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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
WITH THE 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

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO
PROPOSITION A AND PROPOSITION C ORDINANCES AND
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**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH THE 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 County of Los Angeles (County) and the thirty-nine (39) 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 voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by LACMTA and the County and the respective Cities for the year ended June 30, 2016 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express opinions on the County's and each City's compliance with the Guidelines and the 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 the County and each City's compliance with the Guidelines and the 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 the County and each City's compliance with the Guidelines and the Requirements.



Opinion

In our opinion, except for the City of Compton, as described in Schedule 2 as Findings #2016-011 and #2016-012, the County and the Cities complied, in all material respects, with the Guidelines and the 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 the 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 #2016-029. Our opinion is not modified with respect to these matters.

The Cities' responses 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 the County and each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and the Requirements referred to above. In planning and performing our audits of compliance, we considered the County and 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 programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and the 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 the County and each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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, as discussed below, 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 the 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 the Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2016-005, #2016-008, #2016-011, #2016-012, #2016-014, #2016-015, #2016-020, #2016-021, #2016-022 and #2016-028, 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 the Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings #2016-002, #2016-004 and #2016-023, to be significant deficiencies.

The Cities' responses 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 Cities' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

Los Angeles, California
December 29, 2016

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

The audits of the County of Los Angeles and the 39 cities identified in Schedule 1 have resulted in 29 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	
Funds were expended without LACMTA's approval.	2	Bell Gardens (Finding #2016-005) Compton (Finding #2016-011)	\$ - 47,117	\$ 674,527 -	\$ 674,527 -
Total annual expenditures exceeded more than 25% of the approved budget.	6	Agoura Hills (Finding #2016-001) Baldwin Park (Finding #2016-002) Bell Gardens (Finding #2016-006) Hawthorne (Finding #2016-013) Huntington Park (Finding #2016-014) South Gate (Finding #2016-029)	- 17,026 87,521 588 - 2,925	5,711 - - - 30,659 32,394	5,711 17,026 87,521 588 30,659 35,319
Administrative expenses exceeded the 20% cap.	3	Bell Gardens (Finding #2016-007) Huntington Park (Finding #2016-015) La Puente (Finding #2016-017)	- - 6,353	48,325 5,081 -	48,325 5,081 6,353
On-going and carryover projects were not reported in Form B.	1	Rosemead (Finding #2016-024)	-	7,517	7,517
Annual Project Summary Report (Form B) was not submitted on time.	1	Irwindale (Finding #2016-016)	None	None	None
Annual Expenditure Report (Form C) was not submitted on time.	1	South El Monte (Finding #2016-027)	None	None	None
No adequate evidence that funds were expended for transportation purposes.	8	Bell Gardens (Finding #2016-008) Compton (Finding #2016-012) La Puente (Finding #2016-018) Maywood (Finding #2016-020) Maywood (Finding #2016-021) Montebello (Finding #2016-022) Monterey Park (Finding #2016-023) South El Monte (Finding #2016-028)	123,021 119,606 - - - - 100,000 -	184,313 703,774 96,424 13,416 64,214 50,000 - 9,302	- - 96,424 13,416 64,214 50,000 - -
Recreational trips costs were claimed for trips to locations not within the eligible recreation service area map.	1	Baldwin Park (Finding #2016-003)	7,309	-	7,309
Recreational Transit form was not submitted on time.	6	Baldwin Park (Finding #2016-004) Bell Gardens (Finding #2016-009) Calabasas (Finding #2016-010) Lynwood (Finding #2016-019) San Fernando (Finding #2016-025) Santa Monica (Finding #2016-026)	None None None None None None	None None None None None None	None None None None None None
Total Findings and Questioned Costs	29		\$ 511,466	\$ 1,925,657	\$ 1,149,990

Details of the findings are in Schedule 2.

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

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Proposition A and Proposition C Local Return Funds			
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 #2016-001	Compliant	See Finding #2016-002
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 Findings #2016-003
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	See Findings #2016-004

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

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Bell	Bell Gardens	Beverly Hills
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 #2016-005	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	See Finding #2016-006	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	See Finding #2016-007	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 #2016-008	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.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	See Finding #2016-009	Not Applicable

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

Compliance Area Tested	Calabasas	Carson	Commerce
Proposition A and Proposition C Local Return Funds			
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	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	See Finding #2016-010	Not Applicable	Compliant

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

Compliance Area Tested	Compton	Cudahy	Culver City
Proposition A and Proposition C Local Return Funds			
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.	See Finding #2016-011	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.	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.	See Finding #2016-012	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Compliant	Compliant

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

Compliance Area Tested	El Monte	Gardena	Hawthorne
Proposition A and Proposition C Local Return Funds			
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	See Finding #2016-013
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.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Not Applicable

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

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Hidden Hills	Huntington Park	Industry
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 #2016-014	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	See Finding #2016-015	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.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	Not Applicable

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

Compliance Area Tested	Inglewood	Irwindale	La Puente
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	See Finding #2016-017
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	See Finding #2016-016	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 #2016-018
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Compliant

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

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Lawndale	Los Angeles County	Lynwood
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	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	See Finding #2016-019

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

Compliance Area Tested	Malibu	Maywood	Montebello
Proposition A and Proposition C Local Return Funds			
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	See Findings #2016-020 and #2016-021	See Finding #2016-022
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Compliant

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

Compliance Area Tested	Monterey Park	Pico Rivera	Pomona
Proposition A and Proposition C Local Return Funds			
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 #2016-023	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.	Not Applicable	Not Applicable	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Compliant

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

Compliance Area Tested	Rosemead	San Fernando	Santa Monica
Proposition A and Proposition C Local Return Funds			
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.	See Finding #2016-024	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.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	See Finding #2016-025	See Finding #2016-026

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

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Santa Fe Springs	South El Monte	South Gate
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	See Finding #2016-029
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 #2016-027	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	See Finding #2016-028	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Compliant	Not Applicable

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

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Vernon	Walnut	West Hollywood
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.	Not Applicable	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	Compliant

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

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Westlake Village
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.	Compliant
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.	Not Applicable
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.	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable
Assurances and Understandings form was on file.	Compliant
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**

PCLRF Finding #2016-001	City of Agoura Hills
Compliance Reference	Section 1(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PCLRF's Project code 400-02, Traffic Signal Sync – Management/Maintenance. Amount in excess of 25% of the approved budget was \$5,711.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>
Cause	The City experienced unanticipated expenditures associated with the Traffic Signal Sync project which resulted in the exceedance of the LACMTA approved budget.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.
Management's Response	<p>The City Management has spoken with the responsible Department to keep the Administrator advised so proper approval and Form A's can be submitted to LACMTA.</p> <p>Executive Management and the LACMTA Administrator will continually review the expenditures throughout the fiscal year, and work with Department Heads to monitor and ensure expenditures remain within budget.</p> <p>Management did submit the appropriate Form A and received approval from LACMTA for the revised budget on October 27, 2016.</p>
Finding Corrected During the Audit	The City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.

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

PALRF Finding #2016-002	City of Baldwin Park
Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PALRF's Project code 480-02, Prop A Administration. Amount in excess of 25% of the approved budget was \$17,026.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>This is a repeat finding in FY 2014/15 audit.</p>
Cause	The City noted increases in two of its local return projects expenditure, but did not submit an amended Form A to LACMTA on time.
Effect	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.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement controls to ensure compliance with this requirement at all times.
Management's Response	Finance Department will assign a staff to monitor compliance with expenditure guidelines and reporting deadlines and assist the City's LACMTA Coordinator to ensure required forms are submitted on time, including any amended forms and budgets.
Finding Corrected During the Audit	On December 19, 2016, the City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.

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

PALRF Finding #2016-003	City of Baldwin Park
Compliance Reference	Under Section II (A)(1)(1.3) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year. Recreational Transit Service projects must meet the following conditions: Travel within the area of Los Angeles, Orange and Ventura Counties, and portions of Kern, Riverside and San Bernardino Counties are eligible expenditures. Trip segments to areas shown on the proportionately eligible areas of the map must be funded through other sources. Trips to locations not within either the eligible or proportionately eligible area are not eligible.
Condition	The City claimed the full recreational trip costs to Las Vegas, NV, which is clearly outside the recreational service area map. The cost of the trips that was not eligible for PALRF funding amounts to \$7,309.
Cause	The Associate Engineer, who is also the LACMTA Coordinator, was not able to fully perform his due diligence review on the list of recreational trips report.
Effect	The City was not in compliance with the use of the local return funds under the Local Return Guidelines.
Recommendation	We recommend for the City to reimburse the PALRF account the amount of \$7,309. We also recommend for the City to establish procedures and controls to ensure that the location of the recreational trips are within the service area map as prescribed in the Guidelines. If trips are outside the eligible areas, the City should only claim the portion that is proportionately eligible for local return funding.
Management's Response	The City, through its LACMTA Coordinator, will issue a memo to the Program Coordinator and Recreation Department to remind them regarding the Recreational Transit eligible trip destinations and allowed expenditures. Finance Department will assist the LACMTA Coordinator in reviewing the Recreational Transit report prior to submission to LACMTA.
Finding Corrected During the Audit	The City has reimbursed the City's PALRF account the amount of \$7,309 in FY 2016/17. No follow up is required.

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

PALRF Finding #2016-004	City of Baldwin Park
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on November 14, 2016, which is beyond the due date of October 15, 2016. This is a repeat finding in FY 2014/15 audit.
Cause	With the resignation of the former Public Works Director in July 2016, the Engineering Manager assumed the function of the Director position and the LACMTA Coordinator and Associate Engineer, partly assumed the Engineering Manager function as well. The Engineering Manager forgot to forward the Recreational Transit report that was sent to him by the Program Coordinator prior to the October 15 deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	Although the Recreational Transit report was timely prepared, staff forgot to forward the report to LACMTA before the deadline. Finance Department will assign a staff to monitor compliance with reporting deadlines and assist the City's LACMTA coordinator in ensuring that the required forms and reports are submitted within the deadline in the future.

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

PCLRF Finding #2016-005	City of Bell Gardens
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following PCLRF projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> a. Project code 110-05, Fixed Route Transit, totaling \$480,714; b. Project code 270-01, Garfield and Clara Safety Improvements, totaling \$9,500; and c. Project 480-01, Direct Administration, totaling \$184,313. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p>
Cause	The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.
Effect	Proposition C funds of \$674,527 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
Management's Response	The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA and prior approval is received prior to the expenditure of funds.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said projects on October 14, 2016 and December 22, 2016.

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

PALRF Finding #2016-006	City of Bell Gardens
Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PALRF's project code 480-01, Direct Administration. Amount in excess of 25% of the approved budget was \$87,521.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>
Cause	The City concurs with the finding that an amended Project Form A should have been submitted for approval for the projects that would exceed 25% of the approved budget. The finding was caused by an oversight by City staff.
Effect	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. This may result in the City's return of the funds to LACMTA.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.
Management's Response	The City is going to reevaluate the processes that are in place to ensure amended forms are submitted to LACMTA for projects that will exceed 25% of the approved budget.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval on the amended budget for these projects on December 22, 2016.

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

PCLRF Finding #2016-007	City of Bell Gardens
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section II(A)(15) states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on the year-end expenditures, and will be subject to an audit finding if the amount exceeds 20 percent".
Condition	The City's administration expenditures exceeded more than 20 percent of its PCLRF total annual local return expenditures by \$48,325.
Cause	The City is aware of the 20% limit of actual expenditures on Direct Administration. However, budgeted project expenditures were lower than expected which reduced the threshold for allowable administrative costs.
Effect	Administrative expenses exceeded over 20% of the total annual local return expenditures. The City is required to return the questioned cost of \$48,325 to the PCLRF account.
Recommendation	We recommend for the City to reimburse the questioned cost of \$48,325 to the PCLRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.
Management's Response	The City has reimbursed PCLRF \$48,325 for the excess amount of Direct Administration. A journal entry has been booked to transfers the funds from the City's General Fund, and a copy of the recorded journal entry has been provided to the auditors.
Finding Corrected During the Audit	The City has reimbursed the City's PCLRF account the amount of \$48,325 in FY 2016/17. No follow up is required.

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

<p>PALRF and PCLRF Finding #2016-008</p>	<p>City of Bell Gardens</p>
<p>Compliance Reference</p>	<p>Proposition A and Proposition C Local Return Guidelines Section II states that, "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". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).

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

<p>PALRF and PCLRF Finding #2016-008 (continued)</p>	<p>City of Bell Gardens</p>
<p>Compliance Reference</p>	<p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted annual audit kickoff workshops attended by representatives from the Jurisdictions. During these workshops, Auditors and LACMTA emphasized the importance of maintaining proper documentation that would support allowability of expenditures charged to local return funds including supports for payroll and administration charges.</p>
<p>Condition</p>	<p>The City charged payroll expenditures to project code 480-01, Direct Administration, for both PALRF and PCLRF funds. Indirect costs allocated amounting to \$123,021 under PALRF and \$184,313 under PCLRF were not supported by actual time charges, documented time study, or overhead cost allocation plan.</p>
<p>Cause</p>	<p>When the City contemplated the indirect costs charged to PALRF and PCLRF, the City was focused on ensuring compliance with the 20% limit along with establishing a system that distributed expenditures based on causal or beneficial relationships. This resulted in the reasonable allocation of salaries to Direct Administration. The salary allocation was based on the direct and indirect necessity of the individual to the success of transit related programs. These individuals include the City's finance director, accounting manager, human resources manager, personnel analyst, payroll analyst, accounts payable and receivable technicians, public works director, administrative specialist, and clerk typist. Without these individuals the programs would not be able to function. There are other individuals who are essential to the programs like the city manager, assistant city manager, city attorney and city council who are not allocated. Based on this process and application of the guidelines for PALRF and PCLRF, the City felt compliance was achieved, as the guidelines state:</p> <p>Direct Administration is defined as those fully burdened costs which are directly associated with administering Local Return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs...Expenditures must be reasonable and appropriate to the activities undertaken by the locality...The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures (Guidelines PALRF and PCLRF, p.12).</p>

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

PALRF and PCLRF Finding #2016-008 (continued)	City of Bell Gardens
Effect	The amount charged to PALRF and PCLRF may not reflect the most reasonable cost relating to these funds.
Recommendation	We recommend for the City to use the actual time charges to record the payroll costs incurred for the project pertaining to these funds.
Management's Response	The auditors noted that the Direct Administration cost, which will include indirect costs, was not supported by actual time charges, documented time study, or overhead cost allocation plan. The City would appreciate additional direction from LACMTA in regards to achieving compliance to the noted compliance reference for this finding.

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

PALRF Finding #2016-009	City of Bell Gardens
Compliance Reference	Section III(A) states that "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year."
Condition	The Recreational Transit report was submitted on October 27, 2016, which is beyond the due date of October 15, 2016.
Cause	The finding was caused by an oversight, as the form was submitted 12 days beyond the due date.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	The City is going to reevaluate the processes to ensure forms are submitted on time.

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

PALRF Finding #2016-010	City of Calabasas
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on December 8, 2016, which is beyond the due date of October 15, 2016.
Cause	The City Staff inadvertently overlooked this paperwork that needed to be filed by the deadline of October 15, 2016.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	Going forward, it is in the City Staff calendar to file this document along with Form C and Form Two by the deadline of October 15.

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

PALRF Finding #2016-011	City of Compton
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	The City claimed expenditures under the following PALRF projects with no prior approval from LACMTA. d. Project code 440-28, Street Improvement and Maintenance, totaling \$6; and e. Project code 480-10, Contractual Services Proposition C Support, totaling \$47,111
Cause	The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.
Effect	Proposition A funds of \$47,117 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
Management's Response	The City is in the process of evaluating the audit findings and gathering records to validate the local return fund expenditures. The City expects to complete its research in the next 30 days, upon which time an official response will be provided to LACMTA on February 17, 2017.

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

<p>PALRF and PCLRF Finding #2016-012</p>	<p>City of Compton</p>
<p>Compliance Reference</p>	<p>Proposition A and Proposition C Local Return Guidelines Section II states that, "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". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).

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

PALRF and PCLRF Finding #2016-012 (Continued)	City of Compton
Condition	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <p><u>PALRF:</u></p> <ul style="list-style-type: none"> a) Project code 110-07, Fixed Route Transit System, totaling \$65,198; b) Project code 240-17, Dial-A-Taxi, totaling \$7,291; c) Project code 440-28, Street Improvement and Maintenance, totaling \$6; and d) Project code 480-10, Contractual Services Proposition C Support, totaling \$47,111 <p><u>PCLRF:</u></p> <ul style="list-style-type: none"> a) Project code 430-01, Bikeway Maintenance, totaling \$2,311; b) Project code 440-28, Street Improvement and Maintenance, totaling \$431,470; and c) Project code, 440-50, Central Avenue Pavement Rehabilitation, totaling \$269,993. <p>The City was not able to provide the timesheets, payroll registers, labor distribution reports and other related documents to support the charges. We were not able to verify the reasonableness and allowability of these expenditures under the Local Return Guidelines.</p>
Cause	<p>There was a breakdown in internal controls over compliance to ensure that all necessary documentation was retained supporting the costs charged to the Local Return funds.</p>
Effect	<p>The salaries and benefits claimed under PALRF and PCLRF may include unallowable payroll costs and therefore, we question the total amount of \$119,606 and \$703,774, respectively.</p>
Recommendation	<p>We recommend that the City reimburse its PALRF and PCLRF accounts the amount of \$119,606 and \$703,774, respectively. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p>

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

PALRF and PCLRF Finding #2016-012 (Continued)	City of Compton
Management's Response	The City is in the process of evaluating the audit findings and gathering records to validate the local return fund expenditures. The City expects to complete its research in the next 30 days, upon which time an official response will be provided to LACMTA on February 17, 2017.

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

PALRF Finding #2016-013	City of Hawthorne
Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for Project code 140-04, Recreational Transit. Amount in excess of 25% of the approved budget was \$588.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>
Cause	This year, the City provided more services to the Senior Citizens and Disabled Hawthorne Residents which includes assistance with bus passes to use for MTA transit. The remaining funds were reimbursed towards the end of FY 2015/16. Because of these reasons, the Amended Project Description Form A was not timely submitted for approval.
Effect	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.
Recommendation	We recommend the City submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.
Management's Response	The City has submitted an amended Project Description Form (Form A) for Project Coe 140-04 to LACMTA and received a retroactive approval for the revised budget. The City will implement a review process to ensure compliance with the requirement that expenditures should not exceed 25% of LACMTA's approved budget.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval on the amended budget for the said project on October 19, 2016.

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

PCLRF Finding #2016-014	City of Huntington Park
Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25 percent without obtaining prior approval through a revised Form A for Project code 110-02, Fixed Rout Public Transit Services. The amount in excess of 25 percent of the approved budget was \$30,659.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>This is a repeat finding from prior year audit.</p>
Cause	Transitions have unintended consequences in the organization; this is evidenced in the particular circumstances relating to LACMTA's Proposition A and Proposition C. The Public Works department has been in flux for the past 2+ years, and only recently (in the last 30 days) has there been an appointment of a permanent Public Works Director. This appointment should serve to provide stability within the organization for projects and reporting within the capital projects sphere, and should facilitate more timely reporting to grantors.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend the City submit Form A to obtain LACMTA's approval for any changes in the project's originally approved budget. Also, we recommend the City implement controls to ensure compliance with this requirement.

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

PCLRF Finding #2016-014 (continued)	City of Huntington Park
Management's Response	Given that, this past week, we drafted and distributed an Administrative Instruction (AI) regarding Proposition A and Proposition C funds. The AI articulates the responsibilities for time and responsibility reporting to MTA. The Public Works Director has the responsibility for the submission of Capital Project Information and budgetary changes, with Financial Reporting (CFO) providing year-end expenditure data.
Findings Resolved During the Audit	LACMTA Program Manager granted a retroactive approval of the increase in project budget on December 21, 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)

PCLRF Finding #2016-015	City of Huntington Park
Compliance Reference	Section II (A)(15) of Proposition C Local Return Program Guideline states that, "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."
Condition	The City's administrative expenditures exceeded more than 20 percent of its total Proposition C Local Return expenditures in the amount of \$5,081. This is a repeat finding from prior year audit.
Cause	Transitions have unintended consequences in the organization; this is evidenced in the particular circumstances relating to LACMTA's Proposition A and Proposition C. The Public Works department has been in flux for the past 2+ years, and only recently (in the last 30 days) has there been an appointment of a permanent Public Works Director. This appointment should serve to provide stability within the organization for projects and reporting within the capital projects sphere, and should facilitate more timely reporting to grantors. Transitions also matter in this regard; lack of program familiarity also has an impact as to the understanding of limitations on administrative expenses
Effect	The City's PCLRF administrative expenditures exceeded 20 percent of its local return annual expenditure and the City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and controls to ensure administrative charges do not exceed 20 percent of the local return annual expenditures. Also, we recommend the City return the excess to PCLRF.
Management's Response	The Finance Department is very much aware of this requirement and via Administrative Instruction, has communicated the same to the City Manager and the Public Works Department.
Findings Resolved During the Audit	The City has reimbursed the City's PCLRF account the amount of \$5,081 in FY 2016/17. No follow up is required.

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

PALRF and PCLRF Finding #2016-016	City of Irwindale
Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return (LR) Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR Projects".
Condition	The City submitted its Annual Project Update (Form B) on August 5, 2015, which is beyond the due date set under the Guidelines.
Cause	The condition was due to oversight by City Staff.
Effect	The City's Annual Project Update (Form B) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form B is submitted by August 1 as required by the Guidelines.
Management's Response	The City of Irwindale recognizes the importance of submitting all MTA Forms timely, and has always met its deadlines in the past. Unfortunately, the City submitted this Form 4 days late this year. We believe this oversight was an isolated incident caused by extenuating circumstances, as the City was undergoing a major State Audit at the time. City Staff will ensure all deadlines are met in the future.

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

PALRF Finding #2016-017	City of La Puente
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section II(A)(15) states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on the year-end expenditures, and will be subject to an audit finding if the amount exceeds 20 percent".
Condition	The City's Administrative expenditures exceeded more than 20 percent of its PALRF total annual expenditures by \$6,353.
Cause	There appears to be lack of interim review of the City's compliance with the Local Return Guidelines' 20 percent cap on the administrative expenditures that can be claimed under the local return fund.
Effect	Administrative expenses exceeded over 20% of the total annual local return expenditures. The City is required to return the questioned cost of \$6,353 to the PALRF account.
Recommendation	We recommend for the City to reimburse the questioned cost of \$6,353 to the PALRF account. In addition, the City should establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.
Management's Response	The City understands this finding and the City will reimburse the PALRF account the excess costs. In the future, administrative costs will be reviewed to ensure that they do not exceed 20% of the total Local Return Annual Expenditures.
Finding Corrected During the Audit	The City has reimbursed the City's PALRF account the amount of \$6,353 in FY 2016/17. No follow up is required.

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

PCLRF Finding #2016-018	City of La Puente
Compliance Reference	<p>Proposition A and Proposition C Local Return Guidelines Section II states that, "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". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).

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

PCLRF Finding #2016-018 (continued)	City of La Puente
Condition	The City claimed expenditures under project code 480-02, Administration – Prop C, amounting to \$96,424 has no supporting documentation as to the nature of the expenditures. We were informed that the amount was derived from a calculation based on 20 percent of the total local return annual expenditures. We were not able to verify the reasonableness and allowability of the expenditures under the Guidelines.
Cause	The City was not aware that its practice of calculating 20 percent of the total annual expenditure and charging this amount to administrative expenditures without adequate support was a noncompliance with the requirements of the Guidelines.
Effect	The unsupported administrative expenditures claimed under the PCLRF is disallowed under the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City reimburse its PCLRF account the amount of \$96,424. In addition, we recommend that the City establish controls to ensure that the costs charged to the Local Return funds are adequately supported by contracts, invoices, cancelled checks or similar documentation and that it revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation so that Local Return expenditures are in compliance with the Guidelines.

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

PCLRF Finding #2016-018 (continued)	City of La Puente
Management's Response	<p>The Proposition A and Proposition C Local Return Guidelines (Guidelines) issued by the Los Angeles County Metropolitan Transit Authority (LACMTA) do not stipulate that actual administrative hours are to be documented and staff is confident the City is in compliance with existing Guidelines. Current staff was unaware of the letter that was sent out by MTA in April 2014 <i>recommending</i> specific documentation for administrative costs. The letter referenced above was provided to the City at the time of the FY 15-16 audit. Furthermore, no mention of additional required documentation for administrative costs was made during the prior (FY 14-15) LACMTA audit. City staff is now aware of the recommendation and will ensure adequate evidence to support administrative charges in the future (beginning in fiscal year 2016-2017).</p> <p>Beginning in fiscal year 2016-2017, a system will be developed and maintained that will ensure that administrative costs charged to Local Return funds are adequately supported by time sheets, payroll registers or other documentation so that it is in compliance with the LACMTA's recommendation for documenting administrative costs.</p>
Auditors' Rejoinder	<p>Aside from the memo issued on April 29, 2014, LACMTA and the Auditors conducted annual kickoff workshops attended by representatives from the Jurisdictions. During these workshops, Auditors and LACMTA emphasized the importance of maintaining proper documentation that would support allowability of expenditures charged to local return funds including supports for payroll and administration charges.</p>
Finding Corrected During the Audit	<p>The City has reimbursed the City's PCLRF account the amount of \$96,424 in FY 2016/17. No follow up is required.</p>

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

PALRF Finding #2016-019	City of Lynwood
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on October 26, 2016, which is beyond the due date of October 15, 2016.
Cause	Division staffing limits caused delay in collection of the trip background information needed to complete forms in time to meet deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	Future forms will be submitted by the due date. As the form is due at the same time every year (October), the Facility and Program Supervisor responsible for submittal will be reminded of the need to submit the certificate by the 15th of September, one month before the actual October deadline. The Department Deputy Director will be responsible for this notice in order to comply with the requirement in a timely manner. Reminders will be issued in person, via email and Outlook system reminders.

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

PCLRF Finding #2016-020	City of Maywood
Compliance Reference	Under Section II(C) of the Proposition A and Proposition C Local Return Guidelines, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation".
Condition	<p>The City claimed expenditures under the following PCLRF projects without proper authorization:</p> <p>a. Project code 110-01, Maywood Area Transit - \$6,708 b. Project code 120-01, Dial-A-Ride - \$6,708</p> <p>Based on the available information provided during the audit, these are portions of the professional billings of Urban Associates for providing services as Interim City Manager.</p> <p>The City was unable to provide proper documentation supporting the procurement of the contracted service and there was also no signed contract. In addition, the City was not able to provide the basis for the allocation of the monthly fees to the projects.</p>
Cause	The City's management failed to effectively oversee its procurement process which allows numerous instances of noncompliance with competitive bidding requirements and with other provisions of the municipal code, state law, and the terms of the City's contracts with its service providers.
Effect	The expenditures charged to the PCLRF projects without proper supporting documentation and/or prior written authorization resulted in total questioned costs of \$13,416 and is required to be returned to the PCLRF account.
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its PCLRF account in the amount of \$13,416.</p> <p>We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation to ensure that charges are properly authorized and in compliance with the Guidelines.</p>
Management's Response	We agree with this recommendation. The City is in the process of reviewing Internal Controls to ensure all present and future expenditures charged to the Local Return funds are adequately supported to ensure that charges are properly authorized and in compliance with the Guidelines.

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

PCLRF Finding #2016-020 (continued)	City of Maywood
Finding Corrected During the Audit	The City has reimbursed the City's PCLRF account the amount of \$13,416 in FY 2016/17. No follow up is required.

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

PCLRF Finding #2016-021	City of Maywood
Compliance Reference	<p>Under Section II(A)(15) of the Proposition A and Proposition C Local Return Guidelines, "Jurisdictions are required to report all administrative charges to Direct Administration in order to verify compliance of 20% administration cap."</p> <p>Direct Administration is defined as those fully burdened costs which are directly associated with administering Local Return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs.</p>
Condition	<p>The City claimed expenditures under the following PCLRF projects are directly associated with administering the Local Return projects and therefore, should be reported under Project code 480, Direct Administration.</p> <p>c. Project code 110-01, Maywood Area Transit - \$29,280 d. Project code 120-01, Dial-A-Ride - \$26,574 e. Project code 250-01, Bus Pass Subsidy Program - \$8,360</p> <p>Although we found the expenditures to be eligible and allowable for LR funding and did not exceed the 20% cap, the expenditures were not reported under the proper project code.</p>
Cause	There appears to be lack of oversight by management on the compliance with the requirements of the Guidelines.
Effect	The City did not comply with the Local Return Guidelines when the administration costs were not reported in the proper project code as defined in the Guidelines.
Recommendation	We recommend for the City to submit a Form A to LACMTA for Project code 480, Direct Administration, and establish controls to ensure that all administrative costs related to the local return projects are reported under this project code to verify compliance with the 20% administration cap.
Management's Response	We agree with this recommendation. Going forward the City will submit a Form A to LACMTA for Project code 480, Direct Administration. The City is currently in the process of reviewing all accounting process and internal controls and will ensure that all administrative costs related to the local return projects are reported under this code.

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

PCLRF Finding #2016-022	City of Montebello
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Program Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably 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, “Transportation Administration expenditures require that administrative costs associated with and incurred have to be for the eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering local return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific local return projects. Expenditure must be reasonable and appropriate to the activities undertaken by the locality”</p> <p>Further, on April 29, 2014, the LACMTA Local Return Program Manager issued a memo addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records.

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

PCLRF Finding #2016-022 (continued)	City of Montebello
Compliance Reference	2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure).
Condition	The City claimed expenditures under PCLRF project code 480-01, Direct Administration, amounting to \$50,000. We were informed that the amount was based on budget derived from a time study conducted 5 years ago. Per discussion with management, with the increasing labor and administrative cost, this amount is significantly lower than the actual administration cost that should have been charged to the program.
Cause	The City has not yet updated its overhead allocation rates based on current year information.
Effect	The administrative costs charged to these funds are not supported with an updated cost allocation plan.
Recommendation	We recommend that the City reimburse its PCLRF account the amount of \$50,000. In addition, we recommend that the City perform a more recent time study analysis to assess a more realistic estimate of the overhead costs for this program. The City may also perform a true-up analysis at year-end to ensure the overhead costs charged to the local return fund approximate the actual cost incurred.
Management Response	City will repay and charge appropriate administrative overhead after the cost allocation model is updated.
Finding Corrected During the Audit	The City has reimbursed the City's PCLRF account the amount of \$50,000 in FY 2016/17. No follow up is required.

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

PALRF Finding #2016-023	City of Monterey Park
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V, "It is jurisdiction's responsibility to maintain proper accounting records and documentation."
Condition	The City charged general liability insurance expenditure amounting to \$100,000 to PALRF project code 110-01, Fixed Route Transit, based on budget. An analysis to true-up the amount claimed was not performed at yearend to support and substantiate the reasonableness of the amount charged to this project.
Cause	An analysis was performed a few years ago but it was never revisited since the actual general liability insurance is always higher than the amount claimed under PALRF.
Effect	The amount charged to PALRF may not reflect the most reasonable cost relating to PALRF had an analysis is performed by the City at yearend.
Recommendation	We recommend for the City to revisit its methodology for allocating the general liability insurance costs to all the funds and once it is established, the City does not necessarily have to update the methodology on an annual basis if the parameters did not change significantly from year to year.
Management's Response	The City concurred with this recommendation and will look into a solution to revisit the allocation methodology in FY 2017.

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

PCLRF Finding #2016-024	City of Rosemead
Compliance Reference	<p>Section III (A) states that, "Jurisdiction shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide Metro with an update of all approved, on-going and carryover LR projects. Jurisdiction will be informed in writing of approval for project continuance. Metro will review the report and accept or return the report for changes. Staff review will consist of verification that the status of the projects listed corresponds to the originally approved projects. All projects should have their own identifying code.</p> <p>Projects for service operations, whose anticipated start-up date is in the middle of the fiscal year, should be budgeted for services through the end of the fiscal year only. After the first year of service operation, project updates should be submitted annually, by August 1 of the new fiscal year."</p>
Condition	<p>The City claimed expenditures for PCLRF project code 440-05, Montebello Blvd/Towne Center Drive, for \$7,517 with no prior approval from LACMTA.</p> <p>Although this project was previously approved in FY 2014/15, the City is still required to carry over the budget in Form B and have it approved for FY 2015/16.</p>
Cause	This finding was due to the City's understanding that this Montebello project was complete; however, there was a final invoice to be paid.
Effect	Proposition C funds of \$7,517 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any local return-funded projects.
Management's Response	The City subsequently obtained LACMTA Program Manager's approval in December 2016. The City has established procedures and controls to ensure that approval is obtained prior to spending funds. These procedures include Finance staff will set up and maintain a calendar for LACMTA deadlines, and also, PCLRF warrant requests and invoices will be reviewed to make sure these approvals are in place before issuing a payment.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of this project on December 15, 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)

PALRF Finding #2016-025	City of San Fernando
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit Report was submitted on November 8, 2016, which is beyond the due date of October 15, 2016. In addition, the Recreational Trips Program was coded under Project code 200 instead of Project code 140.
Cause	The City was not aware that the incorrect project code for "Recreational Transit" was being used. The City has been using project code 200 rather than project code 140 for a number of years without being corrected. Project Code 200 does not require annual submission of a Recreational Transit Services form; consequently one was not submitted by the City.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines. In addition, the City should revise the Project code used for the Recreational Trips Program to align with the Local Return Guidelines.
Management's Response	Now that the City is aware that Recreation Transit activities were being incorrectly categorized, staff will correctly categorize the budget/expenditures as project code 140 on the appropriate forms (Form I and Form B). To ensure the Recreational Transit Services form is completed and submitted timely going forward, the City will add it to the reference checklist maintained by Public Works staff identifying all forms/documents that are required by LACMTA along with the associated due dates. This sheet will be provided to all relevant staff. Staff submitted the Fiscal Year 2015-2016 Recreational Transit Services form to LACMTA on November 8, 2016.

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

PALRF Finding #2016-026	City of Santa Monica
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on October 18, 2016, which is beyond the due date of October 15, 2016.
Cause	The October 15 due date fell on a Saturday and the Form should have been submitted the following Monday. There was an oversight on the due dates that resulted in late submission of the Form on October 18, 2016.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	Management agrees with the finding and acknowledges that the Recreational Transit Form was filed one day after the due date. The City's program manager has revised the existing process to request and review required forms well in advance of the October 15 th submission date in order to meet Metro due dates in the future

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

PCLRF Finding #2016-027	City of South El Monte
Compliance Reference	Proposition A and Proposition C Local Return Program Guidelines Section III(A) states that "To maintain eligibility and meet LR program compliance requirements, jurisdictions shall submit to LACMTA an Annual Expenditure Report (Form C) annually by October 15 of each year".
Condition	The City submitted its Form C on November 7, 2016, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that the Expenditure Report (Form C) is submitted on time.
Effect	Form Two (Expenditure Report) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form C) is submitted by October 15 as required by the Guidelines.
Management's Response	The City agrees with this finding. The City is in the process of setting up a calendar that lists all deadlines established for financial reporting to the various agencies.

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

PCLRF Finding #2016-028	City of South El Monte
Compliance Reference	<p>The Proposition A and Proposition C Ordinances specify that LR funds are to be used for “public transit purposes” as defined by the following: “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”.</p> <p>Under Section V of the Proposition A and Proposition C Local Return Guidelines, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit....”</p>
Condition	<p>During the fiscal year 2016, the City made payments to ECM Group, Inc. under the PCLRF project code 450-01, Durfee Median Improvement and Striping project, totaling \$9,302.</p> <p>On June 2, 2016 the City of South El Monte ("City") provided a response to each finding in the Draft Report of Forensic Accountants, dated February 26, 2016 ("Draft Report"). The Draft Report was prepared to address issues identified by the City's independent auditor in a letter dated September 8, 2015 ("VLF Letter"). There are 14 findings in the Draft Report. In general, the findings relate to various contracts (i) between the City and OH Consulting Services, Inc. dba Arroyo Strategy Group ("Arroyo") and (ii) between the City and ECM Group, Inc. ("ECM"). The City has terminated its contract with Arroyo, effective June 30, 2016. With one exception, the City has terminated all contracts with ECM effective April 30, 2016.</p> <p>Below are the findings identified in the Draft Report prepared by the Forensic Accountants:</p> <p>Finding 1: City management failed to subject Arroyo and ECM contracts to competition.</p> <p>Finding 2: City management failed to require and inspect proper record keeping and document retention policies related to contractors' performance of contract.</p>

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

<p>PCLRF Finding #2016-028 (continued)</p>	<p>City of South El Monte</p>
<p>Condition (Continued)</p>	<p>Finding 3: City management failed to institute and enforce control procedures that would assure payments were not made in excess of contractual limits. City management failed to institute and enforce control procedures that would assure compliance with contractual hourly rates.</p> <p>Finding 4: City management failed to maintain sufficient control over accounts payable and check disbursement procedures.</p> <p>Finding 5: The City Manager executed three contracts (each in excess of \$25,000) and authorized payments of \$110,000 to Arroyo without City Council's approval.</p> <p>Finding 6: With City Council's unanimous approval, the City Manager executed a separate contract with Arroyo, with a three-year term, which contains no maximum fee provision, and which fails to grant the City customary audit rights. Although present at the meeting where this contract was approved, the City Attorney did not sign this contract.</p> <p>Finding 7: Arroyo failed to allow inspection of its records, although obligated to do so in accordance with six of the contracts effective during the report period. In response to our inspection request, Arroyo asserted that it does not maintain any physical office location. Consequently, we were unable to perform an inspection of Arroyo's records, and were unable to analyze important quantitative aspects of Arroyo's performance, such as the hours of labor provided, the dates 011 which labor was supplied, and details of tasks performed.</p> <p>Finding 8: With reference to contracts executed or pending during the fiscal year ended 06/30/15, between the City and ECM: the City Manager executed one contract and authorized payments of \$29,376 to ECM wit/rout City Council's approval.</p> <p>Finding 9: ECM submitted false time and billing reports to the City, and received public funds on the basis of such false information.</p> <p>Finding 10: No contract or supporting documents exist related to a number of special projects assigned to Arroyo, and for which Arroyo was paid.</p>

Los Angeles County Metropolitan Transportation Authority
Schedule of Findings and Questioned Costs
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PCLRF Finding #2016-028 (continued)	City of South El Monte
Condition (Continued)	<p>Finding 11: Although specifically prohibited from reimbursement of expenses without prior written authorization, Arroyo tendered reimbursement claims, and was paid reimbursements of \$3,283 including expenses related to a trip to Sacramento, cables and electronics, and a room fee for the SR-60 Coalition meeting, without prior written authorization.</p> <p>Finding 12: Timesheets submitted by Arroyo are unsubstantiated.</p> <p>Finding 13: The ECM contracts were altered substantially without approval of the City Council.</p> <p>Finding 14: Certain timesheets submitted by ECM are unsubstantiated.</p>
Cause	There was a breakdown in the internal controls over procurement at the City.
Effect	For fiscal year 2016, the reimbursements without proper supporting documentation and/or prior written authorization resulted in questioned costs of \$9,302. However, it is uncertain at this point how much of the expenditures in prior years should be questioned due to the findings enumerated above.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Proposition C Local Return account the amount of \$9,302. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation and properly authorized so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.
Management's Response	As mentioned in the Finding, the City had a forensic audit performed and responded to the findings. In addition, the City has adopted numerous policies including a comprehensive Purchasing Manual that ensures proper controls over purchasing, processing and the ultimate paying of expenditures related to the City. This policy was adopted and approved by the City Council in March 2016 and was provided to the auditors at the time of the audit. The City will refund to the Proposition C Local Return Fund \$9,302 during the current fiscal year.

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PALRF and PCLRF: Finding #2016-029	City of South Gate
Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for the following projects:</p> <ul style="list-style-type: none"> a. PALRF Project Code 110-17, Fixed Route Bus Service to Local Destinations, \$2,925. b. PCLRF Project Code 160-03, Trash Receptacles at Bus Stop, totaling \$32,394. <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p>
Cause	The City noted increases in two of its local return projects expenditure, but did not submit an amended Form A to LACMTA on time.
Effect	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.
Recommendation	We recommend for the City submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance to this requirement at all times.

Los Angeles County Metropolitan Transportation Authority
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Fiscal Year ended June 30, 2016
(Continued)

PALRF and PCLRF: Finding #2016-029 (continued)	City of South Gate
Management's Response	To correct the oversight, the City submitted Form A's for both Prop A and Prop C projects to LACMTA and was granted a retroactive approval on the amended budget for Prop A on December 15, 2016, and on the amended budget for Prop C on December 20, 2016. Going forward, to prevent project expenditure from exceeding 25% of LACMTA's approved budget, the City will ensure that PALR and PCLR projects are timely reviewed, and when applicable, file an amended Form A with LACMTA.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval on the amended budget for the said projects on December 15, 2016 and December 20, 2016, respectively.



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