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**FINANCE, BUDGET AND AUDIT COMMITTEE  
AUGUST 17, 2016**

**SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2015**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the **Consolidated Audit financial and compliance audit reports** completed by Vasquez and Company (Vasquez) and Simpson and Simpson, CPA's (Simpson & Simpson) for the Fiscal Year ending June 30, 2015.

**ISSUE**

As the Regional Transportation Planner for Los Angeles County, we are responsible for planning, programming and allocating transportation funding to Los Angeles County jurisdictions, transit operators and other transportation programs. We have the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Authority (FTA) guidelines.

The Consolidated Audit process includes financial and compliance audits of the following programs:

- Measure R Local Return Program;
- Proposition 1B funds;
- Transportation Development Act (TDA) Article 3 and Article 8 Programs;
- Proposition A and Proposition C Local Return Programs;
- Proposition A Discretionary Incentive Program;
- Regional Transit Systems Operating funds and Measure R Operating and Clean Fuel Bus funds for the cities of Commerce, Redondo Beach and Torrance;
- Metrolink Program;
- EZ Transit Pass Program;
- Immediate Needs Transportation Program (INTP);
- Riders Relief Transportation Program (RRTP); and
- Support for Homeless on Re-Entry Program (SHORE).

We allocate over \$400 million annually to these programs and distribute them to 88 cities in Los Angeles County, the County of Los Angeles and other agencies. Audits of these programs are needed to ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed Memorandums of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering these programs.

Vasquez and Simpson & Simpson performed the financial and compliance audits to assure management that recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration (FTA) guidelines. The audits were conducted in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Standards.

## **DISCUSSION**

### Local Return

Vasquez and Simpson & Simpson found that the Cities and County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2015. The audit results were presented to the Measure R Independent Taxpayer Oversight Committee (MRITOC) and the Independent Citizen's Advisory and Oversight Committee (ICAOC) on March 10, 2016 and January 12, 2016, respectively. Public Hearings for MRITOC and ICAOC were also conducted to receive public input on April 18 and 19, 2016, respectively.

The auditors found that the cities and Los Angeles County generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, they did find 17 instances of non-compliance representing a 53% reduction from the 32 findings noted in the previous year. Questioned costs totaling \$1.5 million represents approximately 1% of the total funds reviewed. All of the findings have been resolved. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

### Non-Local Return

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; seven findings for the TDA Article 3 program and seven for the EZ Transit Pass Program, all of which were resolved during the audit. Four compliance findings were also identified for the INTP (2), RRTP (1) and SHORE (1) programs which had no impact on the funds Metro distributes for these programs.

Due to the considerable size of the documents, we have attached the Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines by each of the firms (Attachment A and B). As a savings measure the remaining Consolidated Audit reports can be accessed online.

For the audit reports issued by Vasquez, please visit:

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[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0578/2%20Vasquez%20Final%20Reports/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0578/2%20Vasquez%20Final%20Reports/)

For the audit reports issued by Simpson & Simpson, please visit:

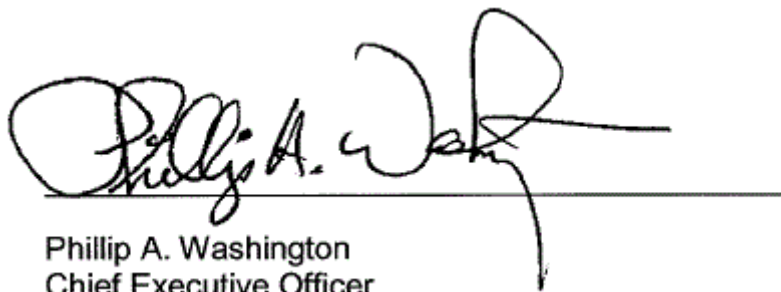
[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0578/1%20Simpson%20Final%20Reports/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0578/1%20Simpson%20Final%20Reports/)

## **ATTACHMENTS**

- A. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- B. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson & Simpson)

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