



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund Consolidated Audit Report
Fiscal Year Ended June 30, 2019**

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

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

Report on Compliance

We have audited the compliance of the thirty-eight (38) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2019 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditors' Responsibility

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

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



Basis for Disclaimer of Opinion on City of South El Monte

As described in the accompanying Summary of Compliance Findings (Finding #2019-008), the City of South El Monte was not able to provide accounting records and documents that would support the City's compliance with the Guidelines and Requirements. Accordingly, we were unable to perform any auditing procedures sufficiently to determine the City's compliance.

Disclaimer of Opinion on City of South El Monte

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the City of South El Monte's compliance with the Guidelines and Requirements referred to above. Accordingly, we do not express an opinion on the City of South El Monte's compliance with the Guidelines and Requirements.

Unqualified Opinion on Compliance of all Cities except City of South El Monte

In our opinion, as described in Schedule 2, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-001 through #2019-009. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule 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 Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 a material weakness 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 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 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 Finding #2019-002 and Finding #2019-008 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 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 (Schedule 2) as Findings #2019-001 and #2019-004, to be significant deficiencies.

The Cities' responses to the internal control over compliance findings identified in our audit 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 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.

**Glendale, California
December 31, 2019**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2019**

The audits of the 38 cities identified in Schedule 1 have resulted in 9 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended for transportation purposes.	2	Baldwin Park (Finding #2019-002) South El Monte (Finding #2019-008)	\$ 485,011 276,774	\$ - -
Funds were expended with LACMTA's approval.	2	Azusa (Finding #2019-001) Calabasas (Finding #2019-004)	459,958 2,645	459,958 2,645
Expenditure Plan (Form One) was submitted timely.	2	Bell Gardens (Finding #2019-003) South Gate (Finding #2019-009)	None None	None None
Expenditure Report (Form Two) was submitted timely.	2	Malibu (Finding #2019-006) Pomona (Finding #2019-007)	None None	None None
Recreational transit form was submitted timely.	1	Calabasas (Finding #2019-005)	None	None
Total Findings and Questioned Costs	9		\$ 1,224,388	\$ 462,603

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019**

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Funds were expended for transportation purposes.	Compliant	Compliant	See Finding #2019-002
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	See Finding #2019-001	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Compliant	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Compliant

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2019-003	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Compliant
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

Compliance Area Tested	Calabasas	Carson	Commerce
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2019-004	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Not Applicable	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	See Finding #2019-005	Not Applicable	Not Applicable

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	Lawndale	Lynwood	Malibu
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	See Finding #2019-006
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Compliant	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	Pico Rivera	Pomona	Rosemead
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	See Finding #2019-007	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	Not Applicable	Compliant	Compliant
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	South El Monte*	South Gate	Walnut
Funds were expended for transportation purposes.	See Finding #2019-008	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	See Finding #2019-008	Compliant	Compliant
Signed Assurances and Understandings on file.	Compliant	Compliant	Compliant
Separate Measure R Local Return Account was established.	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.	Compliant	Compliant	Compliant
Funds were expended with LACMTA's approval.	See Finding #2019-008	Compliant	Compliant
Expenditure Plan (Form One) was submitted timely.	Compliant	See Finding #2019-009	Compliant
Expenditure Report (Form Two) was submitted timely.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap.	See Finding #2019-008	Compliant	Not Applicable
Fund exchanges were approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA.	Not Applicable	Not Applicable	Not Applicable
Recreational transit form was submitted timely.	Not Applicable	Not Applicable	Not Applicable

*Auditor was not able to perform procedures due to the condition of the City's accounting records and unavailability of documents supporting the City's compliance with the significant compliance requirements of the Guidelines.

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

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

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019**

Finding #2019-001	City of Azusa
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project code 1.05, Operations for Signage, Concrete, Asphalt, Painting, Signals, totaling \$393,297; and b. Project Code 2.00, MR TRIP Bond Reimbursable Expenditures, totaling \$66,661. <p>These projects were previously approved when the TRIP bonds were issued in 2016, however, the City is still required to submit Form One every year, carry over the budget, and have it approved by LACMTA.</p> <p>This is a repeat finding from prior year.</p>
Cause	<p>The City concurs with the finding that the above projects should be included in the Expenditure Plan (Form One) submitted to LACMTA for the projects that will be funded with Measure R. The finding was caused by an oversight by City staff.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

Finding #2019-001 (Continued)	City of Azusa
Effect	The City claimed expenditures totaling \$459,958 without prior approval from LACMTA. Lack of prior approval results in noncompliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on Measure R-funded projects.
Management's Response	<p>The City relied on a consultant's assistance to maintain budgetary overview while staff was on extended medical leave. Staff has returned and is cross training department members the LACMTA guidelines. The City will obtain LACMTA approval prior to spending LACMTA funded projects.</p> <p>The City submitted a revised Expenditure Plan (Form One) to the LACMTA Program Manager and obtained a retroactive approval of the said project on October 3, 2019.</p>
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 3, 2019. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-002	City of Baldwin Park
Compliance Reference	<p>Measure R Local Return Guidelines Section (A) (I) states that, "The Measure R Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes". Also, Section VII 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 February 14, 2019, the LACMTA Local Return Program Manager re-affirmed the memo issued on April 29, 2014 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
Measure R Local Return Fund
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Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-002 (Continued)	City of Baldwin Park
Condition	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <ul style="list-style-type: none"> a) Project code 1.05, Street Repairs, Maintenance, Street Rehabilitation, total amount of \$141,655; b) Project code 1.30, Street Improvements Per New Complete Streets Policy, total amount of \$75,666; c) Project code 1.90, Street Name Roadway Signs, total amount of \$107,593; d) Project code 4.90, Bus Stop Share Maintenance, total amount of \$2,858; e) Project code 5.15, Metrolink Station Maintenance, total amount of \$10,846; and f) Project code 8.10, Administration of Projects and Programs, total amount of \$146,393. <p>The salaries and benefits claimed under MRLRF amounting to \$485,011 are based on budget and are not supported by actual time charges and documented time study or indirect cost allocation plan for administrative charges. The City historically claimed those salaries in the previous years based on actual time charges and those claims were supported by time sheets. However, because of the change in the City's payroll and time reporting system during the fiscal year, auditor was not able to perform procedures to determine reasonableness of those charges.</p>
Cause	<p>The City changed its payroll system during FY 2018-19. Employees started entering their timesheet electronically that replaced the manual timesheet (hard copy). The system automatically allocates the amounts charged by each employee to these funds based on the budgeted percentages.</p>
Effect	<p>If the labor charges are not supported by actual time charges and documented time study or indirect cost allocation plan, LACMTA will require the City to return the money to the Local Return Funds.</p>

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(Continued)

Finding #2019-002 (Continued)	City of Baldwin Park
Recommendation	<p>We recommend that the City provide documentation to support the salaries and benefits charges to MRLRF prior to FY 2019/20 year end audit. If these documents are not provided, the City is required to reimburse its MRLRF accounts the amount of \$485,011. 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>
Management's Response	<p>The City changed its payroll system during FY 2018-19. Employees started entering their timesheet electronically to replace the manual timesheet. The salaries and benefits costs are the actual amounts from the City's payroll which is based on the estimated percentage of work assigned by Public Works for allocated hours per the prior year's projections and related projects in FY 2018-19. The percentage allocation is entered in Tyler Incode 10 financial system. The system allocates the charges for each employee to those funds.</p> <p><u>Corrective Action Plan</u> The City will implement a new internal control procedure. The electronic time entry will be based on the actual hours worked on each project. We will also prepare reconciliation/adjustments as needed and/or at year-end. The time entries will be submitted by employees electronically and reviewed/approved by their supervisors. The City will also establish controls to ensure that all salaries and benefits charged to the Local Return funds are adequately supported in the future. The City considers the allocations and the charges mentioned above to be reasonable and eligible expenses under the local return guidelines.</p>

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(Continued)

Finding #2019-003	City of Bell Gardens
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	The City submitted its Expenditure Plan (Form One) on August 13, 2018, 12 days after the due date of August 1, 2018.
Cause	The Expenditure Plan (Form One) was submitted late due to an oversight by City staff assigned to complete the task.
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 Expenditure Plan (Form One) is submitted by August 1 st as required by the Guidelines.
Management's Response	The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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(Continued)

Finding #2019-004	City of Calabasas
Compliance Reference	<p>Section B (II) (1) of the Measure R Local Return Program Guidelines state that “To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One) annually by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year.”</p>
Condition	<p>The City claimed expenditures under MRLRF Project Code 3.05 Sidewalk and Bike Lane Improvement, totaling \$2,645 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from LACMTA.</p> <p>This is a repeat finding from prior year’s audit.</p>
Cause	<p>There are two projects going on in the same corridor; Mulholland Highway Gap Closure project and Mulholland Highway Corridor Study project. The Gap Closure project is the Sidewalk and Bike Lane Improvement project for which we used \$2,645 in FY 2018/19; and the Mulholland Highway Corridor Study project is planned to begin in FY 2019/20. The City had confused the two projects on the forms that were submitted for each because they were discussed at the same time during last year. The City presumed that they had included the Gap Closure project on FY 2018/19 Form One, because that was the intention, and didn’t catch the mix up until it was identified during the audit.</p>
Effect	<p>The City claimed expenditures totaling \$2,645 without prior approval from LACMTA. Lack of prior approvals results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>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.</p>

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

Finding #2019-004 (Continued)	City of Calabasas
Management's Response	Staff and management will ensure that approval is obtained from LACMTA prior to spending on Measure R funded projects.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said project on November 15, 2019.

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(Continued)**

Finding #2019-005	City of Calabasas
Compliance Reference	Section B(II)(3) of the Measure R Local Return Program Guidelines also states that, "Jurisdictions that use their Measure R LR funds for recreational transit services must fill out, sign and submit this form no later than October 15 after the fiscal year in which the services were rendered".
Condition	The Recreational Transit report was submitted on October 24, 2019, 9 days beyond the due date of October 15, 2019.
Cause	The Recreational Transit report was submitted late due to an oversight by City staff assigned to complete that task.
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	Staff will ensure all documents are submitted to LACMTA in a timely manner.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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(Continued)**

Finding #2019-006	City of Malibu
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Expenditure Report (Form Two) on October 25, 2019, 10 days after the due date of October 15, 2019.
Cause	The City of Malibu's Finance Manager retired. Due to her absence and the transition of her responsibilities, the City was unaware of the deadline. The report was filed prior to the audit, but not by the October 15 deadline.
Effect	Expenditure Report (Form Two) 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 Two) is submitted by October 15 as required by the Guidelines.
Management's Response	An Acting Finance Manager has been appointed and will monitor future reporting requirements. A calendar of reporting deadlines has been created.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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(Continued)**

Finding #2019-007	City of Pomona
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 th (following the conclusion of the fiscal year)...."
Condition	The City submitted its Expenditure Report (Form Two) on October 19, 2019, 4 days after the due date of October 15, 2019.
Cause	The City had adjustments to make as the deadline approached and wanted to ensure accuracy of the reports prior to submission.
Effect	Expenditure Report (Form Two) 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 Two) is submitted by October 15 as required by the Guidelines.
Management's Response	Internal procedures are in place to ensure timely submission of the reports to LACMTA. The City will continue to work diligently to ensure timeliness of the submissions moving forward.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

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Measure R Local Return Fund
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(Continued)

Finding #2019-008	City of South El Monte
Compliance Reference	Section VII of the Measure R Local Return Guidelines states that, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	The City was not able to provide accounting records and documents that would support the City's compliance with the Measure R Local Return Guidelines. The City's general ledger is not updated. Account reconciliations, including bank accounts are behind and the Local Return Funds reports and Forms submitted to LACMTA do not reconcile with the accounting records. Accordingly, we were unable to perform any auditing procedures sufficiently to determine the City's compliance with the significant compliance requirements of the Guidelines.
Cause	We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2019. As such, there was delay in the closing of the City's books for the fiscal year 2019. Currently, the accounting personnel and support do not have the institutional knowledge to ensure the books are updated and transactions are recorded correctly.
Effect	<p>These conditions resulted in delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors to facilitate completion of audit procedures.</p> <p>The guidelines dictate that LACMTA reserves the right to suspend or revoke allocation to the City until the completion of the required audits.</p>
Recommendation	<p>We recommend that the City implement internal control procedures over timely closing of the books. The City should establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information.</p> <p>We also recommend that the City implement sufficient controls to ensure compliance with LACMTA guidelines and other regulatory requirements.</p>

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(Continued)**

Finding #2019-008 (Continued)	City of South El Monte
Management's Response	The City has taken actions to address this finding by hiring an interim finance director to handle the closing process of the City's book of accounts and to make sure that all accounting records will be made available to the auditors.
Subsequent to the Audit Deadline	Metro Program Manager sent out a letter to the City on January 7, 2020 to grant the City requested time extension to complete the audit by March 31, 2020.

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Finding #2019-009	City of South Gate
Compliance Reference	<p>Section B (II) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	The City submitted its Expenditure Plan (Form One) on August 9, 2018, 8 days after the due date of August 1, 2018.
Cause	The Expenditure Plan (Form One) was submitted late due to an oversight by City staff assigned to complete that task
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 Expenditure Plan (Form One) is submitted by August 1 st as required by the Guidelines.
Management's Response	City staff assigned to complete the Form One has been advised of the August 1 st deadline to submit the report. In addition, a reminder has been set up on the calendar of the Director to ensure that the report is completed and submitted to the LACMTA in a timely fashion.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.



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