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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO
PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO
PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds Consolidated Audit Report
Fiscal Year Ended June 30, 2019**

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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH THE REQUIREMENTS
APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

**To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Proposition A and Proposition C Oversight Committee**

Report on Compliance

We have audited the compliance of the thirty-nine (39) Cities identified in Schedule 1, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by LACMTA and the 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 the 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 the Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and the Requirements and performing such other procedures as we considered necessary in the circumstances.

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



Basis for Disclaimer of Opinion on City of South El Monte

As described in the accompanying Summary of Compliance Findings (Finding #2019-016), 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 the Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 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 the 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 #2019-019. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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. 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.

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 have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-004, #2019-010 and #2019-016, to be material weaknesses.

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

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

A handwritten signature in black ink that reads "Vaguez & Company LLP".

**Glendale, California
December 31, 2019**

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year ended June 30, 2019**

The audits of the 39 cities identified in Schedule 1 have resulted in 19 findings. The table below summarized those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRf	
Funds expended were approved and have not been substituted for property tax.	3	Baldwin Park (Finding #2019-002)	\$ 336,716	\$ 1,310,200	\$ 1,646,916
		Industry (Finding #2019-009)	-	2,110	2,110
		Rosemead (Finding #2019-014)	827	-	827
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	4	Baldwin Park (Finding #2019-003)	None	-	-
		Bell Gardens (Finding #2019-006)	None	-	-
		Rosemead (Finding #2019-015)	None	-	-
		Westlake Village (Finding #2019-019)	-	None	-
Annual Project Summary Report (Form B) was submitted timely.	2	Bell Gardens (Finding #2019-007)	None	None	None
		South Gate (Finding #2019-017)	None	None	None
Annual Expenditure Report (Form C) was submitted timely.	3	Malibu (Finding #2019-012)	None	None	None
		Pomona (Finding #2019-013)	None	None	None
		Vernon (Finding #2019-018)	None	None	None
Accounting procedures, record keeping and documentation are adequate.	3	Baldwin Park (Finding #2019-004)	262,649	429,908	-
		Industry (Finding #2019-010)	88,148	-	-
		South El Monte (Finding #2019 -016)	433,072	63,775	-
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	2	Azusa (Finding #2019-001)	None	None	None
		Baldwin Park (Finding #2019-005)	None	None	None
Recreational Transit Form was submitted timely.	2	Calabasas (Finding #2019-008)	None	None	None
		Lynwood (Finding #2019-011)	None	None	None
Total Findings and Questioned Costs	19		\$ 1,121,412	\$ 1,805,993	\$ 1,649,853

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019**

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	See Finding #2019-002
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	See Finding #2019-003
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	See Finding #2019-004
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	See Finding #2019-001	See Finding #2019-005
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Compliant	Compliant	Compliant

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	See Finding #2019-006	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	See Finding #2019-007	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Not Applicable	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Compliant	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Calabasas	Carson	Commerce
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	See Finding #2019-008	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Compton	Cudahy	Culver City
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Not Applicable	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Compliant	Compliant	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	El Monte	Gardena	Hawthorne
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Compliant	Not Applicable	Compliant

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	Huntington		
Proposition A and Proposition C Local Return Funds	Hidden Hills	Park	Industry
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	See Finding #2019-009
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Not Applicable	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	See Finding #2019-010
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Not Applicable	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Inglewood	Irwindale	La Puente
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Not Applicable	Not Applicable	Compliant

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	Lawndale	Lynwood	Malibu
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	See Finding #2019-012
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Not Applicable	See Finding #2019-011	Compliant

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested	Proposition A and Proposition C Local Return Funds	Maywood	Montebello	Monterey Park
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Not Applicable	Not Applicable	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested	Pico Rivera	Pomona	Rosemead
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	See Finding #2019-014
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	See Finding #2019-015
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	See Finding #2019-013	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Compliant	Compliant	Compliant

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested Proposition A and Proposition C Local Return Funds	San Fernando	Santa Fe Springs	Santa Monica
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Compliant	Compliant	Compliant

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

Compliance Area Tested Proposition A and Proposition C Local Return Funds	South El Monte*	South Gate	Vernon
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	See Finding #2019-016	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	See Finding #2019-016	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	See Finding #2019-016	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	See Finding #2019-016	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	See Finding #2019-017	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	See Finding #2019-018
Cash or cash equivalents are maintained.	See Finding #2019-016	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	See Finding #2019-016	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	See Finding #2019-016	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	See Finding #2019-016	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Not Applicable	Compliant	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
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Walnut	West Hollywood	Westlake Village
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	See Finding #2019-019
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted timely.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted timely.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted timely.	Compliant	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019**

Finding #2019-001: PALRF and PCLRF	City of Azusa
Compliance Reference	<p>Under Section II(C)(7) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway" projects.</p> <p>Self-certifications executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria.</p>
Condition	The City has not submitted a signed Pavement Management System (PMS) certification in FY 2018/19, which is required to be conducted and maintained every 3 years. The City's latest certification submitted to LACMTA in June 2016 had a May 2016 inventory update and review of pavement condition completion date which was already over 3 years as of June 30, 2019.
Cause	Due to circumstances beyond the City's control, the City was delayed in retaining a consultant to update the City's PMS prior to the audit report.
Effect	The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any local return funds spent may be required to be returned to the Local Return Funds.
Recommendation	The City should submit to LACMTA a signed certification that it has a PMS for eligibility of its new or ongoing street maintenance or bikeway projects and keep it on file.
Management's Response	The City will submit a signed Pavement Management System certification at a minimum every other year to comply with the reporting requirement.
Finding Corrected During the Audit	The City of Azusa submitted the new certification on November 18, 2019. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-002: PALRF and PCLR	City of Baldwin Park
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> a. PALRF Project code 140-01, Recreational Transit, totaling \$25,405; b. PALRF Project code 270-02, Commuter Express Trolley Program Planning, totaling \$72,618; c. PALRF Project code 480-02, Fund Administration, totaling \$238,693; d. PCLR Project code 190-01, CNG Station Improvements, totaling \$117,186; e. PCLR Project code 230-02, Park/Ride Lot – Utilities, totaling \$1,619; f. PCLR Project code 230-04, Landscaping Along Transit Corridors, totaling \$28,408; g. PCLR Project code 300-05, Transit Center/Pedestrian Bridge, totaling \$44,572; h. PCLR Project code 430-04, Frazier Improvements, totaling \$57,921; i. PCLR Project code 440-08, Street Name/Roadway Signs, totaling \$122,132; j. PCLR Project code 450-02, Corak Ave Storm Drain Project totaling \$52,476; and k. PCLR Project code 450-10, Various Street Improvement Projects, totaling \$885,886. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p>
Cause	This condition was caused by turnover in City staff responsible for completing the appropriate forms.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-002: PALRF and PCLRF (Continued)	City of Baldwin Park
Effect	Proposition A and Proposition C LR funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	Staff assigned in ensuring compliance with Proposition A and Proposition C Guidelines have been apprised of the rules governing the use of these funds. In addition, the Public Works Director will verify that all projects have been approved before expending any of these funds. The finance department staff had also implemented procedures to verify approval by LACMTA before issuing any checks for the projects.
Findings Resolved During the Audit	LACMTA Program Manager granted a retroactive approval of projects' budget on October 3 and 7, 2019. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-003: PALRF	City of Baldwin Park
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for PALRF's Project Code 120-02, Dial-A-Ride Services project. Amount in excess of 25% of the approved budget was \$114,479.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a revised Project Description Form (Form A).</p>
Cause	This condition was caused by turnover in City staff responsible for completing the appropriate forms.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City submit a revised Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.
Management's Response	Staff assigned in ensuring compliance with Proposition A and Proposition C Guidelines have been apprised of the rules governing the use of these funds. In addition, the Public Works Director will ensure that all projects will be reviewed and identified for any thresholds over 25%. A revised Form A will be submitted to LACMTA for any projects over the 25% threshold for approval.
Finding Corrected During the Audit	The City submitted a Form A to the LACMTA Program Manager and was granted a retroactive approval on the amended budget for this project on October 3, 2019. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

<p>Finding #2019-004: PALRF and PCLRF</p>	<p>City of Baldwin Park</p>
<p>Compliance Reference</p>	<p>Proposition A and Proposition C Local Return Guidelines Section II states that, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance”. Also, Section V states that, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines”.</p> <p>On 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
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-004: PALRF and PCLR (Continued)	City of Baldwin Park
Condition	<p>The City claimed salaries and benefits expenditures under the following projects:</p> <p><u>PALRF:</u></p> <ul style="list-style-type: none"> a) Project code 110-01, Fixed Route Shuttle Service, total amount of \$15,054; b) Project code 120-02, Dial-A-Ride Services, total amount of \$24,087; c) Project code 150-01, Bus Shelter Improvements, total amount of \$3,154; and d) Project code 480-02, Prop A Administration, total amount of \$220,354 <p><u>PCLR:</u></p> <ul style="list-style-type: none"> a) Project code 170-01, Landscaping at Metrolink, total amount of \$19,636; b) Project code 170-02, Bus Shelter Maintenance, total amount of \$142,031; c) Project code 230-04, Landscaping along Transit Corridors, total amount of \$8,790; d) Project code 430-03, Maine Ave Complete Street Projects, total amount of \$43,301; e) Project Code 440-08, Street Name/Roadway Signs, total amount of \$51,360; and f) Project Code 480-02 Prop C Administration, total amount of \$164,790 <p>The salaries and benefits claimed under PALRF and PCLR of \$262,649 and \$429,908, respectively, 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>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-004: PALRF and PCLRF (Continued)	City of Baldwin Park
Effect	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.
Recommendation	We recommend that the City provide documentation to support the salaries and benefits charges to PALRF and PCLRF prior to FY 2019/20 year end audit. If these documents are not provided, the City is required to reimburse its PALRF and PCLRF accounts the amount of \$262,649 and \$429,908, respectively. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.
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>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-005: PALRF and PCLRF	City of Baldwin Park
Compliance Reference	<p>Under Section II(C)(7) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway" projects.</p> <p>Self-certifications executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria.</p>
Condition	The City has not submitted a signed Pavement Management System (PMS) certification in FY 2018/19, which is required to be conducted and maintained every 3 years. The City's latest certification submitted to LACMTA in June 2016 had an August 2015 inventory update and review of pavement condition completion date which was over 3 years already.
Cause	Due to circumstances beyond the City's control, the City was delayed in retaining a consultant to update the City's PMS prior to the audit report.
Effect	The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any local return funds spent may be required to be returned to the Local Return Funds.
Recommendation	The City should submit to LACMTA a signed certification that it has a PMS for eligibility of its new or ongoing street maintenance or bikeway projects and keep it on file.
Management's Response	The City of Baldwin Park has budgeted \$30,000 in the fiscal year 2019-20 to update its Pavement Management System (PMS). The City has anticipated that the PMS will be fully updated by April 2020. The City will notify LACMTA once the PMS update has been completed.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

Finding #2019-006: PALRF	City of Bell Gardens
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for PALRF's Project Code 110-05, Fixed Route Transit project. Amount in excess of 25% of the approved budget was \$5,548.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p> <p>The City submitted a Form A to the LACMTA Program Manager and obtained a retroactive approval of the project on October 9, 2019.</p>
Cause	The City revised the direct cost reporting for the General Public transit project. In previous years, all direct cost was reported in General Public Transit project. This year, the City allocated 20% of the direct cost to Fixed Route Transit project since the direct cost applies to both Fixed Route Transit and General Public Transit. This causes the expenditure in the Fixed Route Transit to be 29 percent greater than the approved amount submitted to LACMTA.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City submit a revised Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-006: PALRF (Continued)	City of Bell Gardens
Management's Response	We agree on the finding and will establish procedures to ensure that any projects exceeding the 25 percent threshold are identified and an updated Project Description Form (Form A) is submitted to LACMTA for approval timely.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 9, 2019. No additional follow up is required.

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

Finding #2019-007: PALRF and PCLRF	City of Bell Gardens
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 st of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR projects. LACMTA will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (Form B) on August 13, 2018, 12 days after the due date of August 1, 2018.
Cause	The Annual Project Update (Form B) report 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 Annual Project Update (Form B) is submitted by August 1 st as required by the Guidelines.
Management's Response	In the future, the City will closely monitor the Local Return Fund project expenditures on a quarterly basis to help identify the projects that may require additional funding in the future and allow the City to submit project amendments/requests in a timely manner to LACMTA on or before June 30, end of the fiscal year.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 9, 2019. No additional follow up is required.

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

Finding #2019-008: PALRF and PCLRF	City of Calabasas
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on 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 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.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
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 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-009: PCLRF	City of Industry
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the PCLRF Project Code 110-01, Annual Bus Stop ADA Improvement, totaling \$2,110 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p>
Cause	Due to timing of change of administration, the approval for expenditures was not timely followed upon. Current management reached the same conclusion as drawn by the auditors that these were eligible for funding, but ran out of time getting approval, or otherwise risked losing the funding all together.
Effect	Proposition C LR funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management Response	We agreed with the recommendation.
Findings Resolved During the Audit	LACMTA Program Manager granted a retroactive approval of project's budget on November 20, 2019. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
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 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-010: PALRF	City of Industry
<p>Compliance Reference</p>	<p>Section V of Proposition A & C Local Return Guidelines states that, "It is the Jurisdictions responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..."</p> <p>Also, Section B of the Assurance and Understanding regarding receipt and use of Proposition A Local Return Funds states that, " For projects to be funded in part or in whole with Proposition A and/or Proposition C funds, recipient of local return funds should comply with all applicable federal, state, and local laws and regulations, including compliance with the procurement requirements".</p> <p>Further, Section 9 (D) of the City's procurement policy states that, "Formal bids will be published in a newspaper of general circulation in the City, posted in at least three public places in the City designated by ordinance for the posting of public notices, and posted on the City's website. The Procurement officer will also mail a copy to anyone who has requested to be notified. All notices must be published, posted or mailed at least 10 days before the date specified for the opening of bids. All formal bids must be sealed and will be publicly opened and read at the date, time, and place indicated in the published notice."</p>
<p>Condition</p>	<p>During the fiscal year 2019, the City made payments to a vendor, Industry Security Services, under PALRF project code 360-02, Commuter Rail Station Operation Project, totaling \$88,148. Payments were supported by copies of cancelled checks and approved invoices by authorized officials.</p> <p>During our review of the City's compliance with the procurement guidelines, we noted that the City was not able to provide documents to support its compliance with the procurement policies and procedures which includes requests for bids or proposals from vendors and bid evaluation documentation.</p>

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-010: PALRF (Continued)	City of Industry
Cause	The current contract with Industry Security Services was approved in 2007, during a time which the City's procurement policy was either informal, verbal or referred to municipal code. Then-City Council approved the contract during one of the council meetings. The contract is subject to cancellation upon 30-day written notice without cause or 48-hour written notice with cause. The current Procurement Policy was adopted in June 2013, and it governs the retainage of consultant selection for professional services and specialty services under its section 12 and 13. Certain contracts entered prior to the adoption of the current policy, such as this one, has not been made fully in compliance of the procedures.
Effect	For fiscal year 2019, the amount paid for security contract with Industry Security Services without following the City's procurement policy resulted in questioned costs of \$88,148.
Recommendation	We recommend for the City to fully reimburse its PALRF account the amount of \$88,148, including interest. We further recommend that the City establish controls to ensure that all contracts are reviewed periodically, and that proper documentation is maintained to support compliance with the procurement policies and procedures at all times.
Management Response	City's management is in the process of reviewing all agreements to bring them in compliance with the current procurement policies and procedures.

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(Continued)**

Finding #2019-011: PALRF and PCLRF	City of Lynwood
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on October 24, 2019, 9 days beyond the due date of October 15, 2019.
Cause	<p>The Recreation Transit Trips and Schedule of Trips were completed prior to the deadline. However, staff inadvertently missed the deadline to submit the Recreational Transit Form and Schedule of Trips by October 15, 2019 to LACMTA. This has not been an issue in the previous years. Staff was trying to focus on the reconciliation of the other submittals (Form C and Form II).</p> <p>The forms were submitted immediately the following week on October 24, 2019 before the audit commenced.</p>
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	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.

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

Finding #2019-012: PALRF and PCLRF	City of Malibu
Compliance Reference	Section I(C) of Proposition A and Proposition C Local Return Program Guideline states that, "On or before October 15th of each fiscal year, the Jurisdiction shall submit an Annual Expenditure Report (Form C) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Form C) on October 24, 2019, 9 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	The City's Annual Expenditure Report (Form C) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Annual Expenditure Report (Form C) 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.

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

Finding #2019-013: PALRF and PCLRF	City of Pomona
Compliance Reference	Section I(C) of Proposition A and Proposition C Local Return Program Guideline states that, "On or before October 15th of each fiscal year, the Jurisdiction shall submit an Annual Expenditure Report (Form C) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Form C) 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	The City's Annual Expenditure Report (Form C) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Annual Expenditure Report (Form C) 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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Finding #2019-014: PALRF	City of Rosemead
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that. " Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures for project code 270-14, Training, totaling \$827, with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.</p> <p>LACMTA Program Manager subsequently granted a retroactive approval of the said project on October 9, 2019.</p>
Cause	The City was not aware of such requirement to submit amended form A and/or Form B to MTA on or before June 30 th . Following past practices, the City reconciled Local Return Funds during the fiscal year-end closeout process to ensure all revenues and expenses were properly accrued, then the City reviewed and ensured that all allowable expenditures were recorded in the financials prior to the annual LACMTA audit.
Effect	Proposition A Local Return funds were expended towards project expenditures without prior approval from LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that budget approval is obtained through submission of the Project Description Form (Form A) to LACMTA prior to spending on any Local Return-funded projects.
Management's Response	In the future, the projects funded with local return funds will be monitored on a quarterly basis to ensure that Form B and/or Form A are timely submitted to LACMTA on or before June 30, end of the fiscal year.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 9, 2019. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-015: PALRF	City of Rosemead
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for PALRF's Project Code 140-05, Recreational Transit project. Amount in excess of 25% of the approved budget was \$2,555.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p> <p>The City submitted a Form A to the LACMTA Program Manager and obtained a retroactive approval of the project on October 9, 2019.</p>
Cause	The City was not aware of such requirement to submit amended form A and/or Form B to MTA on or before June 30 th . Following past practices, the City reconciled Local Return Funds during the fiscal year-end closeout process to ensure all revenues and expenses were properly accrued, then the City reviewed and ensured that all allowable expenditures were recorded in the financials prior to the annual LACMTA audit.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City submit a revised Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

Finding #2019-015: PALRF (Continued)	City of Rosemead
Management's Response	In the future, the City will closely monitor the Local Return Fund project expenditures on a quarterly basis to help identify the projects that may require additional funding in the future and allow the City to submit project amendments/requests in a timely manner to LACMTA on or before June 30, end of the fiscal year.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on October 9, 2019. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-016	City of South El Monte
Compliance Reference	Section V of the Proposition A and Proposition C 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 Proposition A and Proposition C 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>

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-016 (Continued)	City of South El Monte
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>
Management's Response	<p>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.</p>
Subsequent to the Audit Deadline	<p>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.</p>

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-017: PALRF and PCLRF	City of South Gate
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 st of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR projects. LACMTA will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (Form B) on August 9, 2018, 8 days after the due date of August 1, 2018.
Cause	The Annual Project Update (Form B) 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 Project Update (Form B) is submitted by August 1 st as required by the Guidelines.
Management's Response	City staff assigned to complete the Form B 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.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-018: PALRF and PCLRF	City of Vernon
Compliance Reference	Section I(C) of Proposition A and Proposition C Local Return Program Guideline states that, "On or before October 15th of each fiscal year, the Jurisdiction shall submit an Annual Expenditure Report (Form C) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Form C) on October 24, 2019, 9 days after the due date of October 15, 2019.
Cause	The City had staffing changes and tasks were reassigned, resulting in the late submission.
Effect	The City's Annual Expenditure Report (Form C) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form C) is submitted by October 15 as required by the Guidelines.
Management's Response	The City will ensure timely submission of Form C to LACMTA moving forward.
Finding Corrected During the Audit	The City subsequently submitted the form. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

Finding #2019-019: PCLRF	City of Westlake Village
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for PCLRF's Project Code 240-03, Senior Taxi Program project. Amount in excess of 25% of the approved budget was \$55,830.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p> <p>The City submitted a Form A to the LACMTA Program Manager and obtained a retroactive approval of the project on October 29, 2019.</p>
Cause	The City did not become aware of the need to amend the project budget, and thus, submitted an updated Project Description Form (Form A), until after the deadline for doing so had passed.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

Finding #2019-019: PCLRF (Continued)	City of Westlake Village
Management's Response	Management concurs with the finding and will establish procedures (e.g., a formal year-end review of budget-to-actual results specifically for Local Return programs) to ensure that an updated Project Description Form (Form A) is submitted as necessary by the appropriate deadline.
Findings Resolved During the Audit	LACMTA Program Manager granted a retroactive approval of the increase in the project's budget on October 29, 2019. No follow up is required.



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