



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**



Simpson & Simpson, LLP  
Certified Public Accountants

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

**TABLE OF CONTENTS**

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



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

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

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

### **Report on Compliance**

We have audited the compliance of the forty-nine (49) Cities and the County of Los Angeles identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2019 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on the Cities' and the County'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 Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's and the County'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 and the County's compliance with the Guidelines and Requirements.





### ***Opinion***

In our opinion, the Cities and the County 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 Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-001 through #2019-014. Our opinion is not modified with respect to these matters.

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

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

The management of each City and the County 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 and the County'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 and the County'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 #2019-001 and #2019-003 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 Finding #2019-012 to be a significant deficiency.

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

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

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, 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 audit of the 49 cities and the County identified in Schedule 1 have resulted in 14 findings. The table below shows a summary of the findings:

| <b>Finding</b>   | <b># of Findings</b> | <b>Responsible Cities/<br/>Finding Reference</b>  | <b>Questioned Costs</b>              | <b>Resolved During the Audit</b>     |
|--|----------------------|---|--------------------------------------|--------------------------------------|
| Funds were expended for transportation purposes        | 2                    | Downey (#2019-003)<br>Glendora (#2019-005)  | \$ 24,802<br>6,145                   | \$ -<br>-                            |
| Funds were expended prior to LACMTA's approval         | 4                    | Claremont (#2019-002)<br>Lancaster (#2019-007)<br>Manhattan Beach (#2019-008)<br>Torrance (#2019-013)                                     | 74,751<br>2,014<br>930<br>681,615    | 74,751<br>2,014<br>930<br>681,615    |
| Expenditure Plan (Form One) was not submitted timely   | 3                    | Avalon (#2019-001)<br>San Gabriel (#2019-010)<br>Temple City (#2019-012)  | None<br>None<br>None                 | None<br>None<br>None                 |
| Expenditure Report (Form Two) was not submitted timely | 5                    | El Segundo ((#2019-004)<br>La Habra Heights (#2019-006)<br>Manhattan Beach (#2019-009)<br>Signal Hill (#2019-011)<br>Whittier (#2019-014) | None<br>None<br>None<br>None<br>None | None<br>None<br>None<br>None<br>None |
|  |                      |   |                                      |                                      |
| <b>Total Findings and Questioned Costs</b>             | <b>14</b>            |   | <b>\$ 790,257</b>                    | <b>\$ 759,310</b>                    |

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**

| <b>Compliance Area Tested</b>  | <b>Alhambra</b> | <b>Arcadia</b> | <b>Artesia</b> |
|--|-----------------|----------------|----------------|
| Funds were expended for transportation purposes  | Compliant       | Compliant      | Compliant      |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant       | Compliant      | Compliant      |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant      | Compliant      |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant      | Compliant      |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant      | Compliant      |
| Funds were expended with LACMTA's approval.  | Compliant       | Compliant      | Compliant      |
| Expenditure Plan (Form One) was submitted timely.  | Compliant       | Compliant      | Compliant      |
| Expenditure Report (Form Two) was submitted timely.  | Compliant       | Compliant      | Compliant      |
| Timely use of funds  | Compliant       | Compliant      | Compliant      |
| Administrative expenditures 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)**

| <b>Compliance Area Tested</b>  | <b>Avalon</b>         | <b>Bellflower</b> | <b>Bradbury</b> |
|--|-----------------------|-------------------|-----------------|
| Funds were expended for transportation purposes  | Compliant             | Compliant         | Compliant       |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant             | Compliant         | Compliant       |
| Signed Assurances and Understandings on file.  | Compliant             | Compliant         | Compliant       |
| Separate Measure R Local Return Account was established.   | Compliant             | Compliant         | Compliant       |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant             | Compliant         | Compliant       |
| Funds were expended with LACMTA's approval.  | Compliant             | Compliant         | Compliant       |
| Expenditure Plan (Form One) was submitted timely.  | See Finding #2019-001 | Compliant         | Compliant       |
| Expenditure Report (Form Two) was submitted timely.  | Compliant             | Compliant         | Compliant       |
| Timely use of funds  | Compliant             | Compliant         | Compliant       |
| Administrative expenditures 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.   | Compliant             | 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)**

| <b>Compliance Area Tested</b>  | <b>Burbank</b> | <b>Cerritos</b> | <b>Claremont</b>      |
|--|----------------|-----------------|-----------------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant       | Compliant             |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant       | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant       | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant       | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant       | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant       | See Finding #2019-002 |
| 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 expenditures 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.   | Compliant      | 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)**

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

| <b>Compliance Area Tested</b>  | <b>Duarte</b>  | <b>El Segundo</b>     | <b>Glendale</b> |
|--|----------------|-----------------------|-----------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant             | Compliant       |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant             | Compliant       |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant             | Compliant       |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant             | Compliant       |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant             | Compliant       |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant             | Compliant       |
| Expenditure Plan (Form One) was submitted timely.  | Compliant      | Compliant             | Compliant       |
| Expenditure Report (Form Two) was submitted timely.  | Compliant      | See Finding #2019-004 | Compliant       |
| Timely use of funds  | Compliant      | Compliant             | Compliant       |
| Administrative expenditures 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.   | Compliant      | 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)**

| <b>Compliance Area Tested</b>  | <b>Glendora</b>       | <b>Hawaiian<br/>Gardens</b> | <b>Hermosa<br/>Beach</b> |
|--|-----------------------|-----------------------------|--------------------------|
| Funds were expended for transportation purposes  | See Finding #2019-005 | Not Applicable              | Compliant                |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant             | Not Applicable              | Compliant                |
| Signed Assurances and Understandings on file.  | Compliant             | Compliant                   | Compliant                |
| Separate Measure R Local Return Account was established.   | Compliant             | Compliant                   | Compliant                |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant             | Compliant                   | Compliant                |
| Funds were expended with LACMTA's approval.  | Compliant             | Not Applicable              | Compliant                |
| Expenditure Plan (Form One) was submitted timely.  | Compliant             | Compliant                   | Compliant                |
| Expenditure Report (Form Two) was submitted timely.  | Compliant             | Compliant                   | Compliant                |
| Timely use of funds  | Compliant             | Compliant                   | Compliant                |
| Administrative expenditures 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.  | 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)**

| <b>Compliance Area Tested</b>  | <b>La Cañada<br/>Flintridge</b> | <b>La Habra<br/>Heights</b> | <b>La Mirada</b> |
|--|---------------------------------|-----------------------------|------------------|
| Funds were expended for transportation purposes  | Compliant                       | Compliant                   | Compliant        |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant                       | Compliant                   | Compliant        |
| Signed Assurances and Understandings on file.  | Compliant                       | Compliant                   | Compliant        |
| Separate Measure R Local Return Account was established.   | Compliant                       | Compliant                   | Compliant        |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant                       | Compliant                   | Compliant        |
| Funds were expended with LACMTA's approval.  | Compliant                       | Compliant                   | Compliant        |
| Expenditure Plan (Form One) was submitted timely.  | Compliant                       | Compliant                   | Compliant        |
| Expenditure Report (Form Two) was submitted timely.  | Compliant                       | See Finding<br>#2019-006    | Compliant        |
| Timely use of funds  | Compliant                       | Compliant                   | Compliant        |
| Administrative expenditures 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.  | 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)**

| <b>Compliance Area Tested</b>  | <b>La Verne</b> | <b>Lakewood</b> | <b>Lancaster</b>      |
|--|-----------------|-----------------|-----------------------|
| Funds were expended for transportation purposes  | Not Applicable  | Compliant       | Compliant             |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Not Applicable  | Compliant       | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant       | Compliant       | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant       | Compliant       | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant       | Compliant       | Compliant             |
| Funds were expended with LACMTA's approval.  | Not Applicable  | Compliant       | See Finding #2019-007 |
| 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 expenditures 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  | Compliant             |

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

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

| <b>Compliance Area Tested</b>  | <b>Los Angeles<br/>County</b> | <b>Manhattan<br/>Beach</b> | <b>Monrovia</b> |
|--|-------------------------------|----------------------------|-----------------|
| Funds were expended for transportation purposes  | Compliant                     | Compliant                  | Compliant       |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant                     | Compliant                  | Compliant       |
| Signed Assurances and Understandings on file.  | Compliant                     | Compliant                  | Compliant       |
| Separate Measure R Local Return Account was established.   | Compliant                     | Compliant                  | Compliant       |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant                     | Compliant                  | Compliant       |
| Funds were expended with LACMTA's approval.  | Compliant                     | See Finding #2019-008      | Compliant       |
| Expenditure Plan (Form One) was submitted timely.  | Compliant                     | Compliant                  | Compliant       |
| Expenditure Report (Form Two) was submitted timely.  | Compliant                     | See Finding #2019-009      | Compliant       |
| Timely use of funds  | Compliant                     | Compliant                  | Compliant       |
| Administrative expenditures 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)**

| <b>Compliance Area Tested</b>  | <b>Norwalk</b> | <b>Palmdale</b> | <b>Palos Verdes Estates</b> |
|--|----------------|-----------------|-----------------------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant       | Compliant                   |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant       | Compliant                   |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant       | Compliant                   |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant       | Compliant                   |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant       | Compliant                   |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant       | Compliant                   |
| Expenditure Plan (Form One) was submitted timely.  | Compliant      | Compliant       | Compliant                   |
| Expenditure Report (Form Two) was submitted timely.  | Compliant      | Compliant       | Compliant                   |
| Timely use of funds  | Compliant      | Compliant       | Compliant                   |
| Administrative expenditures 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.   | Compliant      | 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)**

| <b>Compliance Area Tested</b>  | <b>Paramount</b> | <b>Pasadena</b> | <b>Rancho<br/>Palos Verdes</b> |
|--|------------------|-----------------|--------------------------------|
| Funds were expended for transportation purposes  | Compliant        | Compliant       | Compliant                      |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant        | Compliant       | Compliant                      |
| Signed Assurances and Understandings on file.  | Compliant        | Compliant       | Compliant                      |
| Separate Measure R Local Return Account was established.   | Compliant        | Compliant       | Compliant                      |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant        | Compliant       | Compliant                      |
| Funds were expended with LACMTA's approval.  | Compliant        | Compliant       | Compliant                      |
| Expenditure Plan (Form One) was submitted timely.  | Compliant        | Compliant       | Compliant                      |
| Expenditure Report (Form Two) was submitted timely.  | Compliant        | Compliant       | Compliant                      |
| Timely use of funds  | Compliant        | Compliant       | Compliant                      |
| Administrative expenditures 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  | 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)**

| <b>Compliance Area Tested</b>  | <b>Redondo Beach</b> | <b>Rolling Hills</b> | <b>Rolling Hills Estates</b> |
|--|----------------------|----------------------|------------------------------|
| Funds were expended for transportation purposes  | Compliant            | Not Applicable       | Compliant                    |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant            | Not Applicable       | Compliant                    |
| Signed Assurances and Understandings on file.  | Compliant            | Compliant            | Compliant                    |
| Separate Measure R Local Return Account was established.   | Compliant            | Compliant            | Compliant                    |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant            | Compliant            | Compliant                    |
| Funds were expended with LACMTA's approval.  | Compliant            | 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 expenditures 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)**

| <b>Compliance Area Tested</b>  | <b>San Dimas</b> | <b>San Gabriel</b>    | <b>San Marino</b> |
|--|------------------|-----------------------|-------------------|
| Funds were expended for transportation purposes  | Compliant        | Compliant             | Not Applicable    |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant        | Compliant             | Compliant         |
| Signed Assurances and Understandings on file.  | Compliant        | Compliant             | Compliant         |
| Separate Measure R Local Return Account was established.   | Compliant        | Compliant             | Compliant         |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant        | Compliant             | Compliant         |
| Funds were expended with LACMTA's approval.  | Compliant        | Compliant             | Not Applicable    |
| Expenditure Plan (Form One) was submitted timely.  | Compliant        | See Finding #2019-010 | Compliant         |
| Expenditure Report (Form Two) was submitted timely.  | Compliant        | Compliant             | Compliant         |
| Timely use of funds  | Compliant        | Compliant             | Compliant         |
| Administrative expenditures 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.  | 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   | Santa Clarita  | Sierra Madre   | Signal Hill           |
|--|----------------|----------------|-----------------------|
| Funds were expended for transportation purposes  | Compliant      | Compliant      | Compliant             |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant      | Compliant      | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant      | Compliant      | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant      | Compliant      | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant      | Compliant      | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant      | Compliant      | Compliant             |
| Expenditure Plan (Form One) was submitted timely.  | Compliant      | Compliant      | Compliant             |
| Expenditure Report (Form Two) was submitted timely.  | Compliant      | Compliant      | See Finding #2019-011 |
| Timely use of funds  | Compliant      | Compliant      | Compliant             |
| Administrative expenditures 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.  | 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)**

| <b>Compliance Area Tested</b>  | <b>South<br/>Pasadena</b> | <b>Temple City</b>    | <b>Torrance</b>       |
|--|---------------------------|-----------------------|-----------------------|
| Funds were expended for transportation purposes  | Compliant                 | Not Applicable        | Compliant             |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant                 | Not Applicable        | Compliant             |
| Signed Assurances and Understandings on file.  | Compliant                 | Compliant             | Compliant             |
| Separate Measure R Local Return Account was established.   | Compliant                 | Compliant             | Compliant             |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account. | Compliant                 | Compliant             | Compliant             |
| Funds were expended with LACMTA's approval.  | Compliant                 | Not Applicable        | See Finding #2019-013 |
| Expenditure Plan (Form One) was submitted timely.  | Compliant                 | See Finding #2019-012 | Compliant             |
| Expenditure Report (Form Two) was submitted timely.  | Compliant                 | Compliant             | Compliant             |
| Timely use of funds  | Compliant                 | Compliant             | Compliant             |
| Administrative expenditures 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.  | 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)**

| <b>Compliance Area Tested</b>  | <b>West Covina</b> | <b>Whittier</b>       |
|--|--------------------|-----------------------|
| Funds were expended for transportation purposes  | Compliant          | Compliant             |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.         | Compliant          | Compliant             |
| 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          | See Finding #2019-014 |
| Timely use of funds  | Compliant          | Compliant             |
| Administrative expenditures are within the 20% cap.  | Compliant          | 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**

|                                    |   |
|------------------------------------|---|
| <b>Finding #2019-001</b>           | <b>City of Avalon</b>   |
| Compliance Reference               | According to Measure R Local Return Guidelines Section B (II), "To maintain legal 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."  |
| Condition                          | The City did not submit the Expenditure Plan (Form One) to LACMTA by August 1, 2018.<br><br>However, the City submitted the Form One late on August 7, 2018.<br><br>This is a repeat finding from the prior two fiscal years.   |
| Cause                              | The late submission was due to an oversight.  |
| Effect                             | The City's Expenditure Plan (Form One) was not submitted to LACMTA by August 1st, as required by Measure R Local Return Guidelines.   |
| Recommendation                     | We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Measure R Local Return Guidelines. |
| Management's Response              | Management will ensure to submit the Form One by the due date going forward.  |
| Finding Corrected During the Audit | The City submitted the Form One on August 7, 2018. No 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)**

|                                    |   |
|------------------------------------|---|
| <b>Finding #2019-002</b>           | <b>City of Claremont</b>  |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro's approval."                 |
| Condition                          | During FY 2018-19, the City used Measure R Local Return funds for Project Code 1.20, Farmers Market Bollards in the amount of \$74,751; however, the funds for the Project were expended prior to LACMTA's approval as the Project was not reported on the Form-One.  |
| Cause                              | It was due to City staff's oversight. The City was not aware of the requirement to submit an amended Form-One for next projects added during the year.  |
| Effect                             | The City did not comply with the Measure R Local Return Guidelines.   |
| Recommendation                     | We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA's retroactive approval for any new projects that are not reported on the original Form-One. |
| Management's Response              | The City will establish procedures to ensure approvals of expenditures are received from LACMTA as well as the timely filing of all required forms going forward.   |
| Finding Corrected During the Audit | As a result of the audit, the City submitted an updated Form-One to LACMTA and received retroactive approval on the project on December 5, 2019. No 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)**

|                          |   |
|--------------------------|---|
| <b>Finding #2019-003</b> | <b>City of Downey</b>   |
| Compliance Reference     | <p>According to Measure R Local Return Guidelines, Section A.I, "The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes." and Section B.VII, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines." In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, "(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) A Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(a) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(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."</li> </ul> |

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

|  |  |
|--|--|
| <b>Finding #2019-003<br/>(Continued)</b> | <b>City of Downey</b>  |
| Condition                                | <p>To support the propriety of expenditures being charged to Measure R Local Return Fund, payroll expenditures should be supported by properly executed payrolls, time records, activity reports, vouchers, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$24,802 was based on an estimate of a percentage of time spent on MRLRF activity rather than the employee's actual working hours spent on the project. Although the City provided a time study listing of the employees charged to MRLRF, the payroll costs and benefits were based on estimated percentages of the time spent on the projects. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2018-19.</p> <p>This is a repeat finding from the prior three fiscal years.</p> |
| Cause                                    | <p>The City allocates administrative charges based on time study from 2011-12. The same percentage allocation has been used in prior fiscal years in which the City believed is still relevant today as when the study was completed.</p>  |
| Effect                                   | <p>The payroll costs claimed under the Measure R Local Return Fund project may include expenditures which may not be an allowable Measure R project expenditures. This resulted in questioned costs of \$24,802.</p>   |
| Recommendation                           | <p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Fund account for \$24,802. In addition, we recommend that the City revise its current labor costs reporting procedures to ensure that labor costs charged to Local Return Funds are adequately supported by time sheets or similar documentation which includes employees' actual working hours.</p>   |
| Management's Response                    | <p>The City management agrees that the amounts were based on a time study from 2011-12. However, the City believes the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for administration are less than the actual payroll costs incurred for the program. In fiscal year 2018-19, as opposed to the time study from fiscal year 2011-12, the program was internally administered adding to administrative time. In fiscal year 2019-20, the City will implement KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and be able to track the time spent on each program. With the implementation of this system, the City will be able to charge administrative costs directly to the program.</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)**

|                                    |  |
|------------------------------------|--|
| <b>Finding #2019-004</b>           | <b>City of El Segundo</b>  |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B Administrative: Reporting Requirements – Expenditure Report (Form Two), “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R Local Return program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year). |
| Condition                          | The City did not meet the October 15, 2019 deadline for submission of Form Two. However, the City submitted the Form Two on October 28, 2019.  |
| Cause                              | This was an oversight by the City.   |
| Effect                             | The City did not comply with Measure R Local Return Guidelines.  |
| Recommendation                     | We recommend that the City strengthen internal control procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15 to meet Measure R Local Return Guidelines.  |
| Management’s Response              | The City’s fiscal year ends on September 30, 2019, and the reports were not finalized as of October 15, 2019. City staff submitted the Form Two on October 28, 2019 when the reports were more accurate. In the future the City will make sure to submit Form Two by the October 15th deadline to ensure compliance with the regulations.  |
| Finding Corrected During the Audit | The City’s Form Two was submitted on October 28, 2019. No 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)**

|                          |  |
|--------------------------|--|
| <b>Finding #2019-005</b> | <b>City of Glendora</b>  |
| Compliance Requirement   | <p>According to Measure R Local Return Guidelines, Section A.I, "The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions maybe used for purposes other than transportation purposes." and Section B.VII, "It is the Jurisdictions' responsibility to maintain proper account' ng records and documentation to facilitate the performance of audit prescribed in these guidelines."</p> <p>In addition, LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines, those recommendations are "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one' s supervisor." Also, "(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <ul style="list-style-type: none"> <li>(b) Federal award and non-Federal award.</li> </ul> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(b) They must reflect an after the fact distribution of the actual activity of each employee,</li> <li>(f) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances." </li></ul> |

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

|  |  |
|--|--|
| <b>Finding #2019-005<br/>(Continued)</b> | <b>City of Glendora</b>  |
| Condition                                | <p>During the testing of payroll, the City provided both timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet that is signed by an employee and an employee's supervisor. The Certification provides the detail breakdown of hours worked for the respective LRF in all payroll periods during fiscal year 2019. However, we noted that the employee hours charged to the following MRLRFs did not agree to the hours indicated on the Certification as shown below:</p> <p>a) Of the eighteen (18) payroll samples, fifteen (15) payroll was over-charged to MRLRF totaling \$6,145.</p> <p>Upon inquiry, it was noted that the City's payroll allocation schedule was used to record payroll costs in the City's accounting records. However, the City did not properly reconcile the hours worked between the Certification and the payroll allocation schedule resulting to payroll overcharges MRLRF.</p> |
| Cause                                    | The City was not aware that its practice of time certification was not comparable to labor costs claimed on the timesheet.   |
| Effect                                   | The unreconciled variances on the payroll charges resulted in questioned costs of \$6,145 for MRLRF.   |
| Recommendation                           | In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return Account for \$6,145. In addition, we recommend that the City establish controls to ensure that the payroll costs charged to the Local Return funds are adequately supported by timesheet, payroll register, personal actions or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.  |
| Management's Response                    | The City will modify its existing procedures to ensure accurate collection of time and effort documentation to support the salaries and benefits charged to MRLRF. These controls will ensure salary charges were expended properly on local return approved projects.   |

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

|                                     |  |
|-------------------------------------|--|
| <b>Finding #2019-006</b>            | <b>City of La Habra Heights</b>  |
| Compliance Requirement              | According to Measure R Local Return Guidelines, Section B.II.2, Expenditure Report (Form Two): “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year).” |
| Condition                           | The City did not meet the October 15, 2019 deadline for submission of the Form Two. However, the City submitted the Form Two on October 17, 2019.  |
| Cause                               | It was due to the staff’s oversight.   |
| Effect                              | The City did not comply with the Measure R Local Return Guidelines.  |
| Recommendation                      | We recommend that the City establish procedures to ensure that the Form Two is submitted before the due date of October 15th in accordance with the Measure R Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the Form Two was submitted in a timely manner.   |
| Management’s Response               | The City will establish procedures to ensure the timely filing of all required listings. In addition, the City will retain a confirmation of receipt by LACMTA to indicate the Form Two was submitted in a timely manner.  |
| Findings Corrected During the Audit | The City subsequently submitted the Form Two on October 17, 2019. No 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)**

|                                    |   |
|------------------------------------|---|
| <b>Finding #2019-007</b>           | <b>City of Lancaster</b>  |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.” |
| Condition                          | During FY 2018-19, the City used Measure R Local Return funds for the project 1.05- Lancaster Blvd Road Diets, 10th St W to Valley Central Way in the amount of \$2,014 prior to LACMTA’s approval as the Project was not reported on the Expenditure Plan (Form One).  |
| Cause                              | The City did not submit an accurate and complete Form One with a listing of projects to Metro due to an oversight.  |
| Effect                             | The City was not in compliance with Measure R Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds.   |
| Recommendation                     | We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form One to LACMTA.  |
| Management’s Response              | Staff did not submit corrected Form One on time with the updated information due to staff turnover.   |
| Finding Corrected During the Audit | The City’s revised Form-One was submitted and retroactively approved by LACMTA Program Manager on December 10, 2019. No 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)**

|                                    |   |
|------------------------------------|---|
| <b>Finding #2019-008</b>           | <b>City of Manhattan Beach</b>  |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.”                 |
| Condition                          | The City used Measure R Local Return funds for 1.05 Street Resurfacing: 1100 Block of 3rd Street project in the amount of \$930 prior to LACMTA’s approval.   |
| Cause                              | The City did not submit the complete Expenditure Plan (Form-One) to LACMTA due to an oversight.   |
| Effect                             | The City did not comply with the Measure R Local Return Funds Guidelines.   |
| Recommendation                     | We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA’s retroactive approval for any new projects that are not reported on the original Form-One. |
| Management’s Response              | The City did not submit an amended Form-One with updated information on time, since the guideline was not clear regarding submissions after the August 1 deadline.  |
| Finding Corrected During the Audit | The City’s revised Form-One was submitted and retroactively approved by LACMTA on November 7, 2019. No 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)**

|                                    |  |
|------------------------------------|--|
| <b>Finding #2019-009</b>           | <b>City of Manhattan Beach</b>   |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B Administrative: Reporting Requirements – Expenditure Report (Form-Two), “The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R Local Return program compliance requirements. Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year). |
| Condition                          | The City did not meet the October 15, 2019 deadline for submission of Form Two. However, the City submitted the Form Two on October 18, 2019.  |
| Cause                              | This was an oversight by the City due to onsite ERP implementation training.   |
| Effect                             | The City was not in compliance with the Measure R Local Return Funds Guidelines.   |
| Recommendation                     | We recommend that the City strengthen internal control procedures to ensure that the Form-Two is properly prepared and submitted before the due date of October 15 to meet the Measure R Local Return Guidelines.  |
| Management’s Response              | The City was delayed in submitting the Form Two on or before the deadline due to onsite ERP implementation training. The City will endeavor to submit it on or before the deadline in the future.  |
| Finding Corrected During the Audit | The City’s Form-Two was submitted on October 18, 2019. No 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)**

|                                    |  |
|------------------------------------|--|
| <b>Finding #2019-010</b>           | <b>City of San Gabriel</b>   |
| Compliance Reference               | According to Measure R Local Return Guidelines Section B (II), "To maintain legal 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."   |
| Condition                          | The City did not meet the August 1, 2018 deadline for submission of Form One. However, the City submitted the Form One on August 22, 2018.   |
| Cause                              | The person responsible for the submission of the reports has since retired from the City. As a result, the City was not able to determine the reason for the late filing.  |
| Effect                             | The City's Form One was not submitted timely.  |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines. Furthermore, we recommend the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| Management's Response              | To ensure that all future filings will be submitted timely, the reporting responsibility has been reassigned and calendared.   |
| Finding Corrected During the Audit | The City subsequently submitted the Form One on August 22, 2018. No 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)**

|                                    |  |
|------------------------------------|--|
| <b>Finding #2019-011</b>           | <b>City of Signal Hill</b>   |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B, "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."   |
| Condition                          | The City did not meet the October 15, 2019 deadline for submission of the Expenditure Report (Form Two). However, the City submitted the Form Two on October 23, 2019.   |
| Cause                              | It was due to an oversight.  |
| Effect                             | The City's Form Two was not submitted timely. The City did not comply with Measure R Local Guidelines.   |
| Recommendation                     | We recommend the City strengthen internal control procedures to ensure that the Form Two is properly prepared and submitted before the due date of October 15th in accordance with Measure R Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner. |
| Management's Response              | This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form Two was submitted to LACMTA.   |
| Finding Corrected During the Audit | The City's Form Two was submitted and retroactively approved by LACMTA on October 23, 2019. No 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)**

|                                    |  |
|------------------------------------|--|
| <b>Finding #2019-012</b>           | <b>City of Temple City</b>   |
| Compliance Reference               | According to Measure R Local Return Guidelines Section B (II), "To maintain legal 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."   |
| Condition                          | The City did not meet the August 1, 2018 deadline for submission of Form One. However, the City submitted the Form One on August 7, 2018.<br><br>This is a repeat finding from the prior fiscal year.  |
| Cause                              | The preparation and submission of the form was assigned to a new employee who was not aware of the deadline.   |
| Effect                             | The City's Form One was not submitted timely as required by Measure R Local Return Guidelines.   |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guideline. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| Management's Response              | In FY 2019-20, the newly assigned employee has been made aware of the reporting deadline and has attended the necessary LACMTA training workshops.   |
| Finding Corrected During the Audit | The City subsequently submitted the Form One on August 7, 2018. No 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)**

|                          |  |
|--------------------------|--|
| <b>Finding #2019-013</b> | <b>City of Torrance</b>  |
| Compliance Reference     | According to Measure R Local Return Guidelines, Section B, II. 1, Expenditure Plan (Form One), states “Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year.” Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.”   |
| Condition                | During FY 2018-19, the City used Measure R Local Return funds for an eligible Project Code 3.05 - T-115 Downtown Torrance Pedestrian Improvement Project (Project) in the amount of \$681,615; however, the funds for the Project were expended prior to LACMTA’s approval as the Project was not reported on the Form-One.<br>On December 13, 2019, the City submitted the revised Form-One to obtain LACMTA’s retroactive approval and received subsequent approval on December 13, 2019.  |
| Cause                    | The City represented that the Project was not reported on the Form-One because the Project was not budgeted by the City prior to August 1, 2018. Subsequently, the City budgeted for the Project and incurred expenditures which were reported on the Form-Two.  |
| Effect                   | The City did not comply with the Measure R Local Return Guidelines.  |
| Recommendation           | We recommend that the City strengthen its internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure R LR Funds before incurring expenditures.<br><br>We also recommend that the City work closely with the City Council to obtain timely approval for all Measure R LR projects prior to the expenditures of funds, and the Form One is properly prepared and submitted to LACMTA before the due date of August 1.   |
| Management’s Response    | The Downtown Torrance Pedestrian Improvement, T-115 (“T-115 Project”) is an eligible Measure R-LR project conforming to the requirements in MR-LR Guidelines Section A Policy, Subsection II Measure R Uses and Conditions for Project Eligibility beginning on page 2.<br><br>On August 14, 2018, the Torrance City Council approved \$900,000 of FY2018-19 Measure R-LR funds for the T-115 Project. This approval occurred AFTER the August 1 annual deadline for submitting the Form R-One. Therefore, the City was correct and accurate not to include (budget) the T-115 Project on the Form R-One submitted by August 1, 2018, as the budget for use of these Measure R-LR funds was not yet approved by the City.<br><br>(Continued) |

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

|   |   |
|---|---|
| <p><b>Finding #2019-013<br/>(Continued)</b></p> | <p><b>City of Torrance</b></p>  |
| <p>Management's Response<br/>(Continued)</p>    | <p>MR-LR Guidelines Section B Administrative, Subsection II Reporting Requirements, Paragraphs 1 through 4 on pages 8 and 9 indicate repeatedly that the submittal of the Form R-One is only required ANNUALLY and by August 1 and Form R-Two is required ANNUALLY and by October 15. There is no requirement in the MR-LR Guidelines for a Jurisdiction to submit a "revised" Form R-One, nor a Form R-One, more frequently than annually.</p> <p>The MR-LR Guidelines are, in fact, explicitly clear in Measure R Local Return Guidelines Section B Administrative, Subsection II Reporting Requirements, Paragraph 4 that a Form R-One for a "New, amended, ongoing and carryover projects; Capital projects require additional information" is due ANNUALLY and on August 1.</p> <p>Additionally, MR-LR Guidelines Section B Administrative, Subsection II Reporting Requirements beginning on page 8 do not prohibit a Jurisdiction from obtaining approval by Metro AFTER incurring eligible expenditures. Furthermore, MR-LR Guidelines Section B Administrative, Subsection VII Audit Section, Paragraph A Financial and Compliance Provisions beginning on page 11 supports Metro's authority to approve eligible expenditures before or after they are incurred. The Auditor's role is to verify if Metro approves of the expenditure of funds. The City reported the T-177 Project expenditures on the FY2018-19 Expenditure Report submitted to Metro on October 15, 2019, as required by the MR-LR Guidelines. On October 17, 2019, Metro acknowledged by email the City's submittal of the FY2018-19 Expenditure Report and did not indicate any concerns or non-approval.</p> <p>In our opinion, the City fully complied with the requirements in the MR-LR Guidelines to maintain legal eligibility of the use of Measure R-LR funds, including accurate and timely reporting. The City spent the funds on an eligible T-115 Project. Metro approved of the eligible expenditures. Therefore, the City objects to this finding.</p> |
| <p>Finding Corrected During the Audit</p>       | <p>On December 13, 2019, the City received retroactive approval from LACMTA, Program Manager, to expend Measure R funds for project entitled 3.05 - T-115 Downtown Torrance Pedestrian Improvement Project. No follow-up is required.</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)**

|   |   |
|---|---|
| <p><b>Finding #2019-013<br/>(Continued)</b></p> | <p><b>City of Torrance</b></p>  |
| <p>Auditor’s Rejoinder</p>                      | <p>The City’s management responded to Finding #2019-013 by stating that the “T-115 Project” was an eligible project which conformed to the requirements set forth in the Measure R Local Return Guidelines, and that there are no requirements to submit a “revised” Form-One.</p> <p>However, Measure R Local Return Guidelines, B, II, 1, states “Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year.” The City was not in compliance with the requirement to submit a Form One which provides a listing of projects funded with Measure R LR funds with estimated expenditures for the fiscal year 2019, which is also the means by which the City obtains Metro’s approval of Measure R LR funded projects. Additionally, it is the jurisdiction’s responsibility to obtain its City Council’s approval of a project’s budget promptly and to properly prepare its Form One with a complete list of projects funded with Measure R LR funds to Metro. The City’s management also stated in their responses that the Measures R Local Return Guidelines require jurisdictions to submit a Form One annually. However, the Guidelines do not prohibit a City from submitting an amended Form One or a separate request to Metro to obtain project approval prior to expending the funds during the fiscal year. The intent of the Guidelines, B, II, 4, Form One DETERMINATION is for jurisdictions to obtain Metro’s approval of new, amended, ongoing, and carryover projects annually and prior to expending the funds.</p> <p>Additionally, the City’s management stated in their response that the Measure R Local Return Guidelines “do not prohibit a Jurisdiction from obtaining approval by Metro AFTER incurring eligible expenditures.” We disagree with the City’s statement on the basis that Section B, VII, A of the Measure R Local Return Guidelines clearly state that expenditures require “Verification that funds were expended <u>with</u> Metro’s approval” (Auditors have added the underscore for emphasis). In our opinion, the preposition “with” can only be interpreted as occurring temporally before or concomitantly with Metro’s approval, and that funds should not be expended <u>without</u> said approval. Because the City expended funds without Metro’s approval, we stand by our compliance finding and recommendation.</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)**

|                                    |   |
|------------------------------------|---|
| <b>Finding #2019-014</b>           | <b>City of Whittier</b>   |
| Compliance Reference               | According to Measure R Local Return Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."   |
| Condition                          | The City did not meet the October 15, 2019 deadline for submission of Expenditure Report Form Two to LACMTA. The City subsequently submitted the Form Two on October 30, 2019.  |
| Cause                              | The late submission of Form Two was caused by the transition of City staff. The employee responsible for the submission of the form has since left the City due to retirement.  |
| Effect                             | The City's Form Two was not submitted timely as required by Measure R Local Return Guidelines.  |
| Recommendation                     | We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the MRLRF will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| Management's Response              | In the future, the City management will ensure timely submission of Form Two.   |
| Finding Corrected During the Audit | The City subsequently submitted the Form Two on October 30, 2019. No follow-up is required.   |