



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2021**

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

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Proposition A and Proposition C Independent Citizen’s Advisory Oversight
Committee

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities identified in the List of Package B Jurisdictions, 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 (Metro), 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 Metro and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management’s Responsibility

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

Auditor’s Responsibility

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

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



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Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-021. 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 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.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-008, #2021-009 and #2021-020 to be material weaknesses.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-011 and #2021-018 that we consider to be significant deficiencies.

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

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

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

Los Angeles, California
December 30, 2021

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2021

- | | |
|----------------------------------|-----------------------------------|
| 1. CITY OF ALHAMBRA | 31. CITY OF PALMDALE |
| 2. CITY OF ARCADIA | 32. CITY OF PALOS VERDES ESTATES |
| 3. CITY OF ARTESIA | 33. CITY OF PARAMOUNT |
| 4. CITY OF AVALON | 34. CITY OF PASADENA |
| 5. CITY OF BELLFLOWER | 35. CITY OF RANCHO PALOS VERDES |
| 6. CITY OF BRADBURY | 36. CITY OF REDONDO BEACH |
| 7. CITY OF BURBANK | 37. CITY OF ROLLING HILLS |
| 8. CITY OF CERRITOS | 38. CITY OF ROLLING HILLS ESTATES |
| 9. CITY OF CLAREMONT | 39. CITY OF SAN DIMAS |
| 10. CITY OF COVINA | 40. CITY OF SAN GABRIEL |
| 11. CITY OF DIAMOND BAR | 41. CITY OF SAN MARINO |
| 12. CITY OF DOWNEY | 42. CITY OF SANTA CLARITA |
| 13. CITY OF DUARTE | 43. CITY OF SIERRA MADRE |
| 14. CITY OF EL SEGUNDO | 44. CITY OF SIGNAL HILL |
| 15. CITY OF GLENDALE | 45. CITY OF SOUTH PASADENA |
| 16. CITY OF GLENDORA | 46. CITY OF TEMPLE CITY |
| 17. CITY OF HAWAIIAN GARDENS | 47. CITY OF TORRANCE |
| 18. CITY OF HERMOSA BEACH | 48. CITY OF WEST COVINA |
| 19. CITY OF LA CANADA FLINTRIDGE | 49. CITY OF WHITTIER |
| 20. CITY OF LA HABRA HEIGHTS | |
| 21. CITY OF LA MIRADA | |
| 22. CITY OF LA VERNE | |
| 23. CITY OF LAKEWOOD | |
| 24. CITY OF LANCASTER | |
| 25. CITY OF LOMITA | |
| 26. CITY OF LONG BEACH | |
| 27. CITY OF LOS ANGELES | |
| 28. CITY OF MANHATTAN BEACH | |
| 29. CITY OF MONROVIA | |
| 30. CITY OF NORWALK | |

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2021

1. Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A and Proposition C Local Transit Assistance Account for local return purposes.
2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A and/or Proposition C Local Return Account.
3. Funds were expended with Metro's approval and were not substituted for property tax.
4. Timely use of funds.
5. Administrative expenses are within the 20% cap.
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.
10. Local Return Account is credited for reimbursable expenditures.
11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.
13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Proposition C Local Return Funds were used to augment, not supplant existing local revenues being used for road improvement purposes.
17. All on-going and carryover projects were reported on Form B or electronic equivalent.
18. Cash or cash equivalents are maintained.
19. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 21 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 with Metro's approval and were not substituted for property tax.	4	Artesia (#2021-003) Diamond Bar (#2021-007) Downey (#2021-010) Long Beach (#2021-016)	- - - -	\$ 319,027 58,308 31,027 493,322	\$ 319,027 58,308 31,027 493,322
Timely use of funds.	2	Artesia (#2021-002) Palos Verdes Estates (#2021-018)	\$ 15,503	-	15,503
			-	119,441	119,441
Administrative expenses are within the 20% cap.	1	Diamond Bar (#2021-006)	78,759	-	78,759
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	6	La Mirada (#2021-012)	None	-	None
		Lakewood (#2021-014)	None	-	None
		Long Beach (#2021-015)	None	-	None
		Palos Verdes Estates (#2021-017)	None	-	None
		Rolling Hills Estates (#2021-019)	None	-	None
		Torrance (#2021-021)	None	-	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	1	Claremont (#2021-005)	None	None	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	1	Bradbury (#2021-004)	None	None	None

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021
(Continued)**

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Recreational transit form was submitted on time.	2	Arcadia (#2021-001) La Mirada (#2021-013)	None None	- -	None None
Accounting procedures, record keeping and documentation are adequate.	4	Downey (#2021-008) Downey (#2021-009) Glendora (#2021-011) Temple City (#2021-020)	380,376 126,690 None 66,260	51,258 - - -	None None None None
Total Findings and Questioned Cost	21		\$ 667,588	\$ 1,072,383	\$ 1,115,387

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021**

PALRF Finding #2021-001	City of Arcadia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2021 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 14, 2021.
Cause	This was an oversight by the City for not submitting the Recreational Transit Form by the due date.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	City submitted the Recreational Transit Form on December 14, 2021 due to oversight. In the future the City will make sure to submit Recreational Transit Form by the October 15 deadline to ensure compliance with the requirements.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 14, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)**

PALRF Finding #2021-002	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2018 ending fund balance in the amount of \$15,503 was not fully expended within 3 years as of June 30, 2021 and it was not reserved for capital projects as required by the Proposition A Local Return Guidelines. However, on December 17, 2021, Metro granted the City an extension on the usage of lapsed funds until June 30, 2022.
Cause	This was an oversight of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 17, 2021, Metro granted the City an extension on the usage of lapsed funds until June 30, 2022.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)**

PCLRF Finding #2021-003	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City expended a total of \$319,027 for the following three projects in FY2020/21 prior to receiving approvals from Metro: (1) PMS & Drainage Plans in the amount of \$38,400; (2) ATP Cycle 3 in the amount of \$272,306; and (3) Alley Improvement Study in the amount of \$8,321.
Cause	This was an oversight of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	In accordance with the Guidelines, we recommend that the City strengthen internal control procedures to ensure all expenditures are approved by Metro prior to expending the funds.
Management's Response	In the future management will ensure obtaining Metro's approval before expenditures incurred.
Corrected During the Audit	The City's project approval request was submitted and retroactively approved by Metro on December 17, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)**

PALRF & PCLRF Finding #2021-004	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2021 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 20, 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a staff turnover during fiscal year 2021 and the new management team was unaware of compliance requirements of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 20, 2021. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF & PCLRF Finding #2021-005	City of Claremont
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I.C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2020 deadline for submitting the Annual Project Update in the Local Return Management System (LRMS). In FY 2021, Metro extended the August 1 deadline to October 1, 2020, to facilitate a smooth LRMS transition. However, the City updated the information in the LRMS on October 16, 2020.
Cause	This was due to an oversight of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Annual Project Update is entered in the LRMS before the due date so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 16, 2020. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF Finding #2021-006	City of Diamond Bar
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.15, “The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent;” and “The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges.”
Condition	The City’s administrative expenditures exceeded more than 20 percent of its total PALRF annual expenditures less fund exchange with Foothill Transit in the amount of \$78,759. The amount of \$78,759 represents the excess over 20 percent of the PALRF’s total local return annual expenditures.
Cause	All professional staff in the Finance department left or retired during the last months of the fiscal year 2020-21 starting in April 2021, including the City staff who was directly involved in the monitoring and managing of the administrative costs. As a result, the determination of the administrative expenditures exceeding more than 20 percent of its total PALRF expenditures less fund exchange with Foothill Transit was overlooked. Furthermore, some of the approved projects were severely impacted by the pandemic which resulted in a significant underspending during the fiscal year ended June 30, 2021.
Effect	The City’s Proposition A Administration Project Code 610 expenditures exceeded 20 percent of its PALRF annual expenditures less fund exchange with Foothill Transit. Therefore, the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PALRF’s total annual expenditures reduced by any fund exchanges with other cities or transit authorities.
Management’s Response	In the future, the City will monitor the administrative expenditures that they will not exceed more than 20 percent cap of PALRF’s total expenditures less any fund exchanges with other cities or transit authorities.
Corrected During the Audit	Metro Program Manager granted the City a waiver to reimburse its PALRF account for the questioned cost of \$78,759 on December 27, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)**

PCLRF Finding #2021-007	City of Diamond Bar
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro PCLRF's Project Code 620, Administration, in the amount of \$58,308. However, the City subsequently received an approved budget in the amount of \$60,000 from Metro for the PCLRF project on November 19, 2021.
Cause	The request for Metro's approval of the Administration project prior to incurring expenditures was an oversight.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	In the future, the City staff will seek prior approval prior to charging any expenditures to PCLRF.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 19, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2021
 (Continued)**

PALRF & PCLRF Finding #2021-008	City of Downey
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “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: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, the LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2021
 (Continued)**

PALRF & PCLRF Finding #2021-008 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, the salaries and benefits expenditures should be supported by time records, special funding certifications, activity reports, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged were based on estimated percentages on PALRF and PCLRF activities rather than the employee’s actual hours worked on the projects. Although the City provided a time study listing for the employees charged to PALRF and PCLRF, the salaries and benefits on the time study were based on estimated percentages. Moreover, the hours were not adjusted to reflect the “true” hours worked on the projects at the end of the fiscal year 2020-21. The following is a list of the unsupported salaries and benefits allocations per project:</p> <ul style="list-style-type: none"> (a) PALRF’s Fixed Route Program Project Code 105 in the amount of \$55,663. (b) PALRF’s Senior/Handicapped Transit Program Project Code 107 in the amount of \$324,713. (c) PCLRF’s Ride Sharing Program Project Code 620 in the amount of \$18,902. (d) PCLRF’s Local Return Fund Administration (Public Works) Project Code 620 in the amount of \$32,356. <p>This is a repeat finding from the prior five fiscal years.</p>
Cause	<p>The City allocated the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations were used in prior fiscal years. Additionally, the City believed the estimated percentages charged to the funds for salaries and benefit expenses were still less than the actual costs incurred for the programs.</p>
Effect	<p>The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may be disallowed Proposition A and Proposition C project expenditures. This resulted in questioned costs of \$380,376 and \$51,258 for PALRF and PCLRF, respectively.</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2021
 (Continued)**

PALRF & PCLRF Finding #2021-008 (Continued)	City of Downey
Recommendation	We recommend that the City reimburse its PALRF and PCLRF accounts for \$380,376 and \$51,258, respectively. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.
Management's Response	The City's management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the programs. Although the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program since fiscal year 2019-20, the City plans to have an outside agency perform a cost allocation study to help determine a more appropriate allocation of the salaries and benefits to the funds in fiscal year 2021-22. The study is estimated to begin in February 2022 and to be completed by July 1, 2022.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)**

PALRF Finding #2021-009	City of Downey
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “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: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	<p>To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, payments for equipment rental in the amount of \$126,690 were charged to PALRF's Revised Senior/Handicapped Transit Program, Project Code 107, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements.</p> <p>This is a repeat finding from the prior four fiscal years.</p>
Cause	The City allocated equipment rental charges based on a time study from fiscal year 2011-12. The same percentage allocation were used in prior fiscal years. Additionally, the City believed the estimated percentage charged to the fund for equipment rental expenditures were still less than the actual costs incurred for the program.
Effect	The unsupported expenditures for the equipment rental resulted in questioned costs of \$126,690.
Recommendation	We recommend that the City reimburse its PALRF account for \$126,690. In addition, we recommend that the City strengthen its controls over the allocation of equipment rental costs by using an equitable and supported allocation basis to substantiate the costs charged to the program.
Management’s Response	The City’s management agrees with the recommendation about its control over the allocation of the costs and also, agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for the allocation of equipment rental expenditures are less than the actual costs incurred to administer the program. For example, the maintenance costs are directly charged to the City’s equipment fund and monthly charges are distributed to various departments for the repairs, maintenance, and general upkeep of the vehicles.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2021
(Continued)**

PCLRF Finding #2021-010	City of Downey
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	<p>The expenditures for the following PCLRF projects were incurred prior to Metro's approval:</p> <ul style="list-style-type: none"> a. Project Code 302, Imperial Highway Traffic Signal Upgrades and Safety Enhancements, in the amount of \$12,125. b. Project Code 620, Ride Sharing Program, in the amount of \$18,902. <p>However, the City subsequently received approved budget in the amount of \$200,000 from Metro for the Imperial Highway Traffic Signal Upgrades and Safety Enhancements Project Code 302 on September 23, 2021.</p> <p>Likewise, the City subsequently received an approved budget amount of \$18,902 from Metro for the Ride Sharing Program Project Code 620 on November 16, 2021.</p>
Cause	The request for the budget approvals from Metro for these projects were overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF projects were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all PCLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals of the said projects on September 23, 2021 and November 16, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2021
 (Continued)**

PALRF Finding #2021-011	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “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: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	<p>During our payroll testing, the City did not provide the timesheets but only provided the Special Funding Time Certification (Certification) which is a supplemental form for the timesheet that is signed by both the employee and the employee’s supervisor. The Certification was prepared annually and provided the hours worked by the employee on PALRF project for all payroll periods during the fiscal year 2020-21.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) December 27, 2020 b) January 10, 2021 c) January 24, 2021 d) June 27, 2021 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October 2021, which were four to ten months after the fact.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	During fiscal year 2020-21, the Finance division experienced staff turnovers, and the City staff who was directly involved in the preparation of the annual Certifications was on leave for four months from June 2021 through September 2021. Due to the turnover and the absence of the City staff, the Certifications were not prepared and signed by both employees and supervisors in a timely manner.
Effect	Without employees and supervisors preparing the timecards/certifications in a timely manner, the City may be unable to substantiate the actual hours worked by the employees that were charged to the programs. Untimely support for salaries could result in disallowed costs.

Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2021
(Continued)

PALRF Finding #2021-011 (Continued)	City of Glendora
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the Certifications at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds' projects.
Management's Response	The City will re-evaluate the preparation of the Certifications process to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time, either monthly or quarterly.

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(Continued)

PALRF Finding #2021-012	City of La Mirada
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 150, Transit Security Patrol Presence at Bus Stops, in the amount of \$312,362. However, the City submitted a request to increase the budget to Metro in the amount of \$300,000 and received subsequent approval on August 26, 2021.
Cause	The Transit Security Patrol Presence at Bus Stops project was approved by Metro at the beginning of fiscal year 2020-21. However, there was an error during the submission of the project approval request. The amount of \$30,000 was inadvertently entered into the LRMS. The correct amount for the request was \$300,000. The error was noted during the close of fiscal year 2020-21. The City staff immediately notified Metro of the error on August 26, 2021 and the amount was appropriately revised and approved in the Local Return Management System (LRMS) database by Metro.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	In the future, the City staff will review all of the budget approvals for all of the projects before submitting to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$300,000 for the said project on August 26, 2021. No follow-up is required.

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Fiscal Year Ended June 30, 2021
(Continued)

PALRF Finding #2021-013	City of La Mirada
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2021 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 8, 2021.
Cause	Since the reporting for Local Return Funds has moved from an excel format to the smartsheet local return database (LRMS) in fiscal year 2020-21, the City staff mistakenly made an assumption that the submission of the Recreational Transit Services Listing form is already done through reporting in LRMS.
Effect	The City's Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by Metro to indicate the form was submitted in a timely manner.
Management's Response	The City staff will continue to submit the report to Metro before October 15th of each year in the same manner as it was done in prior years.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 8, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2021
(Continued)**

PALRF Finding #2021-014	City of Lakewood
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 190, Geographical Information System for City's Bus Shelters, in the amount of \$50. However, the City submitted a request to increase the budget to Metro in the amount of \$5,442 and received subsequent approval on October 14, 2021.
Cause	The budget for the project was originally requested for \$17,111 and was later reduced to \$4,314 based on the estimated expenditures for the fiscal year 2020-21. However, the actual expenditures exceeded than what was anticipated.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The City staff will strive to obtain better information on the expenditures in order to request for a more appropriate Metro budget that is at least closer to the actual project expenditures.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$5,442 for the said project on October 14, 2021. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF Finding #2021-015	City of Long Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 170, Landscape Maintenance Blue Line, in the amount of \$94,979. However, the City submitted a request to increase the budget to Metro in the amount of \$439,000 and received subsequent approval on October 14, 2021.
Cause	It is the City's understanding that the new financial reporting system in fiscal year 2020-21 will carry over the budget amounts for the previously Metro-approved projects to the next fiscal year. Since the City staff was not aware of the change in the budget for the Landscape Maintenance Blue Line Project Code 170, the expenditures incurred for the project exceeded more than 25 percent of the decreased budget.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	Moving forward, the City will review and ensure that the approved project budget amounts are properly reflected in Metro's new system, LRMS.
Corrected During the Audit	The City will perform periodic reviews of project activity to ensure that all prior fiscal year approved project budgets are included in the current fiscal year's budget submittal request to Metro in the new system, LRMS.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2021
 (Continued)**

PCLRF Finding #2021-016	City of Long Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	<p>The City incurred expenditures prior to receiving approval from Metro for the following projects:</p> <ul style="list-style-type: none"> (a) PCLRF’s Proposition C Administration Program Project Code 620 in the amount of \$337,230; (b) PCLRF’s Street Maintenance on Magnolia Avenue between Spring Street and Wardlow Road Project Code 705 in the amount of \$30,009; (c) PCLRF’s Queens Way Drive between Queens Way Underpass and Harbor Plaza Project Code 705 in the amount of \$979; (d) PCLRF’s Ocean Boulevard between Long Beach Boulevard and Atlantic Avenue Project Code 705 in the amount of \$82,300; (e) PCLRF’s Magnolia Avenue between 4th and Anaheim Project Code 705 in the amount of \$42,804. <p>However, the projects above were subsequently approved on October 14, 2021.</p>
Cause	It is the City’s understanding that the new financial reporting system in fiscal year 2020-21 will carry over the previously Metro-approved projects to the next fiscal year. Since the City staff was not aware of the updated functionality of Metro’s new financial reporting system, the submission of the budgets for the above projects was overlooked.
Effect	The City did not comply with the Guidelines as expenditures for PCLRF projects are incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Proposition C Local Return Funds are in accordance with Metro’s approval and the Guidelines.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

PCLRF Finding #2021-016 (Continued)	City of Long Beach
Management's Response	The City will perform periodic reviews of project activity to ensure that all prior fiscal year approved project budgets are included in the current fiscal year's budget submittal request to Metro in the new system, LRMS.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said expenditures on October 14, 2021. No follow-up is required.

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(Continued)

PALRF Finding #2021-017	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions 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 or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 105, PV Transit/DAR prior to approval from Metro. The amount that exceeded the approved budget by more than 25 percent was \$1,299. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 105 and received subsequent approval on November 19, 2021.
Cause	It was due to staff turnover and oversight by the City's program department.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should update in the Local Return Management System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditure of funds.
Management's Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget.
Corrected During the Audit	The City requested and obtained a budget increase from Metro on November 19, 2021. No follow-up is required.

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

PCLRF Finding #2021-018	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "Under the Proposition A and Proposition C Ordinances, Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2018 ending fund balance in the amount of \$119,441 was not expended within 3 years as of June 30, 2021 and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. This is a repeat finding from the fiscal year 2019.
Cause	It was due to staff turnover and oversight by the City's program department.
Effect	The City is not in compliance with the requirements of the Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved for capital projects according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On November 19, 2021, Metro granted the City an extension on the usage of lapsed funds until June 30, 2022.

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

PALRF Finding #2021-019	City of Rolling Hills Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 105, Palos Verdes Transit/Dial-A-Ride, in the amount of \$152,249. However, the City submitted a request to increase the budget to Metro in the amount of \$143,000 and received subsequent approval on October 14, 2021.
Cause	The budget for the project was originally requested and approved for \$0 and was not modified during the fiscal year 2020-21.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The Director of Community Development & Public Works will ensure that actual project expenditures do not exceed the annual budget by 25%.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$143,000 for the said project on October 14, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2021
 (Continued)**

<p align="center">PALRF Finding #2021-020</p>	<p align="center">City of Temple City</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “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: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, the LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

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(Continued)

PALRF Finding #2021-020 (Continued)	City of Temple City
Condition	To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, the salaries and benefits expenditures should be supported by time records, special funding certifications, activity reports, or other official documentation evidencing in proper detail the nature of the charges. The salaries and benefits charged to PALRF's Project Code 610, Direct Administration, in the total amount of \$66,260 were based on estimated percentages on activities rather than the employee's actual hours worked on the projects. In prior fiscal years, adjustments were made to reflect the "true" hours worked on the projects at the end of the fiscal year. However, the adjustments were not recorded in fiscal year ended June 30, 2021.
Cause	Due to the mitigated coronavirus (COVID-19) protocols, the City was not able to record the necessary adjustments to reflect the actual hours worked on PALRF projects.
Effect	The payroll costs claimed under the PALRF projects may include expenditures which may be disallowed Proposition A project expenditures. This resulted in questioned costs of \$66,260 for PALRF.
Recommendation	We recommend that the City reimburse its PALRF account for \$66,260. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by making the proper adjustments to reflect the "true" hours worked on the projects, particularly, if the salaries are initially allocated to PALRF based on estimated percentages.
Management's Response	Beginning July 1, 2021, the City employees who work on the PALRF operations or projects were instructed to indicate the actual hours on their timesheet.

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(Continued)**

PALRF Finding #2021-021	City of Torrance
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
Condition	The City exceeded more than 25 percent of Metro’s approved budget on PALRF Project Code 105 Fixed Route Operating Assistance and Project Code 610 Admin Charges Associated with Fixed Route prior to approval from Metro. The amounts that exceeded the approved budgets by more than 25 percent for PALRF Project Code 105 Fixed Route Operating Assistance and Project Code 610 Admin Charges Associated with Fixed Route were \$20,031 and \$5,007, respectively. Subsequently, the City submitted a project budget update in the Local Return Management System (LRMS) to obtain a budget increase from Metro and received an approval on December 15, 2021.
Cause	It was due to an oversight by the City’s program department.
Effect	The City’s PALRF project expenditures exceeded 25 percent of Metro’s approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro’s approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should submit a project budget update in the LRMS prior to the expenditure of funds.
Management’s Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of Metro’s approved budget.
Corrected During the Audit	Project budget updates in the LRMS for Project Code 105 Fixed Route Operating Assistance and Project Code 610 Admin Charges Associated with Fixed Route were submitted to Metro and were approved on December 15, 2021. No follow-up is required.