



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



Simpson & Simpson, LLP
Certified Public Accountants

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

TABLE OF CONTENTS

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



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance

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

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





Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 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 Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-001 through #2016-011. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-002 and #2016-009 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 subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Simpson & 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 11 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
No adequate evidence that funds were expended for transportation purposes	4	Downey (#2016-002) West Covina (#2016-008) West Covina (#2016-009) Whittier (#2016-010)	\$ 20,293 None 51,455 None	None None None None
Funds were expended without LACMTA's approval	3	El Segundo (#2016-004) Redondo Beach (#2016-007) Whittier (#2016-011)	7,214 3,851 4,457	\$ 7,214 3,851 4,457
Expenditure Report (Form One) was not submitted on time	1	El Segundo (#2016-003)	None	None
Expenditure Report (Form Two) was not submitted on time	3	Artesia (#2016-001) El Segundo (#2016-005) Hawaiian Gardens (#2016-006)	None	None
Total Findings and Questioned Cost	11		\$ 87,270	\$ 15,522

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016**

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	See Finding #2016-001
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes	Compliant	Compliant	See Finding #2016-002
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2016-004	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	See Finding #2016-003	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	See Finding #2016-005	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	See Finding #2016-006	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Pasadena	Rancho Palos Verdes	Redondo Beach
Funds were expended for transportation purposes	Not Applicable	Not Applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not Applicable	Not Applicable	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not Applicable	Not Applicable	See Finding #2016-007
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Not Applicable	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

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

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Temple City	Torrance	West Covina
Funds were expended for transportation purposes	Not Applicable	Compliant	See Finding #2016-008 #2016-009
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not Applicable	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Not Applicable	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted on time.	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2016
(Continued)**

Compliance Area Tested	Whittier
Funds were expended for transportation purposes	See Finding #2016-010
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant
Signed Assurances and Understandings on file.	Compliant
Separate Measure R Local Return Account was established.	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant
Funds were expended with LACMTA's approval.	See Finding #2016-011
Expenditure Plan (Form One) was submitted on time.	Compliant
Expenditure Report (Form Two) was submitted on time.	Compliant
Timely use of funds	Compliant
Administrative expenditures are within the 20% cap.	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable
Recreational transit form was submitted on time.	Not Applicable

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

Finding #2016-001	City of Artesia
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2016 deadline for submission of Expenditure Report (Form Two). The City did not submit the Form Two to LACMTA as of December 14, 2016.
Cause	This was caused due to an oversight by City personnel.
Effect	The City's Form Two was not submitted.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (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.
Management's Response	The City is actually aware of this deadline, thought this task had been done, and will submit. City will establish a procedure for ensuring that this is done timely.

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

Finding #2016-002	City of Downey
Compliance Reference	<p>According to Measure R 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)**

Finding #2016-002 (Continued)	City of Downey
Condition	To support the propriety of expenditures being charged to Measure R 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 \$20,293 for Measure R for Administration were based on an estimate of a percentage of time spent on Measure R activity rather than employee's actual working hours spent for the project. The City was unable to provide adequate documentation (i.e. timesheet, payroll register, and labor distribution summary to support the indirect costs allocations).
Cause	The City allocates administrative charges for management that was based on a time study from prior years. Those same percentages have been used in prior fiscal years and also, in fiscal year 2015-16.
Effect	The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditures. This resulted in questioned costs of \$20,293.
Recommendation	In accordance with the Guidelines, we recommend for the City reimburse its Measure R Local Return Fund account by \$20,293. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.
Management's Response	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
(Continued)**

Finding #2016-003	City of El Segundo
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit a Form One, to LACMTA annually, by August 1 or each year.
Condition	The City did not meet the August 1, 2015 deadline for submission of Form One. The City has not submitted the Form One. However, on December 28, 2016 the City submitted the Form One (Expenditure Plan) to the LACMTA Program Manager and received subsequent approval on December 30, 2016.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The City's Expenditure Plan (Form One) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1 deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	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.
Finding Corrected During the Audit	The City subsequently submitted the Form One on December 28, 2016. No follow up is required.

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

Finding #2016-004	City of El Segundo
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The Form One (Expenditure Plan) was not submitted by the required deadline. As such, the expenditures charged to the MRLRF in the amount of \$7,214 were incurred prior to LACMTA's project approval for FY 2016. However, on December 30, 2016 the City submitted the Form One (Expenditure Plan) to the LACMTA Program Manager and received a retroactive approval on December 30, 2016.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The expenditures charged to the Imperial Highway Overlay project were allowable costs per Measure R Guidelines, however, due to the late submission of the annual Form One, the City did not receive prior approval from LACMTA to incur the expenditures on that project.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted prior to the August 1, deadline and the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	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.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of this project on December 30, 2016. No follow is required.

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

Finding #2016-005	City of El Segundo
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2016 deadline for submission of Form Two. However, on December 30, 2016 the City submitted the Form Two (Expenditure Report) to the LACMTA program manager.
Cause	The City has gone through a turnover of staff in various departments which has caused the oversight.
Effect	The City's Form Two was not submitted timely in accordance with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) 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.
Management's Response	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.
Finding Corrected During the Audit	The City subsequently submitted the Form Two on December 30, 2016. No follow up is required.

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

Finding #2016-006	City of Hawaiian Gardens
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2016 deadline for submission of Expenditure Report Form Two to LACMTA. The City subsequently submitted the Form Two on October 31, 2016.
Cause	The City did not have procedures in place to ensure that Form Two was filed timely.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Measure R 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 Two was submitted in a timely manner.
Management's Response	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.
Finding Corrected During the Audit	The City subsequently submitted the Form Two on October 31, 2016. No follow up is required.

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

Finding #2016-007	City of Redondo Beach
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Form One provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year" and "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Pavement Management Study project in the amount of \$3,851 were incurred prior to LACMTA's project approval for FY 2016. However, the project was subsequently approved by LACMTA on December 16, 2016.
Cause	The City believed that projects previously approved by LACMTA were not required to be included in the subsequent years' Form One (Expenditure Plan). The project was previously approved in FY 2015; therefore, the City did not include this project on Form One for FY 2016.
Effect	The Expenditures for Measure R Local Return programs were incurred without LACMTA's project approval for FY 2016.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st. In accordance with the Guidelines, the City should include all new, amended, ongoing, and carryover projects in the Form One.
Management's Response	The City had approved Measure R projects in FY14 and FY15 to perform Pavement Management Surveys (PMS). The contractor's final invoice for the PMS, was submitted to the City in November 2015, which was paid in FY16. In the future, the City will carefully review all prior year project progress to ensure inclusion in the next year's Local Return Project approval requests.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 16, 2016. No follow up is required.

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

Finding #2016-008	City of West Covina
Compliance Reference	According to 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.”
Condition	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.
Cause	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.
Effect	The cash balance cannot be validated at June 30, 2016. Without a June 30, 2016 reconciliation of cash, there is a high risk of errors.
Recommendation	In accordance with the Guidelines, we recommend the City establish procedures and controls to ensure all bank reconciliation 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.
Management’s Response	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.

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

Finding #2016-009	City of West Covina
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section I, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section VII “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. (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 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.”</p>

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

Finding #2016-009 (Continued)	City of West Covina
Condition	To support the propriety of expenditures being charged to Measure R 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 SP15106 Street Rehabilitation Project Code 01-007 amounting to \$5,995 and Fund Administration Project Code 08-001 amounting to \$45,460 were based on distribution percentages determined before the services were performed.
Cause	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. Furthermore, 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.
Effect	The cost claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditure. This resulted in questioned costs of \$51,455
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account by \$51,455. 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.
Management's Response	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 \$51,455 would be a hardship on the City.

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

Finding #2016-010	City of Whittier
Compliance Reference	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.
Condition	The City did not provide written accounting policies and procedures when requested.
Cause	City has written desk procedures for the various accounting functions.
Effect	Without written accounting policies and procedures, there is the potential for increased risk of inaccurate and unreliable financial records and misstated financial reports.
Recommendation	We recommend that the City establish written accounting policies and procedures to ensure accurate recording and reporting of financial activities.
Management's Response	City has desk procedures in place and management will re-evaluate policies and procedures.

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

Finding #2016-011	City of Whittier
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditure for MRLRF’s Project Code 1.05, Janine Drive from La Serna to Santa Gertrudes Avenue Asphalt Overlay, in the amount of \$4,457 were incurred prior to the approval from LACMTA for fiscal year 2015-16. However, the City subsequently received LACMTA’s approval on the Measure R project on September 29, 2016.
Cause	Staff believed that the initial approval was sufficient to complete the project.
Effect	The City did not comply with the Guidelines when expenditures for MRLRF projects are incurred without LACMTA’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects. Form One (Annual Project Budget Report) should be properly prepared so that the City’s expenditures of Measure Local Return Funds are in accordance with LACMTA’s approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One.
Management’s Response	City received project approval but will direct staff to obtain additional authorization before expenditures are incurred.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on September 29, 2016. No follow up is required.