	The City's long time Finance Manager, who we believe was aware of the guidelines issued in 2014, developed a reporting system. This reporting system, according to the legacy accounting staff still in place, was reflective of three factors: (1) the City's payroll system, which is a profoundly antiquated system that supports a percentage distribution entry system; (2) submission to Metro last year (fall 2015) and approval by Metro representatives of this recordation and reporting system (hence the City being unaware that it would be unacceptable this year); and (3) the City's inability to access remotely stored personnel work record and also, personal work logs, in what on the City's side is very short notice (we basically tried to be responsive within a day).

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

<p><b>PALRF &amp; PCLRF                  Finding #2016-001                  (Continued)</b></p>	<p><b>City of Artesia</b></p>
<p><b>Management’s Response                  (Continued)</b></p>	<p>We understand that Metro has given their auditor’s deadlines, but the effect of those deadlines is that Artesia isn’t being given a reasonable amount of time to produce records that were not required last year. Artesia is a tiny city with very simple systems and very few employees, but it’s also closed every other Friday, and the two employees who spend the most time on Metro items are both gone for the holidays. The City of Artesia would very much like to be able to retrieve and submit documentation that would meet the new requirements, but it needs to be given a chance to do so. Plainly put, we have to wait until the relevant staff people return to work so that we can get their logs.</p>
<p><b>Auditor Rejoinder</b></p>	<p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted an annual kickoff meeting attended by representatives from the Jurisdictions. During the meeting, the Auditors and LACMTA emphasized the importance of maintaining proper documentation that would support allowable expenditures charged to the local return funds, which includes support for payroll and administration charges.</p> <p>Furthermore, we provided the City an additional week to provide the payroll charges and no additional supporting documents were provided, therefore, the finding is valid.</p>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

<p><b>PALRF Finding #2016-002</b></p>	<p><b>City of Covina</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A and 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 audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6) ) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distribution 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 at least quarterly, if necessary, to reflect changed circumstances.”</li> </ul>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

<b>PALRF Finding #2016-002 (Continued)</b>	<b>City of Covina</b>
<b>Condition</b>	To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Administration Project Code 480-04 amounting to \$46,290 were based on distribution percentages determined before the services were performed rather than employee's actual working hours spent for the Proposition A projects. In addition, there were no timesheets provided to support the actual hours or payroll expenditures charged to the project.
<b>Cause</b>	Time cards were not required for department directors prior to October 2015.
<b>Effect</b>	The payroll cost claimed under the Proposition A Local Return Fund projects may include expenditures which may not be an allowable Proposition A project expenditure. This resulted in questioned costs of \$46,290.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$46,290. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
<b>Management's Response</b>	Management agrees. Time allocations for the Public Works Director were based on a percentage of actual salary as determined during the budget process and re-evaluated during the mid-year analysis. As of October 2015, time cards are required for all City employees.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

<b>PCLRF Finding #2016-003</b>	<b>City of Downey</b>
<b>Compliance Reference</b>	According to 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..."
<b>Condition</b>	The expenditures for PCLRF's Project Code 420-01, Downeylink Fixed Route Transit Services, and Project Code 450-26, Lakewood Boulevard Improvements Phase 3B (Florence Avenue – Gallatin Road), in the amounts of \$12,613 and \$68,243, respectively, were incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the PCLRF projects on December 1, 2016 and November 17, 2016, respectively.
<b>Cause</b>	The City staff believed that the prior year's budget approval would be carried forward in the fiscal year 2015-16 and therefore, did not include the request for the project's approval in Form B submitted to LACMTA.
<b>Effect</b>	The City did not comply with the Guidelines when expenditures for PALRF projects are incurred without LACMTA's approval.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Proposition A 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 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.
<b>Management's Response</b>	Management agrees with the audit results and has adopted internal procedures to ensure that LACMTA approval is obtained prior to incurring expenditures on a project.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the projects on December 1, 2016 and November 17, 2016, respectively. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
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 (Continued)**

<p><b>PALRF &amp; PCLRF Finding #2016-004</b></p>	<p><b>City of Downey</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A and 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;">(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**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

<b>PALRF &amp; PCLRF Finding#2016-004 (Continued)</b>	<b>City of Downey</b>
<b>Condition</b>	To support the propriety of expenditures being charged to Proposition A and 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 to PALRF's Senior/Handicapped Transit Program Administration Project Code 480-03 and PCLRF's Local Return Fund Administration (Public Works) Project Code 480-28 in the amounts of \$137,000 and \$25,366, respectively, were based on an estimate of a percentage of time spent on PALRF and PCLRF activity 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 2015-16.
<b>Cause</b>	The City allocates administrative charges for management that was based on a time study performed by the City in prior years. Those same percentages have been used in prior fiscal years and also, in fiscal year 2015-16.
<b>Effect</b>	The payroll costs claimed under the Proposition A and C Local Return Fund project may include expenditures which may not be an allowable Proposition A and C project expenditures. This resulted in questioned costs of \$137,000 and \$25,366 for PALRF and PCLRF, respectively.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Fund accounts by \$137,000 and \$25,366, 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.
<b>Management's Response</b>	Management agrees with the audit results. The City has engaged Matrix Consulting to complete a cost allocation study which started in November 2016. The cost allocation study will be completed by March 2017 and submitted to our cognizant agency for OMB approval.



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
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<b>PALRF &amp; PCLRF Finding#2016-005</b>	<b>City of El Segundo</b>
<b>Compliance Reference</b>	According to Proposition A and C Local Return Guidelines, Section I (C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
<b>Condition</b>	The City did not meet the October 15, 2016 deadline for submission of Form C. The City submitted the final Form C to the LACMTA on February 1, 2017.
<b>Cause</b>	The City has gone through a turnover of staff in various departments which has caused the oversight.
<b>Effect</b>	The City's Form C was not submitted timely, in accordance with the Guidelines.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the Form C (Annual Expenditure Report) is properly prepared and submitted prior to the October 15th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
<b>Management's Response</b>	The City has hired and assigned a staff person who has established new processes to ensure internal controls are in place to meet the required reporting deadlines and proper record retention.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

<b>PCLRF Finding #2016-006</b>	<b>City of Glendora</b>
<b>Compliance Reference</b>	According to Proposition C Local Return Guidelines, Section II.A.15, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent;"
<b>Condition</b>	The City's administrative expenditures exceeded more than twenty percent of its total Proposition C local return annual expenditures in the amount of \$11,395. The amount of \$11,395 represents the excess over 20 percent of the Proposition C's total local return annual expenditures.
<b>Cause</b>	Staff made a miscalculation in regards to the administrative allocation amount.
<b>Effect</b>	The City's PCLRF Administration project expenditures exceeded 20 percent of its Proposition C local return annual expenditures. Therefore, the City did not comply with the Guidelines, resulting in questioned costs of \$11,395.
<b>Recommendation</b>	We recommend that the City reimburse its PCLRF in the amounts of \$11,395. Furthermore, we recommend the City to establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF's total annual expenditures.
<b>Management's Response</b>	The error was caught by staff which occurred after the submission deadline to LACMTA. Moving forward, allocations will be scrutinized in a more timely fashion to avoid future timing issues.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

<p><b>PALRF &amp; PCLRF          Finding #2016-007</b></p>	<p><b>City of Hawaiian Gardens</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A and 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 audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports an after the fact distribution of the actual activity of each employee,</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:             <ul style="list-style-type: none"> <li>(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 distribution 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 at least quarterly, if necessary, to reflect changed circumstances.”</li> </ul> </li> </ul>

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

<b>PALRF &amp; PCLRF Finding #2016-007 (Continued)</b>	<b>City of Hawaiian Gardens</b>
<b>Condition</b>	To support the propriety of expenditures being charged to Proposition A and C Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Administration Project Code 480-02 amounting to \$38,388 for Proposition A and Administration Project Code 480-03 amounting to \$36,268 for Proposition C were based on distribution percentages determined before the services were performed rather than employee's actual working hours spent for the Proposition A and C projects. The City provided us with the payroll register and the time sheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project.
<b>Cause</b>	The City stated that it was not aware that its practice of allocating salaries and benefits to a project was not adequate support for labor costs claimed.
<b>Effect</b>	The payroll cost claimed under the Proposition A and C Local Return Fund projects may include expenditures which may not be allowable Proposition A and C project expenditures. This resulted in questioned costs of \$38,388 and \$36,268 for PALRF and PCLRF, respectively.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Funds accounts by \$38,388 and \$36,268, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
<b>Management's Response</b>	Management is currently reviewing the process of establishing the percentage allocations for employee services within each project. The current method has been to estimate the amount of time to be allocated to each project. The City will be establishing a quarterly review with employees providing signed documentation on the time spent on each project.

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
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(Continued)**

<b>PCLRF Finding #2016-008</b>	<b>City of Hawaiian Gardens</b>
<b>Compliance Reference</b>	According to Proposition A and C Local Return Guidelines, Section II A-15 “The administrative expenditures for any year shall not exceed 20 percent of total Local Return annual expenditures. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or Local Return funds received in fund exchanges;”
<b>Condition</b>	The City’s administrative expenditures exceeded more than twenty percent of its total Proposition C Local Return Fund annual expenditures in the amount of \$7,029. The amount of \$7,029 represents the excess over 20 percent of the Proposition C total Local Return annual expenditures.
<b>Cause</b>	The City was not able to monitor its administrative expenses to determine that they did not exceed 20 percent of its total PCLRF expenditures due to limited staffing.
<b>Effect</b>	The City’s PCLRF Administration project expenditures exceeded 20 percent of its Proposition C Local Return annual expenditures. Therefore, the City did not comply with the Guidelines. The total questioned costs is \$7,029.
<b>Recommendation</b>	We recommend that the City reimburse its PCLRF in the amounts of \$7,029. Furthermore, we recommend the City to establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF’s total expenditures.
<b>Management’s Response</b>	The staffing changes and limited staffing required staff to focus on other areas and the review of this limit was not done prior to the end of fiscal year 2015-16. However, the City management will monitor the expenditures more closely during the current fiscal year in order to ensure compliance.

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<b>PALRF &amp; PCLRF Finding #2016-009</b>	<b>City of Hawaiian Gardens</b>
<b>Compliance Reference</b>	According to Proposition A and C Local Return Guidelines, Section I-C “On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year Local Return fund receipts and expenditures.”
<b>Condition</b>	The City did not meet the October 15, 2016 deadline for submission of Annual Expenditure Report (Form C). The City subsequently submitted the Form C on October 31, 2016.
<b>Cause</b>	The City was not able to complete the form on time for its submission to LACMTA due to insufficient staffing during a transitional period.
<b>Effect</b>	The City’s Form C was not submitted timely.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the Form C (Expenditure Report) is properly prepared and submitted before the due date of October 15th 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 that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner.
<b>Management’s Response</b>	The Finance Director took on the City Manager responsibilities when the City Manager resigned and this resulted in some items being missed, including the submission of the form. When the form was submitted to LACMTA, the City encountered some difficulties with the emails not going through. The City faxed the forms, instead.

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 (Continued)**

<b>PALRF &amp; PCLRF Finding #2016-010</b>	<b>City of Hawaiian Gardens</b>
<b>Compliance Reference</b>	Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions and handling any related assets. No one individual should control all key aspects of a transaction or event.
<b>Condition</b>	There is a lack of separation of duties in a) Payroll – The same employee enters and updates employee information in the payroll system; processes payroll; and records payroll transactions; b) Cash Disbursements – The same employee processes invoices for payments; records disbursements; prepares checks; and places the checks in the envelopes and handles mailing.
<b>Cause</b>	The City does not have enough budget to employ additional employees.
<b>Effect</b>	There is a potential for higher risk of erroneous, fraudulent or unauthorized transactions and/or payments.
<b>Recommendation</b>	We recommend the City a) separate the duties of initial entering and updating of employee information from the payroll processing b) separate the duties for processing voucher packages, record disbursements in the general ledger, preparing and mailing checks. To the extent possible, duties should be segregated to serve as checks and balances on the employees’ integrity and maintain the best internal control system possible. Adequate segregation of duties helps prevent one person from falsifying accounting documentation and preparing a payment for the misuse of funds.
<b>Management’s Response</b>	Payroll – Currently, the Accountant prepares the payroll and enters all changes to the employee files within the system. At year end, a review was done of all employee rates to verify that they were accurately entered. There is no exception report available in the Fund Balance system, but the City staff is working to develop one that will allow the City to use a change report to confirm updates. In addition, now that a Human Resource (HR) Manager was hired, the City is developing a plan to have the HR Department enter all changes to employee records. The HR department will enter the changes and Accountant will verify those changes against the documents forwarded to payroll. The staff size will continue to make segregating duties difficult, but the City staff will continue to look for ways to provide more segregation and to place points of review and reconciliation that will improve the ability to prevent fraud. By using the Staff Assistant (SA) and with the hiring of another Accountant, the City will be able to make some substantial changes to provide additional segregation and control points. Consideration of risk versus cost, must also be considered as these procedures are reviewed.

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 (Continued)**

<p><b>PALRF &amp; PCLRF                  Finding #2016-010                  (Continued)</b></p>	<p align="center"><b>City of Hawaiian Gardens</b></p>
<p><b>Management's Response                  (Continued)</b></p>	<p>Cash Disbursement – The Senior Account Specialist has been the person to enter invoices, print checks and distribute those checks, either to individuals or via mail. Currently, there are reviews and controls in place to detect fraud and these procedures are being reviewed to improve the controls to prevent and reduce the risk of fraudulent activities in the area of Cash Disbursements. The current procedure provides that all invoices are to be approved by department heads and/or City Manager according to defined spending levels. Once invoices are entered and checks are processed, the Finance Director reviews the issued checks and confirms the supporting documents contain this approval. These reviews provide opportunity to identify any fraudulent payments. In addition, recent procedure change has a SA distributing the checks once they are prepared. The SA reviews the checks and supporting documents and then, mails or issues checks to individuals. The check copy packages are returned to the Finance Director for a final review.</p>



**Los Angeles County Metropolitan Transportation Authority**  
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<b>PALRF Finding #2016-011</b>	<b>City of La Cañada Flintridge</b>
<b>Compliance Reference</b>	According to Proposition A and 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."
<b>Condition</b>	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 130-01 Dial-A-Ride in the amount of \$1,525. However, the City filed the Project Description Form (Form A) to obtain approval on the budget amendment for the project from LACMTA. The Form A was subsequently approved by LACMTA on October 19, 2016.
<b>Cause</b>	The City was unable to determine the proper budget of the expenditures incurred for the project since the amount is based on ridership, which fluctuates. Total cost of services is not known until the monthly billings for the full year are received from the City of Glendale. Billings for later months are normally not received until after the fiscal year ends
<b>Effect</b>	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
<b>Recommendation</b>	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 or capital Local Return projects. Also, we recommend the City request frequent billings from the City of Glendale, i.e., quarterly or semi-annually, in order to monitor the expenditures incurred on the project. This would enable the City to monitor the expenditures and ensure that they do not exceed 25 percent of the approved budget.
<b>Management's Response</b>	The City received the new contracted cost for the Dial-A-Ride service after the start of the fiscal year. In the future, we will request the City of Glendale to provide the contracted cost before the year end so that we can properly review and submit Form A to LACMTA earlier with a more reasonable budget.

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 Schedule of Findings and Questioned Costs  
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 (Continued)**

<b>PALRF &amp; PCLRF Finding #2016-012</b>	<b>City of La Cañada Flintridge</b>
<b>Compliance Reference</b>	According to Proposition A and 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...”.
<b>Condition</b>	To support the propriety of expenditures being charged to the Proposition A and C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. 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, payments to City of Glendale in the total amounts of \$223,086 and \$148,724, under Proposition A and Proposition C, respectively, were based on an expired contract agreement and were charged to the respective LCF Shuttle (Route 3) Project Code 110-03. No amendments were issued since Amendment No. 9 dated September 23, 1999 in which the term of the extension ended on January 31, 2000.
<b>Cause</b>	The City have relied on the statement in the amended contract that both cities, if mutually agreed to, are allowed to extend the contract beyond the initial period as to the level of service, type of service, and rates.
<b>Effect</b>	No documentation to support that both Cities agree to extend the terms of the agreement indicates a weakness in the City’s internal control.
<b>Recommendation</b>	We recommend that the City update the contract annually and issue an extension or amendment to provide proper documentation that both parties, Cities of La Cañada and Glendale, mutually agreed to the terms and conditions of the contract, including but not limited to, level of service, type of service, and rates.
<b>Management’s Response</b>	The City and the City of Glendale have agreed to extend the agreement beyond the initial period under Amendment No. 9 with respect to level of service, type of service and rates. These extensions have been made through correspondence between the parties. In the future, the City will initiate deliberations with the City of Glendale on another contract amendment.

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 (Continued)**

<p><b>PALRF Finding #2016-013</b></p>	<p><b>City of La Mirada</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A and 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 audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:             <ul style="list-style-type: none"> <li>(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 distribution 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 at least quarterly, if necessary, to reflect changed circumstances.”</li> </ul> </li> </ul>

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
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(Continued)**

<b>PALRF Finding #2016-013 (Continued)</b>	<b>City of La Mirada</b>
<b>Condition</b>	To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Administration Project Code 480-02 in the amount of \$81,786 were based on distribution percentages determined before the services were performed.
<b>Cause</b>	In 2012, the City of La Mirada initiated a Cost Allocation Plan (CAP) with Wildan Financial Services. The CAP was not completed and eventually became an in-house project. The CAP was completed by the City in October 2016.
<b>Effect</b>	The cost claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditure. This resulted in questioned costs of \$81,786.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$81,786. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
<b>Management's Response</b>	In the future, the City of La Mirada will continue to use the budgeted allocation percentage with quarterly comparisons between actual hours and budgeted hours. The City will adjust accordingly to the "true" hours worked on the program

**Los Angeles County Metropolitan Transportation Authority**  
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<b>PCLRF Finding #2016-014</b>	<b>City of La Verne</b>
<b>Compliance Reference</b>	According to Proposition A & C 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."
<b>Condition</b>	The City did not meet the October 15, 2016 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 3, 2016.
<b>Cause</b>	The Community Services Administrator who was responsible for the submission of the listing was not able to submit the form to LACMTA by its due date.
<b>Effect</b>	The City's Listing of Recreational Transit Services was not submitted timely.
<b>Recommendation</b>	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.
<b>Management's Response</b>	The Finance Department will coordinate with the Community Services Administrator to ensure that the Listing of Recreational Transit Services form is submitted by October 15th of each year. The Finance Department will verify that the Recreational Transit Form has been submitted to LACMTA in a timely manner.

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 (Continued)**

<p><b>PALRF Finding #2016-015</b></p>	<p><b>City of Lomita</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A 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) 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;">(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>

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 (Continued)**

<b>PALRF Finding #2016-015 (Continued)</b>	<b>City of Lomita</b>
<b>Condition</b>	To support the propriety of expenditures being charged to Proposition A 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. For the first 6 months of the year the City did not maintain any payroll records, however, the City conducted a time study to support the second 6 months of the fiscal year. The total payroll expenditures of \$20,513 for Proposition A for Administration were based on an estimate of a percentage of time spent on Proposition A activity rather than employee’s actual working hours spent for the Proposition A project. The City provided us with the supporting documentation for the time study; however, it did not adequately support the actual hours or payroll expenditures charged to the project for the first 6 months of the fiscal year.
<b>Cause</b>	The City did not comply with LACMTA Guidelines and indicated that it was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.
<b>Effect</b>	The payroll costs claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditures, resulting in questioned costs of \$20,513.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$20,513. 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.
<b>Management’s Response</b>	Management understands that the City did not fully comply with LACMTA Guidelines with regards to timekeeping for the Proposition A project. During the fiscal year there have been changes in the Finance Department, with the retirement of the Administrative Services Director and Accounting Manager. Management believed that a time study for a three month period would be sufficient evidence for payroll expenditures. Starting in fiscal year 2016/2017, management will ensure that timesheets are kept to charge actual time for the Proposition A project.

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 (Continued)**

<b>PALRF &amp; PCLRF Finding #2016-016</b>	<b>City of Long Beach</b>
<b>Compliance Reference</b>	<p>The City incurred expenditures in the amounts of \$618,743 and \$2,706,406 for PALRF and PCLRF, respectively, for a total amount of \$3,325,149, prior to receiving approval from LACMTA for the following projects: However, the City subsequently received LACMTA’s approval on January 20, 2017.</p> <ul style="list-style-type: none"> <li>(a) PALRF’s Project Code 150-20, Bus Improvements at 8 Locations on Long Beach Boulevard, Atlantic Avenue and the corner of 5th and Magnolia Street, in the amount of \$577.</li> <li>(b) PALRF’s Project Code 150-99, Long Beach Boulevard and 5th Street Bus Stop, in the amount of \$6,605.</li> <li>(c) PALRF’s Project Code 150-100, 7th Street Bus Stop Improvements, in the amount of \$180,942.</li> <li>(d) PALRF’s Project Code 160-02, Bus Stop Improvements on Studebaker Road Between Spring Street and Wardlow Road, in the amount of \$111,189.</li> <li>(e) PALRF’s Project Code 160-03, Bus Stop Improvements on Pacific Between PCH and Wardlow Road, in the amount of \$92,987.</li> <li>(f) PALRF’s Project Code 160-06, Bus Stop Improvements on Easy Avenue Between 27th Street and Spring Street, in the amount of \$12,738.</li> <li>(g) PALRF’s Project Code 160-09, Bus Stop Improvements on 10th Street Between Cherry Avenue and Temple Avenue, in the amount of \$93,506.</li> <li>(h) PALRF’s Project Code 320-01, Long Beach Blue Line Priority Project, in the amount of \$120,199.</li> <li>(i) PCLRF’s Project Code 440-300, Studebaker Road from Spring Street to Wardlow Road, in the amount of \$693,560.</li> <li>(j) PCLRF’s Project Code 440-301, Pacific Avenue from PCH to Willow Street, in the amount of \$1,148,489.</li> <li>(k) PCLRF’s Project Code 440-302, Easy Avenue from 27th Street to Spring Street, in the amount of \$542,353.</li> <li>(l) PCLRF’s Project Code 440-303, Orange Avenue from 52nd Street to 64th Street, in the amount of \$48,366.</li> <li>(m) PCLRF’s Project Code 440-304, Del Amo Boulevard Between West City Limits and Long Beach Boulevard, in the amount of \$19,774.</li> <li>(n) PCLRF’s Project Code 440-305, Orange Avenue Between Artesia Boulevard and 72nd Street, in the amount of \$64,050.</li> </ul>



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<b>PALRF &amp; PCLRF Finding #2016-016</b>	<b>City of Long Beach</b>
<b>Condition (Continued)</b>	<p>(o) PCLRF's Project Code 440-306, Redondo Avenue Between Reservoir Drive and Stearns Street, in the amount of \$58,269.</p> <p>(p) PCLRF's Project Code 440-307, Studebaker Road Between Keynote Street and Los Coyotes Diagonal, in the amount of \$15,582.</p> <p>(q) PCLRF's Project Code 440-308, Ximeno Avenue between Atherton Street and Los Coyotes Diagonal, in the amount of \$24,952.</p> <p>(r) PCLRF's Project Code 440-309, Anaheim Street between Oregon Avenue and Pacific Avenue, in the amount of \$91,011.</p>
<b>Cause</b>	The City stated that above projects were pre-approved in fiscal years 2013-14 and 2014-15 through the Form A process. However, the said projects were not included in the request for the project's approval on fiscal year 2015-16's Form B submitted to LACMTA.
<b>Effect</b>	The City did not comply with the Guidelines when expenditures for PALRF and PCLRF projects are incurred without LACMTA's approval.
<b>Recommendation</b>	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 November 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.
<b>Management's Response</b>	The Form As were resubmitted for each of the projects to ensure Metro has noted that the projects were still open during the fiscal year. Future Form B submittals will include more rigorous review to ensure that all open projects are listed.

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<b>PALRF Finding #2016-017</b>	<b>City of Monrovia</b>
<b>Compliance Reference</b>	According to Proposition A and 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."
<b>Condition</b>	The expenditures for PALRF Project Code 170-03, Bus Stop Improvement exceeded 25% or more of its LACMTA approved budget in the amount of \$5,546. However, the City filed the Project Description Form (Form A) to obtain the approval for this project from LACMTA. The revised Form A was subsequently approved by LACMTA on November 16, 2016.
<b>Cause</b>	The Bus Stop Improvement Project exceeded 25% of the approved budget due to unanticipated expenditures that the City incurred during the course of the project.
<b>Effect</b>	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
<b>Recommendation</b>	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 or capital Local Return projects.
<b>Management Response</b>	We agree with this finding. We acknowledge that the PALRF's Bus Stop Improvement Project exceeded 25% of its approved budget in the amount of \$5,546. Going forward, we will implement a Local Return Fund Oversight Program to effectively track all Proposition A, Proposition C, Measure R, and Transportation Development Act expenditures to ensure that actual project costs do not exceed 25% of the approved budget. This compliance program will involve quarterly expense tracking that will help identify projects that could potentially exceed the 25% cap. This would allow the City to amend the budget forms to reflect anticipated expenses.

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
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(Continued)**

<b>PALRF &amp; PCLRF Finding #2016-018</b>	<b>City of Monrovia</b>
<b>Compliance Reference</b>	According to Proposition A and C Local Return Guidelines, Section II.1.3, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
<b>Condition</b>	The City did not meet the October 15, 2016 deadline for submission of the listing of Recreational Transit Services. However, the City submitted the listing to LACMTA on November 3, 2016.
<b>Cause</b>	The listing of Recreational Transit Services was not submitted on time due to changes in staffing and transition of personnel responsible for gathering the recreation transit data and information.
<b>Effect</b>	The City's listing of Recreational Transit Services was not submitted timely.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the listing of Recreational Transit Services is properly prepared and submitted prior to the October 15th deadline and the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
<b>Management Response</b>	We agree with this finding. We acknowledge that the listing of Recreational Transit Services was not submitted by its intended deadline. Going forward, we will implement a Local Return Fund Oversight Program to effectively track all PALRF, PCLRF, MRLRF and TDAA3F to ensure that the annual approval and reporting deadlines are met. The City plans to use the annual Metro Audit Request List as a basis for the compliance program.

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 (Continued)**

<p><b>PCLRF Finding #2016-019</b></p>	<p><b>City of Norwalk</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A &amp; 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) 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;">(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:</p> <p style="padding-left: 80px;">(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  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2016  
(Continued)**

<b>PCLRF Finding #2016-019 (Continued)</b>	<b>City of Norwalk</b>
<b>Condition</b>	The salaries and benefits totaling \$2,982 under Project 310-08 Transportation Center Operation, was based on percentages determined by the City departments to be attributable to the LACMTA projects. However, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Proposition C Local Return projects.
<b>Cause</b>	The City received the same finding during FY 2014-15 and has subsequently implemented internal control procedures to ensure that the salaries charged to Proposition C Local Return projects are properly supported. However, the City did not have this internal control in place during the payroll periods included in our testing.
<b>Effect</b>	The City did not comply with the LACMTA Guidelines. The payroll costs claimed under the Proposition C Local Return Funds projects may include expenditures which may not be an allowable Proposition C project, resulting in questioned cost in the amount of \$2,982.
<b>Recommendation</b>	As the City has subsequently modified its time sheet reporting format and implemented internal controls to ensure compliance with guidelines, we recommend that the City implement a monitoring and review process to ensure that the internal controls in place operate effectively to ensure proper reporting of salaries charged to approved Proposition C Local Return projects.
<b>Management's Response</b>	Management will ensure that all staff time charged to Proposition C Local Return Projects are supported by timesheets or similar documentation.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

<p><b>PALRF Finding #2016-020</b></p>	<p><b>City of Rolling Hills Estates</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A 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 of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(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  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

<p><b>PALRF                  Finding #2016-020                  (Continued)</b></p>	<p><b>City of Rolling Hills Estates</b></p>
<p><b>Condition</b></p>	<p>To support the propriety of expenditures being charged to Proposition A 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 total payroll expenditures of \$26,145 for Proposition A for Administration were based on an estimate of a percentage of time spent on Proposition A activity rather than employee’s actual working hours spent for the Proposition A project. The City provided us with the payroll register and the timesheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project.</p> <p>During the fiscal year, there was only one employee’s payroll being charged to Proposition A Local Return Fund.</p>
<p><b>Cause</b></p>	<p>The City did not comply with LACMTA Guidelines and indicated that it was not aware that its practice of allocating salaries and fringe benefits to a project was not adequate to support labor costs claimed.</p>
<p><b>Effect</b></p>	<p>The payroll costs claimed under the Proposition A Local Return Fund project may include expenditures which may not be allowable Proposition A project expenditures, resulting in questioned costs of \$26,145.</p>
<p><b>Recommendation</b></p>	<p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Fund account by \$26,145. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.</p>
<p><b>Management’s Response</b></p>	<p>Now that we have been made aware of the change for the reporting Prop. A on time sheets, the time sheets will be modified from an estimated percentage to the actual employee’s working hours.</p>

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

<b>PCLRF Finding #2016-021</b>	<b>City of San Dimas</b>
<b>Compliance Reference</b>	According to Proposition A and 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 A or C Local Return account..."
<b>Condition</b>	The expenditures for PCLRF's Bonita Avenue Street Reconstruction project in the amount of \$31,730 was incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the PCLRF project on September 12, 2016.
<b>Cause</b>	The submission of the form for the project was overlooked during the submittal of Form A's to LACMTA.
<b>Effect</b>	The City did not comply with the Guidelines when expenditures for PCLRF projects are incurred without LACMTA's approval.
<b>Recommendation</b>	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, and Form B (Annual Project Summary Report) is 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.
<b>Management Response</b>	The project was reported in the original Form C submitted. However, the Form A for the project was mistakenly omitted when submitting the necessary Form A's to LACMTA. Once the City was notified by Metro, the City immediately rectified the missing Form A and the project was approved. In the future, additional measures, such as second reviewer as part of the process, will be put in place to assure that all necessary Form A's are completed and turned in on time.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the project on September 12, 2016. No additional follow up is required.



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 (Continued)**

<p><b>PALRF Finding #2016-022</b></p>	<p><b>City of San Dimas</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A 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> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</li> </ul>

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(Continued)**

<b>PALRF Finding #2016-022 (Continued)</b>	<b>City of San Dimas</b>
<b>Condition</b>	To support the propriety of expenditures being charged to the Proposition A and C Local Return Funds, 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 charges to PALRF's Administration, Project Code 480-01 in the amount of \$61,714 were based on budget estimates. The City provided us with the payroll register and the timesheets; however, it did not adequately support the actual hours or payroll expenditures charged to the project.
<b>Cause</b>	The City followed a practice that was in place and continued to charge payroll based on budget estimates. Moreover, the City did not follow the recommended procedures for acceptable personnel activity reports or equivalent documentation by LACMTA that was issued on April 29, 2014.
<b>Effect</b>	The payroll costs claimed under Proposition A Local Return Fund project may include expenditures which may not be allowable Proposition A project expenditures.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A Local Return Account \$61,714. 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.
<b>Management's Response</b>	The prior management process was to charge time based on scheduled time to work on PALRF functions. The City has now adjusted this practice to have all time worked related to Metro funds to be reflected on the time cards to meet the requirements for time keeping and expenditure tracking per PALRF guidelines.

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**(Continued)**

<b>PALRF Finding #2016-023</b>	<b>City of Signal Hill</b>
<b>Compliance Reference</b>	According to Proposition A & C Guidelines, Section B paragraph (1), "Under the Proposition A and Proposition C Ordinances, 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."
<b>Condition</b>	At June 30, 2016, the City had unspent PALRF fund balance from FY 2013 in the amount of \$11,724. The City received subsequent approval from LACMTA on December 15, 2016 to transfer expenditures incorrectly posted to Proposition A- FY16/17 to Proposition A - FY 15/16 to cover the lapsed fund amount.
<b>Cause</b>	The City was not aware of the importance of monitoring lapsing Proposition A funds and spending funds within three years to meet the compliance requirements.
<b>Effect</b>	The City is obligated to expend the funds within three years and the City did not expend the Proposition A fund balance from FY 2013 as of June 30, 2016. Therefore, the City was not in compliance with the Guidelines.
<b>Recommendation</b>	We recommend that the City establish controls to ensure that the funds will be spent in a timely manner as required by the Guidelines.
<b>Management Response</b>	Please be aware that the City of Signal Hill did expend all Prop A funds, including the \$11,724 fund balance "Condition" mentioned in your attached finding. Because of the challenges involved in the City's recent conversion to new Accounting Software and an accounting oversight, FY 15-16 Prop A fund expenditures were paid and erroneously posted to the subsequent 16-17 FY. These expenditures, in the amount of \$21,719.92 for your invoice 10006231 for "Prop A- 1st half FY Fixed Route", were incurred in FY 15-16. Additionally, this correction will reflect in our FY 15-16 CAFR and Single Audit Reports.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the expenditure transfer to the correct fiscal year on December 15, 2016. No additional follow up is required.

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**(Continued)**

<b>PCLRF Finding #2016-024</b>	<b>City of South Pasadena</b>
<b>Compliance Reference</b>	According to Proposition A and 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 A or C Local Return account..."
<b>Condition</b>	The expenditure for PCLRF's Bus Stop Improvement Project with Project Code 150-01 in the amount of \$8,842 was incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on PCLRF project on November 9, 2016.
<b>Cause</b>	The City inadvertently did not include the budget for the Bus Stop Improvement Project on the Form B submitted to LACMTA.
<b>Effect</b>	The City did not comply with the Guidelines when expenditures for PCLRF projects are incurred without LACMTA's approval.
<b>Recommendation</b>	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, and Form B (Annual Project Summary Report) is 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 ongoing and carryover Local Return projects in Form B.
<b>Management Response</b>	Management concurs with the finding.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the project on November 9, 2016. No additional follow up is required.

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 (Continued)**

<p><b>PALRF &amp; PCLRF          Finding #2016-025</b></p>	<p><b>City of South Pasadena</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A and 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 audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</li> </ul>

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 (Continued)**

<b>PALRF &amp; PCLRF Finding #2016-025 (Continued)</b>	<b>City of South Pasadena</b>
<b>Condition</b>	To support the propriety of expenditures being charged to Proposition A Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Proposition A Administration Project Code 480-01 totaled \$22,486 and Senior Dial-A-Ride, Project Code 130-05 totaled \$68,232 and Proposition C Administration Project Code 480-01 totaled \$13,911 were based on distribution percentages determined before the services were performed rather than employee’s actual working hours spent for the Proposition A and C projects. The City provided us with the payroll register and the time sheets; however, the documents did not adequately support the actual hours or payroll expenditures charged to the project. This finding is read in conjunction with Finding No. 2016-024.
<b>Cause</b>	The City was not aware that its method of charging salaries and benefits was not an adequate support for labor costs claimed.
<b>Effect</b>	The payroll costs claimed under the Proposition A and C Local Return Fund projects may include expenditures which may not be allowable for Proposition A and C project expenditures. This resulted in questioned costs of \$90,718 and \$13,911 for PALRF and PCLRF, respectively.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend that the City reimburse its Proposition A and C Local Return Funds accounts by \$90,718 and \$13,911, respectively. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees’ actual working hours.
<b>Management’s Response</b>	Percentages are used so a budget can be prepared for the new fiscal year. Once the year starts, the payroll and benefit charges for administration are based on actual hours worked as listed on the time cards. We understand that one employee who worked for the City for 7 months neglected to put down actual hours, though the percentage used (2% combined for PALRF and PCLRF) would have represented approximately \$1,000 total charged to PALRF and PCLRF. Purely programmatic personnel such as Dial-A-Ride drivers are always 100% funded by PALRF and PCLRF so the payroll system will show them as 100% allocated to PALRF and PCLRF.

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(Continued)**

<b>PALRF &amp; PCLRF Finding #2016-026</b>	<b>City of South Pasadena</b>
<b>Compliance Reference</b>	According to Proposition A and 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."
<b>Condition</b>	The City exceeded more than 25 percent of Metro's approved budget on PALRF's and PCLRF's Administration Project Code 480-01 in the amount of \$7,163 and \$17,667, respectively. The Project Description Form (Form A) was not submitted to LACMTA to amend the budget. This finding is read in conjunction with Finding No. 2016-025. This condition was a repeat finding in fiscal year ended June 30, 2015 for PCLRF.
<b>Cause</b>	Originally the City had enough Administration project budget. However, during the fiscal year there were multiple budget adjustments which caused the fiscal year ending June 30, 2016 Administration project budget to be lower than the initially approved Administration project budget amount. As a result, the actual cost exceeded the 25 percent excess budget allowance.
<b>Effect</b>	The City's PALRF and PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
<b>Recommendation</b>	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 or capital Local Return projects.
<b>Management Response</b>	The overage was due to a one-time charge related to retiree health insurance costs. Without the charge, the cap would not have been exceeded. Upon reviewing these charges, the allocation methodology does not appear to have been accurate, and such charges will not appear in future.

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 (Continued)**

<b>PALRF Finding #2016-027</b>	<b>City of South Pasadena</b>
<b>Compliance Reference</b>	According to Proposition A and C Local Return Guidelines, Section V “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in the guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation.” In addition, the City’s accounts payable procedures states that “All invoices \$500 up to \$10,000 must have a purchase order to disencumber except for: refunds out of a revenue account; payments out of a rehab or trust account; and petty cash replenishment. The above three exceptions must have a check request with the proper approval signature.”
<b>Condition</b>	Purchase orders were not issued as required by the City’s policies and procedures.
<b>Cause</b>	The City was not consistent in complying with the purchasing policies and procedures.
<b>Effect</b>	The cost claimed under the Proposition A Local Return Fund project may include expenditures which may not be an allowable Proposition A project expenditure. Total disbursement tested that were not covered by purchase order amounted to \$ 9,604.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend the City establish controls to ensure compliance with the City’s purchasing procedures at all times.
<b>Management Response</b>	Management agrees that this has been the case, and has instituted procedures to ensure that Purchase Order policies are being correctly followed.



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 (Continued)**

<b>PALRF Finding #2016-028</b>	<b>City of Temple City</b>
<b>Compliance Reference</b>	According to Proposition A & C 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.”
<b>Condition</b>	The City did not meet the October 15, 2016 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 4, 2016.
<b>Cause</b>	The City employee who is responsible for the submission of the form missed the deadline set by LACMTA.
<b>Effect</b>	The City’s Listing of Recreational Transit Services was not submitted timely.
<b>Recommendation</b>	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 on a timely manner.
<b>Management Response</b>	The staff will ensure the timely submission of the Listing of Recreational Transit Services in the future and follow-up with LACMTA for confirmation.

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2016**  
**(Continued)**

<b>PALRF Finding #2016-029</b>	<b>City of Temple City</b>
<b>Compliance Reference</b>	According to Proposition A Local Return Guidelines, Section I (C), "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
<b>Condition</b>	The City had a debit balance on its employee benefits payable that relates to prior years' administration costs and was not adjusted to properly account for them. The debit balance was created due to the change of the payroll system in fiscal year 2012-13. This unadjusted balance resulted to a total of \$36,546 at June 30, 2016.
<b>Cause</b>	The City did not make a timely adjustment to correct the debit balance of the liability for prior fiscal years after terminating outside payroll services during the conversion of the payroll system.
<b>Effect</b>	PALRF financials do not reflect the proper financial condition of the local return fund and may lead to weak internal accounting controls.
<b>Recommendation</b>	We recommend that the City establish procedures to ensure that the financial records reflect the true and accurate condition of the local return funds in order to provide a more meaningful presentation to the users in compliance with the guidelines.
<b>Management Response</b>	The amount of \$36,546 is a result of the conversion from an outside payroll service to an in-house payroll process which occurred in fiscal year 2012-13. The City made changes to the Accounts Payable process so that the liabilities are paid out of the corresponding fund and clears out the proper liability amount on a monthly basis. The City has made the necessary adjustments to reconcile the debit balance related to prior years.

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2016  
 (Continued)**

<p><b>PCLRF Finding #2016-030</b></p>	<p><b>City of West Covina</b></p>
<p><b>Compliance Reference</b></p>	<p>According to Proposition A and 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 audit prescribed in the guidelines. “ In addition, LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdiction to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Returns Guidelines, those recommendations are “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, “(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</li> </ul>

**Los Angeles County Metropolitan Transportation Authority  
 Schedule of Findings and Questioned Costs  
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 (Continued)**

<p><b>PCLRF                  Finding #2016-030                  (Continued)</b></p>	<p><b>City of West Covina</b></p>
<p><b>Condition</b></p>	<p>To support the propriety of expenditures being charged to Proposition C Local Return Fund, payroll should be supported by properly executed payrolls, time records, activity reports, vouchers or other documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Transportation Planning Project Code 270-05 amounting to \$120,215, Pavement Management Project Code 470-06 amounting to \$96,286, and Administration Project Code 480-01 in the amount of \$95,844 were based on distribution percentages determined before the services were performed. In addition, there were several timesheets, and/or leave requests that were not approved by the supervisor.</p>
<p><b>Cause</b></p>	<p>The payroll and budgeting process has been the same for a number of years with no mention that it was incorrect from any prior audit reports. The new cost allocation plan was delayed for numerous reasons: 1) The City attempted to hire a consultant to prepare a new cost allocation plan in July 2014, but was unable to settle on a contract with the vendor; 2) The Finance Director at the time then left the City and a new one was not hired until April 15; and 3) in July 2015, the new Finance Director got direction from the City Council to issue a new RFP and continue with the project.</p>
<p><b>Effect</b></p>	<p>The cost claimed under the Proposition C Local Return Fund project may include expenditures which may not be allowable Proposition C project expenditures. This resulted in questioned costs of \$312,345.</p>
<p><b>Recommendation</b></p>	<p>In accordance with the Guidelines, we recommend that the City reimburse its Proposition C Local Return Fund account by \$312,345. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to the Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.</p>
<p><b>Management's Response</b></p>	<p>This compliance issue was not previously presented to the City and the City's practice has been consistent for numerous years. Since receiving the letter in April 2014, which is mentioned in the Compliance Reference section, City staff issued a RFP to hire a consultant to develop a new cost allocation plan for the City. The contract was awarded in September 2015 and the plan was completed in time to be incorporation in FY 2016-17 budget. As a result of another audit finding, staff is now tracking their time on timesheets as oppose to being allocated automatically in payroll. In June 2016, Finance staff conducted a timesheet audit and has incorporated proper internal controls to ensure approved timesheet are submitted to Finance. All of these issues have been resolved moving forward, but the recommendation to return \$312,345 would be a hardship on the City.</p>

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 (Continued)**

<b>PALRF &amp; PCLRF Finding #2016-031</b>	<b>City of West Covina</b>
<b>Compliance Reference</b>	According to Proposition A & C Local Return Guidelines, Section V and Measure R Local Return Guidelines, Section VII “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines...” In addition, Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: “e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared.” Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported.”
<b>Condition</b>	During our review of the June 30, 2016 bank reconciliation, we noted that the bank balance and accounting records had an unreconciling difference of \$93,951. Therefore, the bank reconciliation was not prepared properly and may not reflect the actual City-wide cash account balance at June 30, 2016.
<b>Cause</b>	In 2014, the Finance Department lost most of their Accounting staff due to retirement and attrition. It was not until mid-2015 that most of the Accounting positions were permanently filled. This caused delays in performing the bank reconciliations.
<b>Effect</b>	The cash balance cannot be validated at June 30, 2016. Without a June 30, 2016 reconciliation of cash, there is a high risk of material errors.
<b>Recommendation</b>	In accordance with the Guidelines, we recommend the City establish procedures and controls to ensure all bank reconciliations are properly performed and supported on a timely basis. In addition, we recommend the City to ensure that the individual(s) responsible for reconciling the bank balance to the general ledger cash balance have adequate training and knowledge of bank reconciliations.
<b>Management Response</b>	The City acknowledges the importance of bank reconciliations that are completed, reviewed and approved timely. A new and improved bank reconciliation format is in place and is reviewed upon completion by the Accounting Manager. While staff has prepared the bank reconciliation for the general account through June 2016, there are variances that still need to be reconciled. On October 17, 2016, the consultant that is familiar with the software and who last reconciled the general checking account provided training to the Accountants to help resolve the remaining variances. It is anticipated that the bank reconciliations will be completed and timely for the FY 2016-17 audit.

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<b>PCLRF Finding #2016-032</b>	<b>City of Whittier</b>
<b>Compliance Reference</b>	According to Proposition A and 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 A or C Local Return account..."
<b>Condition</b>	The expenditure for PCLRF's Project Code 430-903, Whittier Greenway Trail – East Extension Work, in the amount of \$405 was incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA's approval on the PCLRF project on October 6, 2016.
<b>Cause</b>	The City staff believed that the prior year's budget approval would be carried forward in the fiscal year 2015-16 and therefore, did not include the request for the project's approval in Form B submitted to LACMTA.
<b>Effect</b>	The City did not comply with the Guidelines when expenditures for PCLRF projects are incurred without LACMTA's approval.
<b>Recommendation</b>	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, and Form B (Annual Project Summary Report) is 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.
<b>Management Response</b>	The City ensures that it will direct staff to obtain LACMTA's authorization before expenditures are incurred on the project.
<b>Finding Corrected During the Audit</b>	LACMTA Program Manager granted retroactive approval of the project on October 6, 2016. No additional follow up is required.

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<b>PALRF &amp; PCLRF Finding #2016-033</b>	<b>City of Whittier</b>
<b>Compliance Reference</b>	According to Local Return Guidelines, Section V, "It is jurisdictions' responsibility to maintain proper accounting records and documentation..." and this requires a system of internal control that can be carried out as prescribed by the established accounting policies and procedures. Written accounting policies and procedures provide a system that accurately measures business activities, processes that information into reports, and communicates these findings to decision makers.
<b>Condition</b>	The City did not provide written accounting policies and procedures when requested.
<b>Cause</b>	City has written desk procedures for the various accounting functions.
<b>Effect</b>	Without written accounting policies and procedures, there is the potential for increased risk of inaccurate and unreliable financial records and misstated financial reports.
<b>Recommendation</b>	We recommend that the City establish written accounting policies and procedures to ensure accurate recording and reporting of financial activities.
<b>Management Response</b>	City has desk procedures in place and management will re-evaluate policies and procedures.