



Board Report

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**INDEPENDENT CITIZEN’S ADVISORY AND OVERSIGHT COMMITTEE
MARCH 2, 2022**

**SUBJECT: INDEPENDENT AUDITOR’S REPORTS ON PROPOSITION A AND PROPOSITION C
SPECIAL REVENUE FUNDS AND COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PROPOSITION A AND C ORDINANCE AND LOCAL RETURN
GUIDELINES**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor’s Report on:

- A. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds for the Fiscal Year ended June 30, 2021, completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2021, completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2021, completed by Simpson & Simpson, CPAs (Simpson).

ISSUE

In November of 1998, Los Angeles County voters passed the MTA Reform and Accountability Act of 1998. This Act requires the completion of an independent audit to determine compliance by LACMTA with the provisions of Propositions A and C since the effective dates of each ordinance through June 30, 1998, and then annual audits thereafter. The oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinances related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee in order for the Oversight Committee to determine whether the LACMTA and local subrecipients have complied with the Proposition A and Proposition C requirements. In addition, the Ordinance requires that Metro hold a public hearing to

obtain the public's input on the audit results.

DISCUSSION

The following summarizes the independent auditor's report on Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds:

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinances and the MTA Reform and Accountability Act of 1998. BCA conducted the audit in accordance with 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 BCA plan and perform the audit to obtain reasonable assurance about whether the Schedules of Proposition A and Proposition C Revenues and Expenditures (Schedules) are free of material misstatement.

The auditors found that the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinances and the MTA Reform and Accountability Act of 1998 for the fiscal year ended June 30, 2021.

The following summarizes the independent auditor's reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez & Company, LLP (Vasquez) and Simpson & Simpson, CPAs (Simpson), to conduct the audits of Proposition A and Proposition C sales tax revenues used by the County of Los Angeles (County) as well as the 88 cities (Cities). The firms conducted the audits of compliance in accordance with 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 the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the Ordinances and the Proposition A and Proposition C Local Return Guidelines could have a direct and material effect on the Proposition A and Proposition C Local Return programs occurred.

Vasquez concluded that the County and the Cities complied in all material respects, with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2021. Vasquez found eight (8) instances of noncompliance, which are summarized in Schedule 2 of Attachment B.

In all material respects, Simpson concluded that the Cities complied with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines that are applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2021.

Simpson found twenty-one (21) instances of noncompliance, which are summarized in Schedule 2 of Attachment C.

NEXT STEPS

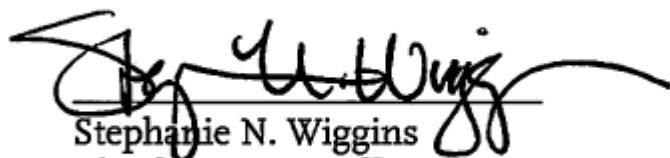
As required by the Ordinance, a public hearing will be scheduled to obtain the public's input on the audit results.

ATTACHMENT(S)

- A. Independent Auditor's Report on Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds for the Fiscal Year Ended June 30, 2021 (BCA)
- B. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Vasquez)
- C. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Simpson and Simpson)

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Stephanie N. Wiggins
Chief Executive Officer

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Proposition A and Proposition C
Special Revenue Funds**

**For the Fiscal Year Ended June 30, 2021
(With Comparative Totals For 2020)**



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Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C
Special Revenue Funds

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Independent Auditor's Report

Independent Citizens' Advisory and Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Schedules of Proposition A and Proposition C Revenues and Expenditures

We have audited the accompanying Schedules of Proposition A ("Ordinance No. 16") and Proposition C ("Ordinance No. 49") Revenues and Expenditures (the Schedules) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2021, and the related notes to the Schedules, which collectively comprise LACMTA's basic Schedules as listed in the table of contents.

Management's Responsibility for the Schedules of Proposition A and Proposition C Revenues and Expenditures

LACMTA's management is responsible for the preparation and fair presentation of these Schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Schedules based on our audit. We conducted our audit in accordance with 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 audit to obtain reasonable assurance about whether the Schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the Schedules. Such information, although not a part of the basic Schedules, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic Schedules in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Schedules, and other knowledge we obtained during our audit of the basic Schedules. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 3 to the Schedules, the accompanying Schedules of the Proposition A and Proposition C Special Revenue Funds are intended to present the revenues and expenditures attributable to the Special Revenue Funds. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2021, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior-Year Comparative Information

We have previously audited the Schedules of Proposition A and Proposition C Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 16, 2020. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, CA
November 8, 2021

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for 2020)
(Amounts expressed in thousands)

	<u>2021</u>	<u>2020</u>
Revenues		
Sales tax	\$ 911,302	\$ 824,569
Investment income	849	811
Net appreciation in fair value of investments	951	599
	<hr/>	<hr/>
Total revenues	913,102	825,979
	<hr/>	<hr/>
Expenditures		
Transportation subsidies	349,623	322,705
	<hr/>	<hr/>
Total expenditures	349,623	322,705
	<hr/>	<hr/>
Excess of revenues over expenditures	563,479	503,274
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	635	
Transfers out	(229,343)	(501,752)
	<hr/>	<hr/>
Total other financing sources (uses)	(228,708)	(501,752)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 334,771</u>	<u>\$ 1,522</u>

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for 2020)
(Amounts expressed in thousands)

	<u>2021</u>	<u>2020</u>
Revenues		
Sales tax	\$ 911,310	\$ 824,567
Intergovernmental	20,535	52,019
Investment income	1,965	3,229
Net appreciation (decline) in fair value of investments	(1,067)	1,936
	<u>932,743</u>	<u>881,751</u>
Total revenues		
Expenditures		
Administration and other	38,583	97,983
Transportation subsidies	451,398	475,872
	<u>489,981</u>	<u>573,855</u>
Total expenditures		
Excess of revenues over expenditures	<u>442,762</u>	<u>307,896</u>
Other financing sources (uses)		
Transfers in	69,065	40,451
Transfers out	(277,200)	(390,860)
	<u>(208,135)</u>	<u>(350,409)</u>
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u><u>\$ 234,627</u></u>	<u><u>\$ (42,513)</u></u>

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2021

The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures.

Unless otherwise stated, all dollar amounts are expressed in thousands.

1. Organization

General

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a Board of Directors composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest and most populous counties. More than 10 million people, nearly one-third of California's residents - live, work, and play within its 1,433-square-mile service area. LACMTA employs approximately 10,000 people full-time and part-time in a broad range of technical specialties and services.

Proposition A

The Proposition A Fund is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on August 20, 1980. Revenues collected are required to be allocated in the following manner: 25% to local jurisdictions for local transit; 35% for transit-related construction projects, debt service payments and operation of rail rapid transit systems; and 40% for public transit purposes at the discretion of LACMTA.

Proposition C

The official name of this special revenue fund is the "Los Angeles Anti-Gridlock Transit Improvement Fund". This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on August 8, 1990. Revenues collected are required to be allocated in the following manner: 5% to improve and expand rail and bus security; 10% for Commuter Rail and construction of Transit Centers, Park-and-Ride lots and Freeway Bus Stops; 20% to local jurisdictions for public transit and related services; 25% for essential County-wide transit related improvements to freeways and state highways; and 40% to improve and expand rail and bus transit County-wide.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2021

2. Summary of Significant Accounting Policies

The Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Governmental Funds are used to account for most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses governmental fund type Special Revenue Funds to account for Proposition A and Proposition C sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues (primarily from sales tax) are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

Budgetary Accounting

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations. By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedules.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2021

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Appreciation (Decline) in Fair Value of Investments

Investment income and the net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2021, Proposition A and Proposition C Special Revenue Funds had investment income of \$849 and \$1,965, respectively, and a net appreciation in fair value of investments of \$951 for Proposition A and a net decline in fair value of investments of \$1,067 for Proposition C. The net appreciation/decline in fair value of investments were mainly due to an increase/decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

The preparation of the Schedules in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

The amounts shown for 2020 in the accompanying Schedules are included only to provide a basis for comparison with 2021 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds

The Schedules are intended to reflect the revenues and expenditures of Proposition A and Proposition C funds only. Accordingly, the Schedules do not purport to, and do not, present fairly the financial position of the LACMTA and changes in financial position thereof for the years then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

4. Intergovernmental Transactions

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Proposition A and Proposition C Special Revenue Funds have been made in accordance with all expenditure requirements of both Proposition A and Proposition C Ordinances.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2021

6. Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Proposition A Fund at June 30, 2021 had an excess of revenues and other financing sources over expenditures and other financing uses of \$334,771, mainly due to higher than budgeted sales tax revenue in 2021 and operating transfers out being lower than projected. The \$334,771 positive change in fund balance during the current year resulted in an increase in the Proposition A Fund balance from \$139,813 to \$474,584 as of June 30, 2021.

The Proposition C Fund at June 30, 2021 had an excess of revenues and other financing sources over expenditures and other financing sources and uses of \$234,627 mainly due to higher than budgeted sales tax revenue in 2021 and transfers out for transportation subsidies being lower than projected. The \$234,627 increase in fund balance during the current year resulted in an increase in the Proposition C Fund balance from \$237,396 to \$472,023 as of June 30, 2021.

7. Audited Financial Statements

The audited financial statements for Proposition A and Proposition C Special Revenue Funds for the fiscal year ended June 30, 2021 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

8. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

9. COVID-19 Impact and Considerations

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. LACMTA expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

10. Subsequent Events

In preparing the Schedules of Proposition A and Proposition C Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 8, 2021, the date the schedules were issued. No subsequent events occurred that require recognition or additional disclosure in the schedules.

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 778,100	\$ 778,100	\$ 911,302	\$ 133,202
Investment income	-	-	849	849
Net appreciation in fair value of investments	-	-	951	951
Total revenues	778,100	778,100	913,102	135,002
Expenditures				
Transportation subsidies	314,597	314,597	349,623	(35,026)
Total expenditures	314,597	314,597	349,623	(35,026)
Excess of revenues over expenditures	463,503	463,503	563,479	99,976
Other financing sources (uses)				
Transfers in	-	-	635	635
Transfers out	(324,638)	(324,638)	(229,343)	95,295
Total other financing sources (uses)	(324,638)	(324,638)	(228,708)	95,930
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 138,865	\$ 138,865	\$ 334,771	\$ 195,906

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 778,100	\$ 778,100	\$ 911,310	\$ 133,210
Intergovernmental	17,620	17,620	20,535	2,915
Investment income	-	-	1,965	1,965
Net decline in fair value of investments	-	-	(1,067)	(1,067)
Total revenues	795,720	795,720	932,743	137,023
Expenditures				
Administration and other	65,020	66,933	38,583	28,350
Transportation subsidies	482,322	481,638	451,398	30,240
Total expenditures	547,342	548,571	489,981	58,590
Excess of revenues over expenditures	248,378	247,149	442,762	195,613
Other financing sources (uses)				
Transfers in	141,564	141,564	69,065	(72,499)
Transfers out	(409,261)	(409,261)	(277,200)	132,061
Total other financing sources (uses)	(267,697)	(267,697)	(208,135)	59,562
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (19,319)	\$ (20,548)	\$ 234,627	\$ 255,175

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Citizens' Advisory and Oversight Committee
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Revenues and Expenditures (the Schedules) for Proposition A and Proposition C Special Revenue Funds of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2021, and the related notes to the Schedules, which collectively comprised LACMTA's basic Schedules, and have issued our report thereon dated November 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LACMTA's Schedules will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the amounts on the Schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 8, 2021

**Independent Auditor's Report on Compliance with Requirements
Applicable to Proposition A and Proposition C Revenues and Expenditures in
Accordance with the MTA Reform and Accountability Act of 1998,
Ordinance No. 16 and Ordinance No. 49**

Independent Citizens' Advisory and Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Proposition A and Proposition C revenues and expenditures with the compliance requirements described in the *MTA Reform and Accountability Act of 1998* (the Act), *Ordinance No. 16 (Proposition A)* and *Ordinance No. 49 (Proposition C)* for the fiscal year ended June 30, 2021.

Management's Responsibility

LACMTA's management is responsible for compliance with the requirements of laws and regulations applicable to the Proposition A and Proposition C revenues and expenditures.

Auditor's Responsibility

Our responsibility is to express an opinion on LACMTA's compliance with Proposition A and Proposition C revenues and expenditures based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on Proposition A and Proposition C revenues and expenditures occurred. An audit includes examining, on a test basis, evidence about the LACMTA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the Proposition A and Proposition C revenues and expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Proposition A and Proposition C Revenues and Expenditures

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C revenues and expenditures for the fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the LACMTA's internal control over compliance with the requirements that could have a direct and material effect on the Proposition A and Proposition C revenues and expenditures as a basis for designing 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 *MTA Reform and Accountability Act of 1998, Ordinance No. 16 (Proposition A)* and *Ordinance No. 49 (Proposition C)*, 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 the LACMTA'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 with a compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 a compliance requirement of the Proposition A and Proposition C revenues and expenditures 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Torrance, California
November 8, 2021

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2021

None noted.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Status of Prior Year Audit Findings

None noted.



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**INDEPENDENT AUDITOR'S REPORT
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, 2021

**INDEPENDENT AUDITOR'S REPORT
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, 2021

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH 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 Independent Citizen's Advisory and Oversight
Committee**

Report on Compliance

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express opinions on the County and each City's 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 the County and 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 opinions on compliance. However, our audits do not provide a legal determination of the County and each City's compliance with the Guidelines and the Requirements.

Opinion

In our opinion, the County and 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-008. Our opinion is not modified with respect to these matters.

The County and 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 County and 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 the County and 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 the County and 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 the County and 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 with the requirements, 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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2021-005, that we consider to be a significant deficiency.

The County and 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 County and 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 "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
December 30, 2021**

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNSDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

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

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

SUMMARY OF AUDIT RESULTS

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

The audits of the County of Los Angeles and the 39 cities have resulted in 8 findings. The table below summarized those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	1	Montebello (See Finding #2021-005)	\$ 1,767	\$ 74,980	\$ 76,747
Timely use of funds.	align="center">2	Lawndale (See Finding #2021-004)	-	174,817	174,817
		Montebello (See Finding #2021-006)	615,004	-	615,004
Administrative expenses are within the 20% cap.	1	Calabasas (See Finding #2021-002)	37,984	124,898	162,882
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	align="center">3	Agoura Hills (See Finding #2021-001)	None	None	None
		Calabasas (See Finding #2021-003)	None	None	None
		County of Los Angeles (See Finding #2021-008)	None	-	None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	Montebello (See Finding #2021-007)	-	None	None
Total Findings and Questioned Costs	8		\$ 654,755	\$ 374,695	\$ 1,029,450

Details of the findings are in Schedule 2.

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

Finding #2021-001: PALRF and PCLRF	City of Agoura Hills
Compliance Reference	Section I(C) Project Description Form (Form A) 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 Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the following projects:</p> <ul style="list-style-type: none"> a. PALRF's Project Code 107, Dial-A-Ride. Amount in excess of 25 percent of the approved budget was \$6,804; and b. PCLRF's Project Code 303, Traffic Signal Sync Maintenance project. Amount in excess of 25 percent of the approved budget was \$8,750. <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request.</p> <p>The City submitted the Budget Requests through Local Return Management System (LRMS) and obtained a retroactive approval of the project from Metro Program Manager.</p>
Cause	Revision to the budget for Dial-A-Ride as a result of unanticipated increase ridership in connection with the unknown fluctuations associated with the pandemic. Revision to the Traffic Signal Sync Maintenance project was the result of additional required work performed.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.

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

Finding #2021-001: PALRF and PCLRF (Continued)	City of Agoura Hills
Recommendation	We recommend that the City submit revised Form A or submit Budget Requests to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City concurs with the finding and will establish procedures to ensure that any projects exceeding the 25 percent threshold are identified and updated Project Description Form (Form A) or Budget Request is submitted to Metro for approval prior to the expenditure of funds.
Findings Resolved During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 10, 2021 and December 13, 2021. 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, 2021
(Continued)**

Finding #2021-002: PALRF and PCLRF	City of Calabasas
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section II(A)(15) states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on the year-end expenditures, and will be subject to an audit finding if the amount exceeds 20 percent".
Condition	The City's administration expenditures exceeded more than 20 percent of its PALRF and PCLRF total annual local return expenditures by \$37,984 and \$124,898, respectively.
Cause	The City is aware of the 20% limit of actual expenditures on Direct Administration. However, budgeted project expenditures were lower than expected, which reduced the threshold for allowable administrative costs.
Effect	Administrative expenses exceeded over 20% of the total annual local return expenditures. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.
Management's Response	During the year, the City did not lay off any transit staff. With that being said and observing that this past year was an unusual year while services were not fully operating due to the pandemic, we requested and received a reprieve on the 20% cap requirement from Metro.
Finding Corrected During the Audit	On November 8, 2021, Metro Transportation Planning Manager waived the direct administration cap of 20% requirement for the City of Calabasas for FY 2020/21. No follow up is required.

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

Finding #2021-003: PALRF and PCLRF	City of Calabasas
Compliance Reference	Section I(C) Project Description Form (Form A) 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 Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or SmartSheets for the following projects:</p> <ul style="list-style-type: none"> a. PALRF's Project Code 130, Dial-A-Ride project. Amount in excess of 25 percent of the approved budget was \$26,635; b. PCLRF's Project Code 130, Dial-A-Ride project. Amount in excess of 25 percent of the approved budget was \$21,030; and c. PCLRF's Project Code 620, Direct Administration. Amount in excess of 25 percent of the approved budget was \$116,842; and <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or via SmartSheets.</p> <p>The City submitted revised budgets via SmartSheets and obtained a retroactive approval of the project on November 19, 2021.</p>
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the project budget approved by Metro prior to approval of the revised budget from Metro, which resulted in the City's noncompliance with the Guidelines.

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

Finding #2021-003: PALRF and PCLRF (Continued)	City of Calabasas
Recommendation	We recommend that the City submit revised budgets via SmartSheets to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City submitted revised budgets via SmartSheets and obtained an approval for the increase in the project budgets from Metro Program Manager.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of said project on November 19, 2021. 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, 2021
(Continued)**

Finding #2021-004: PCLRF	City of Lawndale
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition C funds amounting to \$174,817 which lapsed as of June 30, 2021.
Cause	The City was unaware that there were lapsing allocations in the Proposition C Local Return Fund.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition C funds are used timely.
Management's Response	The City agrees with the auditor's findings and recommended actions to establish procedures and internal controls to ensure that Proposition C funds are used timely. The City will develop internal controls to monitor when funds are received, so that an aging schedules can be put in place to monitor when revenues will lapse.
Findings Resolved During the Audit	On December 15, 2021, Metro Transportation Planning Manager granted a one-time, one-year extension for the use of the lapsed funds.

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

Finding #2021-005: PALRF and PCLRF	City of Montebello
Compliance Reference	Section I(C) Project Description Form (Form A) 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 prior to approval by Metro.</p> <ul style="list-style-type: none"> a. PALRF Project Code 610, Administrative Overhead, totaling \$300; b. PALRF Project Code 610, Finance Overhead, totaling \$1,467; c. PCLRF Project Code 175, Inspect/Repair Transformer - Metrolink, totaling \$3,383; d. PCLRF Project Code 205, Bus Stop Pads Improvement Project (Citywide), totaling \$2,389; e. PCLRF Project Code 620, Administrative Overhead, totaling \$18,400; f. PCLRF Project Code 620, Finance Overhead, totaling \$1,784; g. PCLRF Project Code 490, Sales Tax Revenue Bonds, totaling \$1,500; and h. PCLRF Project Code 715, Paving the Way - Prop C, totaling \$47,524. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior year's audit of PCLRF.</p>
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.

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

Finding #2021-005: PALRF and PCLRF (continued)	City of Montebello
Effect	The City claimed expenditures totaling \$1,767 of Proposition A and \$74,980 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021.
Findings Resolved During the Audit	Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. 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, 2021
(Continued)**

Finding #2021-006: PALRF	City of Montebello
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A funds amounting to \$615,004 which lapsed as of June 30, 2021.
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A funds are used timely.
Management's Response	The City submitted a request to Metro Transportation Planning Manager to extend the use of the funds.
Finding Corrected During the Audit	On September 27, 2021, Metro Transportation Planning Manager granted a one-time, one-year extension for the use of the lapsed funds.

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

Finding #2021-007: PCLRF	City of Montebello
Compliance Reference	<p>Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "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> <p>"A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840."</p>
Condition	<p>The City did not submit a signed Pavement Management System (PMS) certification in FY 2020/21, which is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on April 13, 2017 has a December 13, 2016 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2021.</p> <p>A PMS Certification is required for the following PCLRF projects:</p> <ul style="list-style-type: none"> a) Project Code 705, Beverly Blvd Street Improvements (21st to Howard); and b) Project Code 705, Montebello Blvd ATP (Lincoln to Paramount).
Cause	<p>There was a turnover in permanent staff and a turnover on the consultants.</p>
Effect	<p>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 on the projects maybe required to be returned to the Local Return Funds.</p>

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

Finding #2021-007: PCLRF (Continued)	City of Montebello
Recommendation	We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility of its new or ongoing street maintenance or bikeway projects.
Management's Response	The City is currently in the process of preparing a new PMS certification to be submitted in FY 2022. The City also requested from Metro Program Manager to extend the City's submittal date.
Finding Corrected During the Audit	On November 9, 2021, Metro Transportation Planning Manager granted an extension for the submittal of the PMS certification by January 3, 2022 as requested.

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

Finding #2021-008: PALRF	County of Los Angeles
Compliance Reference	Section I(C) Project Description Form (Form A) 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 County exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through Form A for PALRF's Project Code 105, Florence-Firestone/Walnut Park Youth project. Amount in excess of 25 percent of the approved budget was \$54,947.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p> <p>The County submitted a Form A to the Metro Program Manager and obtained a retroactive approval of the project on October 12, 2021.</p>
Cause	This condition was caused by staff oversight.
Effect	The County's PALRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval, which resulted in the County's noncompliance with the Guidelines.
Recommendation	We recommend that the County submit a revised budget request in the LRMS to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The County submitted budget request to the Metro Program Manager and obtained a retroactive approval of the said project on October 12, 2021.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on October 12, 2021. No additional follow up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management’s Responsibility

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

Auditor’s Responsibility

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

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



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Opinion

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-021. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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



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

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

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

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

Los Angeles, California
December 30, 2021

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

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

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

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

SUMMARY OF AUDIT RESULTS

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

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 21 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	4	Artesia (#2021-003) Diamond Bar (#2021-007) Downey (#2021-010) Long Beach (#2021-016)	- - - -	\$ 319,027 58,308 31,027 493,322	\$ 319,027 58,308 31,027 493,322
Timely use of funds.	2	Artesia (#2021-002) Palos Verdes Estates (#2021-018)	\$ 15,503	-	15,503
			-	119,441	119,441
Administrative expenses are within the 20% cap.	1	Diamond Bar (#2021-006)	78,759	-	78,759
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	6	La Mirada (#2021-012)	None	-	None
		Lakewood (#2021-014)	None	-	None
		Long Beach (#2021-015)	None	-	None
		Palos Verdes Estates (#2021-017)	None	-	None
		Rolling Hills Estates (#2021-019)	None	-	None
		Torrance (#2021-021)	None	-	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	1	Claremont (#2021-005)	None	None	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	1	Bradbury (#2021-004)	None	None	None

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

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

Details of the findings are in Schedule 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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(Continued)**

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

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Fiscal Year Ended June 30, 2021
(Continued)**

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

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 (Continued)**

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

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(Continued)

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

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(Continued)

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

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(Continued)**

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

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(Continued)**

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

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(Continued)**

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

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(Continued)

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

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(Continued)

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

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PALRF Finding #2021-017	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 105, PV Transit/DAR prior to approval from Metro. The amount that exceeded the approved budget by more than 25 percent was \$1,299. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 105 and received subsequent approval on November 19, 2021.
Cause	It was due to staff turnover and oversight by the City's program department.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should update in the Local Return Management System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditure of funds.
Management's Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget.
Corrected During the Audit	The City requested and obtained a budget increase from Metro on November 19, 2021. No follow-up is required.

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 (Continued)**

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

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(Continued)**

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

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 (Continued)**

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

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(Continued)**

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

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