

**Board Report**

File #: 2024-0433, **File Type:** Informational Report**Agenda Number:** 22.

**FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 18, 2024****SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEARS 2022 AND 2023****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the fiscal years ended June 30, 2022 (FY22), and June 30, 2023 (FY23).

ISSUE

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

The consolidated audit process includes financial and compliance audits of the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure R Local Return
 - Measure M Local Return
 - Transportation Development Act (TDA) Article 3, Article 4 and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Prop A Discretionary Incentive Grant
 - Antelope Valley Transit Authority
 - Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, Torrance

- Transit System Funds
- Measure M 20%
- Measure R 20%
- Proposition A Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena
- Low-Income Fare is Easy (LIFE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT.

BACKGROUND

Metro allocates over \$1.2 billion annually to the stated programs and distribution to the County of Los Angeles (County), the 88 cities in Los Angeles County (Cities), and other agencies. Annual audits of the programs ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed Memorandums of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering the programs.

Management Audit Services (MAS) contracted with the certified public accountant firms of Vasquez and Simpson to perform the financial and compliance audits and provide reasonable assurance to management whether recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The audits were conducted in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the program guidelines.

DISCUSSION

The Board is receiving the results of the FY22 and FY23 audits simultaneously as the Measure R Independent Taxpayers Oversight Committee (MRITOC) did not receive the results of the FY22 audit until calendar year 2024. This was due to ongoing efforts to reestablish the MRITOC composition to meet Brown Act requirements for quorum. Both the Measure M Independent Taxpayer Oversight Committee (MMITOC) and the Independent Citizens Advisory and Oversight Committee (ICAOC) reviewed the FY22 audits in a timely manner during their March 2023 Meetings.

The auditors concluded that the County, Cities, transit operators, and other agencies complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for FY22 and FY23.

The consolidated audit process includes financial and compliance audits of Local Return programs. Following is a summary of consolidated audit results:

FY22 Results

Proposition A and C

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the Ordinances and Guidelines requirements applicable to the Proposition A and Proposition C Local Return programs for FY22.

The auditors found 48 instances of non-compliance, consisting of 28 findings not resulting in questioned costs. Twenty (20) findings with questioned costs totaling \$1.6 million for Proposition A and \$1.6 million for Proposition C represent less than 1% of each total fund reviewed. There were 13 repeat findings from the prior fiscal year's audit.

As required by the Los Angeles County Metropolitan Transportation Authority (LACMTA) Reform and Accountability Act of 1998, the Proposition A and Proposition C Local Return audit results were presented to the ICAOC on March 13, 2023. A Public Hearing was also conducted to receive public input on May 16, 2023.

The Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines for FY22 are included as Attachment A-B.

Measure R

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure R Local Return program for FY22.

The auditors found 18 instances of non-compliance for Measure R, consisting of 11 findings not resulting in questioned costs. Seven (7) findings with questioned costs totaling \$1.3 million for Measure R represent approximately less than 1% of the total amount reviewed. There were five (5) repeat findings from the prior fiscal year's audit.

As required by the Ordinance, the Measure R Local Return audit results were presented to the MRITOC on March 7, 2024. A Public Hearing for MRITOC was also conducted to receive public input on June 5, 2024. The Ordinance also requires that the MRITOC prepare an annual report to the Metro Board of Directors presenting the results of the annual audit process and any findings made (Attachment E).

Measure M

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure M Local Return program for FY22.

The auditors found 18 instances of non-compliance for Measure M, consisting of 11 findings not resulting in questioned costs. Seven (7) findings with questioned costs totaling \$1.8 million for

Measure M represent 1% of the total amount reviewed. There were four (4) repeat findings from the prior fiscal year's audit.

As required by the Ordinance, the Measure M Local Return audit results were presented to the MMITOC on March 1, 2023. A Public Hearing was also conducted to receive public input on June 7, 2023. The Ordinance also requires that the MMITOC prepare an annual report to the Metro Board of Directors presenting the results of the annual audit process and any findings made (Attachment F).

Non-Local Return

The consolidated audit process includes financial and compliance audits of Non-Local Return programs. Following is a summary of consolidated audit results:

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; sixteen (16) findings for the TDA Article 3 program, five (5) findings for the LIFE program, and one (1) finding for the EZ Pass program. There were four (4) repeat findings for the TDA program from the prior fiscal year's audit.

FY23 Results

Proposition A and C

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the Ordinances and Guidelines requirements applicable to the Proposition A and Proposition C Local Return programs for FY23.

The auditors found 43 instances of non-compliance for Proposition A and C, consisting of 26 findings not resulting in questioned costs. Seventeen (17) findings with questioned costs totaling \$2.1 million for Proposition A and \$1.2 million for Proposition C represent less than 1% of each total fund reviewed. There were 18 repeat findings from the prior fiscal year's audit.

As required by the Los Angeles County Metropolitan Transportation Authority (LACMTA) Reform and Accountability Act of 1998, the Proposition A and Proposition C Local Return audit results were presented to the Independent Citizens' Advisory and Oversight Committee (ICAOC) on March 6, 2024. A Public Hearing was also conducted to receive public input on June 5, 2024.

The Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines for FY22 are included as Attachment C-D.

Measure R

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure R Local Return program for FY23.

The auditors found 14 instances of non-compliance for Measure R, consisting of 10 findings not resulting in questioned costs. Four (4) findings with questioned costs totaling \$442 thousand for Measure R represent less than 1% of the total amount reviewed. There were four (4) repeat findings from the prior fiscal year's audit.

As required by the Ordinance, the Measure R Local Return audit results were presented to the MRITOC on March 7, 2024. A Public Hearing for MRITOC was also conducted to receive public input on June 5, 2024. The Ordinance also requires that the MRITOC prepare an annual report to the Metro Board of Directors presenting the results of the annual audit process and any findings made (Attachment E).

Measure M

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure M Local Return program for FY23.

The auditors found 11 instances of non-compliance for Measure M, consisting of 9 findings not resulting in questioned costs. Two (2) findings with questioned costs totaling \$17 thousand for Measure M represent less than 1% of the total amount reviewed. There were four (4) repeat findings from the prior fiscal year's audit.

As required by the Ordinance, the Measure M Local Return audit results were presented to the Measure M Independent Taxpayer Oversight Committee (MMITOC) on March 6, 2024. A Public Hearing was also conducted to receive public input on June 5, 2024. The Ordinance also requires that the MMITOC prepare an annual report to the Metro Board of Directors presenting the results of the annual audit process and any findings made (Attachment G).

Non-Local Return

The consolidated audit process includes financial and compliance audits of Non-Local Return programs. Following is a summary of consolidated audit results:

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects, except for the City of Huntington Park. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; nine (9) findings for the TDA Article 3 program, one (1) finding for the TDA Article 8 program, and two (2) findings for the LIFE program. There were two repeat findings for the TDA program from the prior fiscal year's audit.

Although all findings containing questioned costs have been resolved, Metro Program Managers are working with the fund recipients to resolve all the findings. In addition, the ICAOC requested a report back for the City of Huntington Park. Local Programming staff and City representatives provided a status update on completion of the City's annual financial reports at the Public Hearing held in June 2024. The independent auditors will validate the resolution of all findings within next year's annual

Consolidated Audit Financial and Compliance Report process.

Due to the considerable size of the documents, additional Consolidated Audit reports are accessible online.

The comprehensive financial and compliance audit reports issued by Vasquez are accessible online at:

FY22 - https://libraryarchives.metro.net/DB_Attachments/Vasquez%20FY22/

FY23 - https://libraryarchives.metro.net/DB_Attachments/Vasquez%20FY23/

The comprehensive financial and compliance audit reports issued by Simpson are accessible online at:

FY22 - https://libraryarchives.metro.net/DB_Attachments/Simpson%20FY22/

FY23 - https://libraryarchives.metro.net/DB_Attachments/Simpson%20FY23/

FINANCIAL IMPACT

This is an informational report and does not have a direct financial impact on Metro as the auditors concluded that the County, Cities, transit operators and other agencies complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for FY22 and FY23; and Metro program managers are working with the respective funds recipients to resolve the stated findings.

Impact to Budget

This is an informational report and does not impact the FY 2025 budget.

EQUITY PLATFORM

The Consolidated Audit Financial and Compliance Reports in this report support compliance with the applicable ordinances and guidelines, as well as assist program managers in effectively managing and administering the programs that serve all communities throughout the County. There are no known equity impacts or concerns from audit services conducted to complete the Annual Financial Comprehensive Report.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects/programs developed with these funds directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

NEXT STEPS

Staff will continue to work with the respective cities to resolve the findings. As many of the findings are related to late form submittals and process updates, the auditors will validate the resolution of the findings within next year's annual Consolidated Audit process. Findings that were not resolved will be

identified as repeat findings and will escalate in materiality.

ATTACHMENTS

Attachment A - FY22 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines (Vasquez)

Attachment B - FY22 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and C Local Return Guidelines (Simpson)

Attachment C - FY23 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines (Vasquez)

Attachment D - FY23 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and C Local Return Guidelines (Simpson)

Attachment E - FY22 and FY23 Measure R Annual Report

Attachment F - FY22 Measure M Annual Report

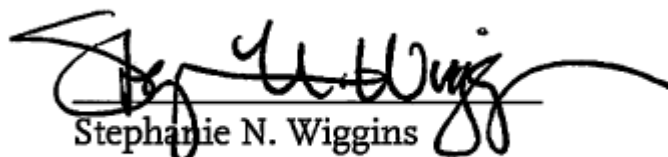
Attachment G - FY23 Measure M Annual Report

Prepared by: Monica Del Toro, Senior Manager, Audit, (213) 922-7494

Lauren Choi, Senior Director, Audit, (213) 922-3926

Kimberly Houston, Deputy Chief Auditor, (213) 922-4720

Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101



Stephanie N. Wiggins
Chief Executive Officer



MetroTM

**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, 2022



**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, 2022

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

LOS ANGELES
SAN DIEGO
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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

Opinion

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, 2022 (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.

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, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of the County and the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the County's and the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or program agreements applicable to the County and each City's Proposition A Local Return program and Proposition C Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's and the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's and the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's and the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



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 #2022-001 through #2022-016. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines 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 with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-008, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 #2022-003 and #2022-004, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

Vaquer & Company LLP

**Glendale, California
December 30, 2022**

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2022**

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, 2022

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, 2022**

The audits of the County of Los Angeles and the 39 cities have resulted in 16 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.	3	Compton (#2022-004)	\$ -	\$ 730,043	\$ 730,043
		Montebello (#2022-008)	9,324	56,008	65,332
		South Gate (#2022-011)	-	1,300	1,300
Timely use of funds.	2	Gardena (#2022-005)	-	58,639	58,639
		Lawndale (#2022-006)	474,004	-	474,004
Administrative expenses are within the 20% cap.	1	South Gate (#2022-012)	514	-	514
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Calabasas (#2022-003)	None	None	None
		Pico Rivera (#2022-009)	None	-	None
		South Gate (#2022-013)	-	None	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	3	Bell Gardens (#2022-001)	None	None	None
		South Gate (#2022-014)	None	None	None
		Vernon (#2022-015)	None	None	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	1	Westlake Village (#2022-016)	None	None	None
Recreational transit form was submitted on time.	3	Bell Gardens (#2022-002)	None	-	None
		Malibu (#2022-007)	None	-	None
		South El Monte (#2022-010)	None	-	None
Total Findings and Questioned Costs	16		\$ 483,842	\$ 845,990	\$ 1,329,832

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, 2022**

Finding #2022-001: PALRF and PCLRF	City of Bell Gardens
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines state that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C 8/1 Table is submitted in a timely manner by the August 1 st of each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). 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, 2022
 (Continued)**

Finding #2022-002: PALRF	City of Bell Gardens
Compliance Reference	Section II(1.3) Recreational Transit Service of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City submitted its Recreational Transit Certification on November 9, 2022, 24 days after the due date of October 15, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by the October 15 th of each fiscal year.
Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification. 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, 2022
 (Continued)**

Finding #2022-003: 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 a Budget Request for the following projects:</p> <ul style="list-style-type: none"> a. PALRF and PCLRF's Project code 110, Old Town Calabasas/Commons Trolley project. Amount in excess of 25 percent of the approved budget was \$5,707 and \$4,393, respectively; b. PALRF and PCLRF's Project code 130, Dial-A-Ride project. Amount in excess of 25 percent of the approved budget was \$12,775 and \$17,591, respectively; c. PALRF and PCLRF's Project code 180, Vehicle and Misc. Equipment project. Amount in excess of 25 percent of the approved budget was \$6,178 and \$8,701, respectively; and d. PALRF and PCLRF's Project code 610 Direct Administration. Amount in excess of 25 percent of the approved budget was \$22,864 and \$16,137, respectively. <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 via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained a retroactive approval of the project from Metro Program Manager.</p> <p>This is a repeat finding from prior year's audit.</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, 2022
 (Continued)**

Finding #2022-003: PALRF and PCLRF (Continued)	City of Calabasas
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 approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend that the City submit revised Form A's 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 agrees with the finding and will submit revised budgets via SmartSheets prior to the end of the fiscal year to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on December 14, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. 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, 2022
 (Continued)**

Finding #2022-004: PCLRF	City of Compton
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 Proposition C with no prior approval from Metro for the following projects:</p> <ul style="list-style-type: none"> a. Project code 720, Local Roadway Safety Plan, totaling \$19,750; and b. Project code 715, Bond Payment for Street Road Improvements, totaling \$710,293. <p>The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under PCLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table (formerly Form A) and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of \$710,293 were not included in the Budget Request or "8/1" Table (formerly Form A).</p> <p>This is a repeat finding from prior year's audit in relation to the PCLRF's prior period adjustment to recognize the FY2020/21 debt service payment of \$207,116.</p>
Cause	The City had received approval for the bond issuance from Metro, but was not aware that separate approvals were required for underlying annual project expenditures including debt service payments through the Budget Request or "8/1" Table.

**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, 2022
 (Continued)**

Finding #2022-004: PCLRF (Continued)	City of Compton
Effect	The City claimed expenditures totaling \$730,043 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Proposition C-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said project on October 27, 2022 and December 1, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said projects. 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, 2022
(Continued)**

Finding #2022-005: PCLRF	City of Gardena
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 \$58,639 which has lapsed as of June 30, 2022.
Cause	The City's projects were delayed and the City did not have enough expenditures to cover the lapsing amount.
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 has requested Metro to extend the use of the remaining \$58,639 Proposition C funds through June 30, 2023 since the City has an existing approved projects in FY 2022/23. On November 14, 2022, the City received Metro's approval for the extension of the use of funds until June 30, 2023.
Corrected During the Audit	Metro Program Manager granted an extension for the use of the remaining funds through June 30, 2023. 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, 2022
(Continued)**

Finding #2022-006: PALRF	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 A funds amounting to \$474,004 which lapsed as of June 30, 2022.
Cause	The City's projects were postponed due to COVID-19 pandemic.
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 agrees with the auditor's finding and recommended action to establish procedures and internal controls to ensure that Proposition A 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.
Corrected During the Audit	On December 16, 2022, Metro Program 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, 2022
(Continued)**

Finding #2022-007: PALRF	City of Malibu
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actual Entries) of the Proposition A and Proposition C Local Return Guidelines states that, "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actual Entries, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification on November 14, 2022, 29 days after the due date of October 15, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by the October 15 th for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification. 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, 2022
(Continued)**

Finding #2022-008: 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) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects with no prior approval from Metro.</p> <ul style="list-style-type: none"> a. PALRF Project code 280, Evan Brooks – Capital Reserve Proposition A Preparation, totaling \$6,038; b. PALRF Project code 610, Administrative Overhead, totaling \$3,286; c. PCLRF Project code 490, Sales Tax Revenue Bonds, totaling \$1,570; and d. PCLRF Project code 620, Administrative Overhead, totaling \$54,438. <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 years' audits of PALRF and PCLRF.</p>
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.
Effect	The City claimed expenditures totaling \$9,324 of Proposition A and \$56,008 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

**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, 2022
 (Continued)**

Finding #2022-008: PALRF and PCLRF (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on July 5 and August 18, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. 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, 2022
(Continued)**

Finding #2022-009: PALRF	City of Pico Rivera
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 PALRF projects:</p> <ul style="list-style-type: none"> a. Project Code 155, Recreational Transit. Amount in excess of 25 percent of the approved budget was \$8,917; and b. Project Code 180, Transit Feasibility Study. Amount in excess of 25 percent of the approved budget was \$1,270. <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	The City initially submitted higher budgets for approval but requested to reduce them during the year. At year-end, the City realized that there were more expenditures than anticipated for these projects.
Effect	The City's PALRF 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, 2022
(Continued)

Finding #2022-009: PALRF (Continued)	City of Pico Rivera
Recommendation	We recommend that the City submit revised Form A's or submit Budget Requests via Smarsheets by June 30, 2022 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 submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on October 12, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. 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, 2022
(Continued)**

Finding #2022-010: PALRF	City of South El Monte
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actual Entries) of the Proposition A and Proposition C Local Return Guidelines states that, "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actual Entries, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification on December 7, 2022, 52 days after the due date of October 15, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City completed its Recreational Transit Form when the Local Return Actuals was submitted online. Due to an oversight, the attachment was not uploaded properly to Smartsheet. The City will update its procedures to include confirmation of submission.
Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification. 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, 2022
(Continued)**

Finding #2022-011: PCLRF	City of South Gate
Compliance Reference	Section 1(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	The City claimed expenditures amounting to \$1,300 under PCLRF Project code 705, LA County Bridge Maintenance prior to approval by Metro. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	This is caused by staff oversight.
Effect	The City claimed expenditures totaling \$1,300 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Proposition C-funded projects.
Management's Response	The City will make improvements in coordinating efforts between the Public Works and Finance departments to assure all project budgets are approved by Metro and are on the Smartsheets prior to June 30. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said project on October 26, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. 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, 2022
(Continued)**

Finding #2022-012: PALRF	City of South Gate
Compliance Reference	Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, "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%. 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 claimed expenditures in excess of the 20% cap totaling \$514.
Cause	This is caused by staff oversight.
Effect	The City is required to reimburse PALRF account for the amount over the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures are only charged to the LR funds up to allowable amount.
Management's Response	The City will reimburse PALRF account for the amount over the 20% cap totaling \$514.
Corrected During the Audit	The City reimbursed the PALRF account in FY2022/23. 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, 2022
(Continued)**

Finding #2022-013: PCLRF	City of South Gate
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 Project 620 Administration totaling \$72,192.</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) or a Budget Request.</p> <p>The City submitted the Budget Requests through LRMS and obtained a retroactive approval of the project from Metro Program Manager.</p>
Cause	This is caused by staff oversight.
Effect	The City's 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.
Recommendation	We recommend the City submit revised Form A's 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's Public Work and Finance departments will continue to monitor its budget and will make necessary budget adjustments to its projects as allowed by Metro. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budget for said project on October 26, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. 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, 2022
(Continued)**

Finding #2022-014: PALRF and PCLRF	City of South Gate
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines states that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (Form B or 8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C 8/1 Table is submitted in a timely manner by the August 1 st for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). 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, 2022
 (Continued)**

Finding #2022-015: PALRF and PCLRF	City of Vernon
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines state that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A and Proposition C "8/1 Table" is submitted in a timely manner by August 1 st for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). 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, 2022
(Continued)**

Finding #2022-016: PALRF and PCLRF	City of Westlake Village
Compliance Reference	Section I(C) Annual Project Update of the Proposition A and C Local Return Guidelines states that, "On or before October 15 th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report (Actual Entries) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report to Metro on October 20, 2022, 5 days after the due date of October 15, 2022.
Cause	This is caused by oversight of City's personnel.
Effect	The City's Annual Expenditure Report (Actual Entries) was not submitted timely. The City was not in compliance with the Proposition A and C Guidelines.
Recommendation	We recommend that the City establish procedures and controls to ensure that the Annual Expenditure Report (Actual Entries) is submitted by October 15 as required by the Guidelines.
Management's Response	The City will ensure the Annual Expenditure Report is submitted prior to October 15 th of each fiscal year.
Corrected During the Audit	The City subsequently submitted the form on October 20, 2022. No 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, 2022



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, 2022**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE
3320 LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**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: 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

Opinion

We have audited the compliance of the forty-nine (49) Cities (the 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 Assurance and Understanding Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (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.

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, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the Cities compliance with the compliance requirements referred to above.





Responsibilities of Management for Compliance

The Cities' management is responsible for the Cities compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or program agreements applicable to the Cities' Proposition A Local Return program and Proposition C Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Other Matters

The results of our auditing procedures disclosed other 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 #2022-001 through #2022-032. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify 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 with the Guidelines 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 the Guidelines 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 #2022-014 and #2022-015 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 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 #2022-003, #2022-006, #2022-009, and #2022-025 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

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.

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

Los Angeles, California
December 30, 2022

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2022

- | | |
|----------------------------------|-----------------------------------|
| 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, 2022

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, 2022

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 32 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 (#2022-006) Bradbury (#2022-010) Palos Verdes Estates (#2022-024) Santa Clarita (#2022-029)	- - - -	\$ 31,333 15,701 10,415 2,163	\$ 31,333 15,701 10,415 2,163
Timely use of funds.	7	Artesia (#2022-003) Claremont (#2022-011) El Segundo (#2022-017) Palos Verdes Estates (#2022-025) Redondo Beach (#2022-027) Signal Hill (#2022-030) South Pasadena (#2022-032)	\$ 160,899 116,051 392,423 - - - 83,006	- 132,824 - 12,972 497,032 61,953 -	160,899 248,875 392,423 12,972 497,032 61,953 83,006
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2022-004) Hermosa Beach (#2022-019) La Habra Heights (#2022-020) San Marino (#2022-028)	None None None None	- - - -	None None None None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	2	Artesia (#2022-007) Glendale (#2022-018)	None None	None None	None None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	6	Artesia (#2022-008) Bradbury (#2022-009) Covina (#2022-012) La Habra Heights (#2022-021) Palmdale (#2022-023) Pasadena (#2022-026)	None None None None None None	None None None None None None	None None None 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, 2022
(Continued)

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Recreational transit form was submitted on time.	5	Alhambra (#2022-001) Artesia (#2022-005) Downey (#2022-013) El Segundo (#2022-016) Signal Hill (#2022-031)	None None None None None	- - - - -	None None None None None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	La Habra Heights (#2022-022)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	3	Alhambra (#2022-002) Downey (#2022-014) Downey (#2022-015)	1,027 251,269 126,690	425 31,006 -	- 113,032 73,208
Total Findings and Questioned Cost	32		\$ 1,131,365	\$ 795,824	\$ 1,703,012

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, 2022**

PALRF Finding #2022-001	City of Alhambra
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, 2022 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 23, 2022.
Cause	The form was prepared prior to the due date of October 15th. However, it was inadvertently not submitted to Metro in a timely manner due to oversight.
Effect	The City’s Listing of Recreational Transit Services was not submitted in a timely manner 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 agrees with this finding. The City will ensure that the form is submitted in a timely manner in the future.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 23, 2022. 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, 2022
 (Continued)**

PALRF & PCLRF Finding #2022-002	City of Alhambra
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 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-002 (Continued)	City of Alhambra
Condition	To support the propriety of expenditures charged to Proposition A and C Local Return Funds, payroll expenditures, both working and non-working hours, should be properly supported by time records, activity reports, or other official documentation evidencing in proper detail the nature of the charges. However, the payroll expenditures related to the non-working hours in the amounts of \$1,027 allocated to the PALRF's Senior Ride Paratransit Project Code 106 for two (2) out of the twelve (12) total samples tested, and \$425 allocated to the PCLRF's Direct Administration Project Code 620 for one (1) out of the sixteen (16) total samples tested, were based on the percentages that were determined during the preparation of the City's budget, which were based on the previous years' expenditures, at the beginning of the fiscal year.
Cause	The City allowed its internal payroll system to automatically calculate and allocate the payroll costs related to non-working hours based on estimated percentages.
Effect	The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may be disallowed Proposition A and Proposition C project expenditures.
Recommendation	We recommend that the City strengthen its controls over the allocation of its payroll costs related to non-working hours by using a more reliable basis such as, the actual hours and funds worked by employees on those specific payroll periods and making the proper adjustments to the programs at year end, particularly, if the costs are initially allocated to PALRF and PCLRF based on estimated percentages.
Management's Response	The City agrees with this finding. The City will only allocate the working hours and will not allocate non-working hours based on estimated percentages in the future.

**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, 2022
(Continued)**

PALRF Finding #2022-003	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely 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	<p>The City's fiscal year 2019 ending fund balance for PALRF in the amount of \$160,899 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.</p> <p>This is a repeat finding from fiscal year 2021.</p>
Cause	This was an oversight on the part 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 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. 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, 2022
(Continued)

PALRF Finding #2022-004	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I ©, 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 470, Gateway Cities COG Study prior to approval from Metro. The amount that exceeded the approved budget by more than 25 percent was \$28,650. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 470 and received subsequent approval on December 16, 2022.
Cause	This was an oversight on the part of the City.
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 the Metro’s approved budget and any projects exceeding the 25 percent or greater change are identified and update in the 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 them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval for Project Code 470, Gateway Cities COG Study in the amount of \$53,650 on December 16, 2022. 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, 2022
(Continued)**

PALRF Finding #2022-005	City of Artesia
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, 2022 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 27, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen its control procedures to ensure the timely submission of all required forms and documentation.
Management's Response	In the future, management will ensure the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City's Recreational Transit Form was submitted to Metro on December 27, 2022. 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, 2022
(Continued)**

PCLRF Finding #2022-006	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section (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 Project Code 705, ATP Cycle 3, in the amount of \$31,333. However, the City subsequently received an approved budget in the amount of \$31,333 from Metro for the PCLRF project on December 23, 2022. This is a repeat finding from fiscal year 2021.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to expenditure of funds.
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 will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 23, 2022. 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-007	City of Artesia
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, 2021 deadline for submitting the Annual Project Update in the LRMS. However, the City updated the information in the LRMS on August 9, 2021.
Cause	This was an oversight on the part 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	In the future, management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 9, 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-008	City of Artesia
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, 2022 deadline for submitting the Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on December 2, 2022.
Cause	This was an oversight on the part 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	In the future management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 2, 2022. 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-009	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, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on November 4, 2022. This is a repeat finding from fiscal year 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 new Finance Director during fiscal year 2022 and was unaware of the compliance requirement of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 4, 2022. 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, 2022
(Continued)**

PCLRF Finding #2022-010	City of Bradbury
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 expended a total of \$15,701 for the Widen Bradbury Road from Winding Oak Lane to Oakleaf Avenue Project in FY2021/22 prior to receiving approval from Metro.
Cause	It was due to an oversight by 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	We recommend that the City establish procedures to ensure that all expenditures are approved by Metro prior to expending the funds.
Management's Response	The City agreed with the Finding. The City has a new Finance Director during fiscal year 2022 and was unaware of the compliance requirement of Local Return Funds.
Corrected During the Audit	The City received a retroactive approval from Metro on December 23, 2022 on the budget for Widen Bradbury Road from Winding Oak Lane to Oakleaf Avenue Project, in the amount of \$147,209. 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-011	City of Claremont
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 2019 Proposition A and Proposition C ending fund balances in the amounts of \$116,051 and \$132,824, respectively, were not fully expended within 3 years as of June 30, 2022 and were not reserved for capital projects as required by the Proposition A and C Local Return Guidelines. However, on November 30, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the 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 November 30, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

**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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-012	City of Covina
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, 2022 deadline for submitting the Annual Expenditure Report to Metro by entering the expenditures in the Local Return Management System (LRMS). The City subsequently reported the PALRF and PCLRF expenditures in the LRMS on October 20, 2022.
Cause	The City inadvertently missed the filing deadline.
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 Expenditure Report is properly prepared and submitted before the due date of October 15th by reporting the annual expenditures in the LRMS so that the City's expenditures of the PALRF and PCLRF will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City's Finance and Public Works departments will work together to ensure that the Annual Expenditure Report will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently reported the annual expenditures on October 20, 2022. 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, 2022
(Continued)

PALRF Finding #2022-013	City of Downey
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, 2022 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 29, 2022.
Cause	The new Transit Management Analyst reported the recreational expenses incurred in the Local Return Management System (LRMS), as instructed by Metro. However, the new staff was not aware that the Listing of Recreational Transit Services (listing) in a paper format was to be submitted to Metro.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner 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 Transit Management Analyst is now aware of the requirements and plans to submit the listing form in a timely manner in the future. In addition, the Management Analyst will prepare a training manual or instructions on Metro's filing requirements.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 29, 2022. 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, 2022
 (Continued)**

PALRF & PCLRF Finding #2021-014	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, 2022
 (Continued)**

PALRF & PCLRF Finding #2021-014 (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 2021-22. 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 \$195,606. (c) PCLRF’s Ride Sharing Program Project Code 620 in the amount of \$14,000. (d) PCLRF’s Local Return Fund Administration (Public Works) Project Code 620 in the amount of \$17,006. <p>This is a repeat finding from the prior six 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.</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 \$251,269 and \$31,006 for PALRF and PCLRF, respectively.</p>
Recommendation	<p>We recommend that the City reimburse its PALRF and PCLRF accounts for \$251,269 and \$31,006, 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.</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, 2022
 (Continued)**

PALRF & PCLRF Finding #2021-014 (Continued)	City of Downey
Management's Response	<p>As a resolution to prior years' findings, the City indicated in April 2022 that its corrective action plan was to have an outside consultant (Revenue and Cost Specialists) who was hired during fiscal year 2021-22 to prepare an updated Cost Allocation Plan (CAP) and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23. Although the CAP was for fiscal year 2022-23, the City, in a good faith effort, made transfers from the General Fund to PALRF and PCLRF to ensure that the payroll and benefits charges allocated to the local return funds in fiscal year 2021-22 were within the amounts allowed by the new CAP.</p> <p>All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the payroll expenditures based on the new cost study.</p>
Auditor's Additional Comment	<p>With the effort to record expenses in PALRF that is allowable under the new FY 2022-23 CAP, the City transferred General Fund monies in the amount of \$113,032 to reimburse a portion of the questioned cost of \$195,606 for PALRF's Senior/Handicapped Transit Program Project Code 107, leaving a net questioned cost of \$82,574.</p> <p>As a result, the remaining total questioned costs are \$138,237 and \$31,006 for PALRF and PCLRF, respectively. Therefore, we recommend that the City reimburse its PALRF and PCLRF accounts for the said remaining questioned costs.</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, 2022
 (Continued)**

PALRF Finding #2021-015	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	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. This is a repeat finding from the prior five fiscal years.
Cause	The City allocates equipment rental charges based on a time study from fiscal year 2011-12. The same percentage allocation has been used in prior fiscal years.
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. 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.

**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, 2022
 (Continued)**

PALRF Finding #2021-015 (Continued)	City of Downey
Management's Response	<p>As a resolution to prior years' findings, the City indicated in April 2022 that its corrective action plan was to have an outside consultant (Revenue and Cost Specialists) who was hired during fiscal year 2021-22 to prepare an updated CAP and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23. Although the CAP was for fiscal year 2022-23, the City, in a good faith effort, reimbursed PALRF through a transfer from the General Fund to ensure that the equipment rental charges allocated to PALRF in fiscal year 2021-22 were within the amounts allowed by the new CAP.</p> <p>All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the equipment rental charges based on the new cost study.</p>
Auditor's Additional Comment	<p>With the effort to record expenses in PALRF that is allowable under the new FY 2022-23 CAP, the City transferred General Fund monies in the amount of \$73,208 to reimburse a portion of the questioned cost of \$126,690 for PALRF's Senior/Handicapped Transit Program Project Code 107, leaving a net questioned cost of \$53,482.</p> <p>Therefore, we recommend that the City reimburse its PALRF account for the said remaining questioned cost.</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, 2022
(Continued)**

PALRF Finding #2022-016	City of El Segundo
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, 2022 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 12, 2022.
Cause	This was an oversight by the City due to administrative staff and management turnover 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 15th to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	Executive, Management, and administrative staff in the Recreation & Parks Department have had significant turnover during the past 12 months. All staff that would have been involved in the production of, or had institutional knowledge of, the Recreational Transit Form left the City. In order to avoid this from repeating in the future, written procedures for regulatory requirements will be developed by the City. Also, this task will be added to the Finance Department's year-end audit task list as an additional preventative measure to ensure compliance with reporting deadlines.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 12, 2022. 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, 2022
 (Continued)**

PALRF Finding #2022-017	City of El Segundo
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 2019 ending fund balance in the amount of \$392,423 was not fully expended within 3 years as of June 30, 2022 and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
Cause	This was an oversight by the City due to administrative staff and management turnover for not tracking the timely use of funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely or a capital reserve account can be established.
Management's Response	Due to the Pandemic, transit services previously provided by the City were placed on hold. This created a reduction in Prop A expenses. Also, due to turnover in Executive, Management, and administrative staff in the Recreation & Parks Department, staff assigned to Prop A for administrative purposes was not budgeted/expensed. The City staff will work to identify eligible operational and capital objectives during the budget development process each year to ensure there are sufficient encumbrances within the Prop A fund to fully spend down the City's Prop A allocations.
Corrected During the Audit	On December 15, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

**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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-018	City of Glendale
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, 2021 deadline for submitting the Annual Project Update in the Local Return Management System (LRMS). However, the City updated the information in the LRMS on August 10, 2021.
Cause	This was an oversight on the part 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	In the future, management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 10, 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, 2022
(Continued)**

PALRF Finding #2022-019	City of Hermosa 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 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, Commuter Express Program. The amount that exceeded the approved budget by more than 25 percent was \$12,363. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 105 and received an approval on December 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget and as such 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 December 19, 2022. 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, 2022
(Continued)**

PALRF Finding #2022-020	City of La Habra Heights
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 Local Return projects.”
Condition	The City received approval for PALRF Project Code 107, Dial-A-Ride, but with \$0 budget due to an oversight. As a result, the City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 107, Dial-A-Ride, in the amount of \$14,462. However, the City submitted a request to increase the budget to Metro in the amount of \$14,462 and received subsequent approval on October 27, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City’s PALRF project expenditures exceeded 25 percent of Metro’s approved budget prior to Metro’s approval and 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 the Metro’s approved budget and any projects exceeding the 25 percent or greater change are identified and update 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 them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval for Project Code 107, Dial-A-Ride in the amount of \$14,462 on October 27, 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-021	City of La Habra Heights
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, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 19, 2022.
Cause	This was an oversight on the part 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 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	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 19, 2022. 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, 2022
 (Continued)**

PCLRF Finding #2022-022	City of La Habra Heights
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2022 since the City incurred PCLRF expenditures for the following two projects: (1) Project Code 715, 19/20 Street Improvement Project; (2) Project Code 715, 20/21 Street Improvements - Various Roads Overlay. However, the City did not submit PMS Certification Form during the fiscal year 2022. The last PMS Certification Form was expired on March 26, 2021.</p>
Cause	<p>This was an oversight on the part of the City.</p>
Effect	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2022
 (Continued)**

PCLRF Finding #2022-022 (Continued)	City of La Habra Heights
Recommendation	We recommended that the City establish procedures to ensure that if the City incurs expenditures for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly certified and executed by the City’s Engineer or designated registered Civil Engineer and submitted to Metro by the third year from the last submission date to be in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in fiscal year 2022. The City is in the process of obtaining a quote from the City's contracted engineer to update the PMS Certification. The City endeavors to bring the PMS Certification into compliance as quickly as possible in fiscal year 2023.
Corrected During the Audit	The City has reached out to Metro for an extension to submit the PMS Certification Form in fiscal year 2022. Metro subsequently approved on October 27, 2022. Verification of the PMS Certification Form submission will be performed during fiscal year 2023 audit.

**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, 2022
 (Continued)**

PALRF & PCLRF Finding #2022-023	City of Palmdale
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, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part 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 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 concur with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. 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, 2022
(Continued)

PCLRF Finding #2022-024	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."
Condition	The City incurred expenditures prior to receiving approval from Metro PCLRF's Project Code 470, Member Dues - South Bay Cities COG FY 21/22, in the amount of \$10,145. However, the City subsequently received an approved budget in the amount of \$10,145 from Metro for the PCLRF project on November 4, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to expenditure of funds.
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 will establish procedures to ensure that Project Description Form (Form A) will be submitted in a timely manner.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 4, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2022
(Continued)**

PCLRF Finding #2022-025	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely 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	<p>The City's fiscal year 2019 ending fund balance in the amount of \$12,972 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines. However, on December 1, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.</p> <p>This is a repeat finding from fiscal year 2021.</p>
Cause	This was an oversight on the part 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 1, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
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(Continued)

PALRF & PCLRF Finding #2022-026	City of Pasadena
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, 2022 deadline for submitting the Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part 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 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	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2022
(Continued)**

PCLRF Finding #2022-027	City of Redondo Beach
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 2019 ending fund balance in the amount of \$497,032 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines. However, on December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. No follow-up is required.

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

PALRF Finding #2022-028	City of San Marino
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 155, Recreational Trips, in the amount of \$2,142. However, the City submitted a request to increase the budget to Metro in the amount of \$15,930 and received subsequent approval on October 6, 2022.
Cause	Expenditures exceeded the project's budget due to the City providing more trips than originally forecasted due to higher than expected demand.
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 update 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 adjust the project budgets throughout the year as needed based on the expenditure forecasts.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$15,930 for the said project on October 6, 2022. 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, 2022
(Continued)

PCLRF Finding #2022-029	City of Santa Clarita
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 in the amount of \$2,163 for PCLRF's Project Code 740, I5 Magic Mountain Pkwy (S1003) prior to receiving an approval from Metro. However, the City subsequently received an approved budget in the amount of \$2,163 from Metro for the PCLRF project on December 6, 2022.
Cause	This was due to an oversight on the part of the City.
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 the City 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 will review all PCLRF projects prior to fiscal year end and ensure that each project has the appropriate Metro approved budget.
Corrected During the Audit	Metro granted a retroactive budget approval for the project on December 6, 2022. 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, 2022
(Continued)**

PCLRF Finding #2022-030	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "...Jurisdictions have three years to expend Local Return 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 2019 ending fund balance in the amount of \$61,953 was not fully expended within three years as of June 30, 2022, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on September 28, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was an oversight on the part 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's Public Works Director left the City in the middle of the year, leaving the position vacant for several months. With the change in Public Works Directors, most projects utilizing Prop C, Measure M, and Measure R funding were delayed to the fiscal year 2022-2023.
Corrected During the Audit	On September 28, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. 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, 2022
(Continued)**

PALRF Finding #2022-031	City of Signal Hill
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, 2022 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on October 18, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance 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	The City submitted the Recreational Transit Form on October 18, 2022 due to oversight. In the future, the City will submit the 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 October 18, 2022. 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, 2022
(Continued)**

PALRF Finding #2022-032	City of South Pasadena
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "...Jurisdictions have three years to expend Local Return 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	A portion of the City's fiscal year 2019 ending fund balance in the amount of \$83,006 was not expended within 3 years as of June 30, 2022 and was not reserved for capital projects as required by Local Return guidelines. The City subsequently received an extension from Metro to spend the lapsed funds until June 30, 2023 on November 21, 2022.
Cause	The Covid-19 pandemic caused a significant decrease in the usage, as well as the expenditures incurred for the Senior Dial-A-Ride Program Project Code 107 and Recreational Transit Trips Project Code 155.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a policy in place where the City Manager, City Engineer and Finance Department discuss the availability of Proposition A Local Return funds in conjunction with any eligible PALRF projects and submit its Form B (Annual Project Update Form) by entering the budgeted expenditures in the Local Return Management System (LRMS) on time. Alternative measures would include requesting a Capital Reserve Agreement with Metro.
Management's Response	Due to the introduction of Covid-19 vaccines and boosters, the activities of the Senior Dial-A-Ride and Recreational Transit Program projects have currently improved. Also, the City anticipates in purchasing a new van for the program to help spend the PALRF monies within the required fiscal year of allocation plus 3 years.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition A Local Return funds until June 30, 2023. No follow-up is required.



MetroTM

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER 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, 2023



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER 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, 2023

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2023**

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

**To the 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

Opinion

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, 2023 (collectively, the Requirements). Compliance with the aforementioned Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of the County and the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the County's and the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the County and each City's Proposition A Local Return program and Proposition C Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's and the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's and the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's and the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



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 #2023-001 through #2023-013. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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 the Guidelines 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 with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-008 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-009 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

Vasquez & Company LLP

**Glendale, California
December 29, 2023**

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2023**

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, 2023**

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, 2023**

The audits of the County of Los Angeles and the 39 cities have resulted in 13 findings. The table below summarizes 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.	3	Baldwin Park (See Finding #2023-002)	\$ -	\$ 117,370	\$ 117,370
		Huntington Park (See Finding #2023-005)	7,674	-	7,674
		Lynwood (See Finding #2023-010)	-	63,062	63,062
Timely use of funds.	2	Lawndale (See Finding #2023-009)	162,361	-	162,361
		Malibu (See Finding #2023-013)	7,220	-	7,220
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Baldwin Park (See Finding #2023-003)	None	None	None
		Huntington Park (See Finding #2023-006)	None	None	None
		Lynwood (See Finding #2023-0011)	None	-	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	2	Calabasas (See Finding #2023-004)	None	None	None
		Lynwood (See Finding #2023-0012)	None	None	None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	Azuza (See Finding #2023-001)	-	None	None
Recreational transit form was submitted on time.	1	Huntington Park (See Finding #2023-007)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	1	Huntington Park (See Finding #2023-008)	None	None	None
Total Findings and Questioned Costs	13		\$ 177,255	\$ 180,432	\$ 357,687

Details of the above 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, 2023**

Finding #2023-001: PCLRF	City of Azusa
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 current Pavement Management System (PMS) certification during FY 2022/23. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City’s latest certification submitted to Metro on June 29, 2021 has a September 2019 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2023.</p> <p>A PMS Certification is required for the following PCLRF Project code 705, Foothill Boulevard Street Improvements project.</p>
Cause	<p>There was a turnover in permanent staff and a turnover in 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 may be 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, 2023
 (Continued)**

Finding #2023-001: PCLRF (Continued)	City of Azusa
Recommendation	We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City completed its Pavement Management System inventory and assessment on November 8, 2023. The current PMS certification was submitted to Metro on December 14, 2023.
Finding Corrected During the Audit	The City submitted the current PMS certification to Metro Program Manager on December 14, 2023. 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, 2023
(Continued)**

Finding #2023-002: PCLRF	City of Baldwin Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent 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 from Metro.</p> <p>a. Project code 105, Fixed Route Service, totaling \$57,524; and</p> <p>b. Project code 107, Dial-A-Ride Service, totaling \$59,846.</p> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
Effect	The City claimed expenditures totaling \$117,370 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 the Metro Program Manager and obtained retroactive approval of the budgets for said projects on October 18, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on October 18, 2023. 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, 2023
(Continued)**

Finding #2023-003: PALRF and PCLRF	City of Baldwin Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent 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 via LRMS for the following projects:</p> <ul style="list-style-type: none"> a. PALRF's Project code 170, Bus Shelter Maintenance. Amount in excess of 25 percent of the approved budget was \$3,039; b. PALRF's Project code 215, CNG Station. Amount in excess of 25 percent of the approved budget was \$36,463; and c. PCLRF's Project code 705, Street Name/Roadway Signs. The amount in excess of 25 percent of the approved budget was \$3,603. <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 via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
Cause	The City did not anticipate incurring eligible expenditures for more than the approved budget for these projects. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2023.

**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, 2023
(Continued)**

Finding #2023-003: PALRF and PCLRF (Continued)	City of Baldwin Park
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.
Recommendation	We recommend the City submit revised Form A's or submit Budget Requests via LRMS 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 agrees with the findings and will submit revised budgets via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said projects on October 18, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on October 18, 2023. 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, 2023
(Continued)**

Finding #2023-004: PALRF and PCLRF	City of Calabasas
Compliance Reference	Section I(C) Annual Expenditure Report (Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines state that, "Jurisdiction shall submit on or before October 15 th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) to Metro on November 2, 2023, 18 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City's Annual Expenditure Report (Actuals Entry) was not submitted timely. The City was not in compliance with the reporting requirements of the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Proposition A and C Actuals Entry is submitted in a timely manner by October 15 th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry) on November 2, 2023. 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, 2023
(Continued)**

Finding #2023-005: PALRF	City of Huntington Park
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent 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 Project Code 155, Special Event Transit, totaling \$7,674 prior to approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.</p>
Cause	The City did not anticipate incurring eligible expenditures for this project. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
Effect	The City claimed expenditures totaling \$7,674 of Proposition A 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 a Local Return-funded project.
Management's Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budget for said project on December 12, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on December 12, 2023. 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, 2023
(Continued)**

Finding #2023-006: PALRF and PCLRF	City of Huntington Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent 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 105, Fuel for Fixed Route and Dial-A-Ride. Amount in excess of 25 percent of the approved budget was \$188; and b. PCLRF's Project code 107, Fuel for Fixed Route and Dial-A-Ride. The amount in excess of 25 percent of the approved budget was \$63. <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 via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
Cause	The City did not anticipate incurring eligible expenditures more than the approved budget for these projects. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2023.
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, 2023
(Continued)

Finding #2023-006: PALRF and PCLRF (Continued)	City of Huntington Park
Recommendation	We recommend the City submit revised Form A's or submit Budget Requests via LRMS 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 agrees with the findings and will submit revised budgets via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said projects on December 12, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 12, 2023. 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, 2023
 (Continued)**

Finding #2023-007: PALRF	City of Huntington Park
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actuals Entry, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification on November 29, 2023, 45 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by October 15 th for each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification. 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, 2023
 (Continued)**

Finding #2023-008: PALRF	City of Huntington Park
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, state that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>As of the date of audit fieldwork, the City's year-end closing process is still ongoing. We noted the following observations:</p> <ul style="list-style-type: none"> • Reconciliation of major balance sheet accounts including bank accounts was not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. <p>Accordingly, the audits of the City's financial statements for fiscal years 2022 and 2023 have not yet started because of the clean-up and closing process currently being done.</p>
Cause	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return 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, 2023
(Continued)

Finding #2023-008: PALRF (Continued)	City of Huntington Park
Recommendation	<p>We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.</p>
Management's Response	<p>The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.</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, 2023
 (Continued)**

Finding #2023-009: PALRF	City of Lawndale
Compliance Reference	Section I(B) Timely Use of Funds of Proposition A and Proposition 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 the 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 \$162,361 which lapsed as of June 30, 2023. This is a repeat finding from prior year.
Cause	The Lawndale Beat bus service did not start until May/June 2023 as the contract was being approved. Due to the unexpected late start of this project, funds were not spent as expected.
Effect	The City did not comply with the Proposition A and Proposition 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 expects to use up the Proposition A funds during FY 2023/24 now that the Lawndale Beat bus service is up and running. The City requested and obtained an extension for the use of the funds from the LA Metro Program Manager.
Finding Corrected During the Audit	On December 14, 2023, Metro Transportation Planning Manager granted an extension for the use of the lapsed funds on or by June 30, 2024. 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, 2023
(Continued)**

Finding #2023-0010: PCLRF	City of Lynwood
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent 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 Proposition C prior to approval from Metro for the following projects:</p> <ul style="list-style-type: none"> a. Project code 780, Administration and Monitoring, totaling \$3,776; b. Project code 805, ATP Cycle 2 Linkage to CC, totaling \$3,040; and c. Project code 805, Bike Trail Extension (Design and Construction), totaling \$56,246. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
Effect	The City claimed expenditures totaling \$63,062 of Proposition C funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

**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, 2023
(Continued)**

Finding #2023-010: PCLRF (Continued)	City of Lynwood
Management's Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said projects on December 18, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 18, 2023. 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, 2023
 (Continued)**

Finding #2023-011: PALRF	City of Lynwood
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that “Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent 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 Budget Request via LRMS for the PALRF Project code 105, Fixed Bus Route. The amount in excess of 25 percent of the approved budget was \$50,788.</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) or a Budget Request via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
Cause	The City was in transition staff-wise. Information was not properly communicated.
Effect	The City’s PALRF project expenditures exceeded 25 percent of the approved project budget prior to Metro’s approval which resulted in the City’s noncompliance with the Guidelines.
Recommendation	We recommend the City submit revised Form A’s or submit Budget Requests via LRMS to obtain Metro’s approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-011: PALRF (Continued)	City of Lynwood
Management's Response	<p>The City agrees with the finding and will submit revised budgets via SmartSheets prior to the end of the fiscal year to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said project on December 18, 2023.</p>
Finding Corrected During the Audit	<p>Metro Program Manager granted retroactive approval of the said project on December 18, 2023. No additional follow-up is required.</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, 2023
(Continued)**

Finding #2023-012: PALRF and PCLRF	City of Lynwood
Compliance Reference	Section I (C) Annual Expenditure Report (Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines state that, "Jurisdiction shall submit on or before October 15 th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) to Metro on October 23, 2023, 8 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City's Annual Expenditure Report (Actuals Entry) was not submitted timely. The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C Actuals Entry is submitted in a timely manner by October 15 th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry) on October 23, 2023. 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, 2023
(Continued)**

Finding #2023-013: PALRF	City of Malibu
Compliance Reference	Section I (B) Timely Use of Funds of Proposition A and Proposition C Local Return Guidelines state that, "Metro will enforce regulations to ensure the timely use of LR 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 the 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 \$7,220 which has lapsed as of June 30, 2023.
Cause	The City's projects were delayed and did not have enough expenditures to cover the lapsing amount.
Effect	The City did not comply with the Proposition A and Proposition 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 has requested Metro to extend the use of the remaining \$7,220 Proposition A funds through June 30, 2024, since the City has existing approved projects in FY 2023/24. On October 18, 2023, the City received Metro's approval for the extension of the use of funds until June 30, 2024.
Finding Corrected During the Audit	On October 18, 2023, Metro Transportation Planning Manager granted an extension for the use of the lapsed funds on or by June 30, 2024. No additional follow-up is required.



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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER 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, 2023



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, 2023**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE
3320 LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE 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 and Oversight Committee

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the 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, the respective Cities for the year ended June 30, 2023 (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.

In our opinion, 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, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.





Responsibilities of Management for Compliance

Management is responsible for the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to each City's Proposition A Local Return program and Proposition C Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



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 #2023-001 through #2023-030. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify 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 with the Guidelines 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 with the Guidelines 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 #2023-006, #2023-009 and #2023-024, that we consider 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 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 #2023-004, #2023-005, #2023-007, #2023-012, #2023-013, #2023-017, #2023-018, #2023-019, and #2023-029, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

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

Los Angeles, California
December 29, 2023

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2023

- | | |
|----------------------------------|-----------------------------------|
| 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, 2023

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, 2023

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 30 findings. The table below summarizes 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.	7	Alhambra (#2023-001) Artesia (#2023-006) Bradbury (#2023-007) Downey (#2023-011) La Habra Heights (#2023-016) Rolling Hills (#2023-025) Rolling Hills Estates (#2023-027)	\$ 1,160,382 - - 215,316 15,036 58,400 15,686	\$ - 29,105 604 - - - -	\$ 1,160,382 29,105 604 215,316 15,036 58,400 15,686
Timely use of funds.	3	El Segundo (#2023-013) Palmdale (#2023-022) Palos Verdes Estates (#2023-024)	470,845 - -	- 496,812 198,744	470,845 496,812 198,744
Administrative expenses are within the 20% cap.	2	Arcadia (#2023-003) Burbank (#2023-010)	3,848 -	58,789 305,448	62,637 305,448
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	Alhambra (#2023-002) La Habra Heights (#2023-017)	None None	None -	None None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	1	Bradbury (#2023-008)	None	None	None

(Continued)

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023**

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	5	Artesia (#2023-004) Bradbury (#2023-009) La Habra Heights (#2023-018) Palos Verdes Estates (#2023-023) Rolling Hills (#2023-026)	None None None None None	None None None None None	None None None None None
Recreational transit form was submitted on time.	8	Artesia (#2023-005) El Segundo (#2023-012) Glendora (#2023-014) Long Beach (#2023-020) Los Angeles (#2023-021) San Dimas (#2023-028) Signal Hill (#2023-029) Temple City (#2023-30)	None None None None None None None None	- - - - - - - -	None None None None None None None None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	La Habra Heights (#2023-019)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	1	Glendora (#2023-015)	None	-	None
Total Findings and Questioned Cost	30		\$ 1,939,513	\$ 1,089,502	\$ 3,029,015

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, 2023**

PALRF Finding #2023-001	City of Alhambra
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 expenditures for the PALRF Project Code 210, 2021-2022 Purchase of two ACT Transit Buses, in the total amount of \$1,160,382 were incurred prior to Metro's approval. However, the City subsequently received an approved budget in the amount of \$1,160,375 from Metro on October 5, 2023.
Cause	The City assumed that the project was previously approved by Metro prior to expenditures being incurred.
Effect	The City did not comply with the Guidelines as expenditures for the PALRF 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 A 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 A Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City agrees with this finding. The City will closely monitor that all of the projects are approved and ensure that the expenditures are not incurred prior to Metro's approval.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval in the amount of \$1,160,375 for the said project on October 5, 2023. 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, 2023
(Continued)

PALRF & PCLRF Finding #2023-002	City of Alhambra
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	<p>The City exceeded more than 25 percent of Metro's approved budget on the following projects:</p> <ul style="list-style-type: none"> a) PALRF's Project Code 610, Direct Administration, in the amount of \$173,027. b) PCLRF's Project Code 620, Direct Administration, in the amount of \$64,301. <p>However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$262,776 for the PALRF's Direct Administration Project Code 610 on December 5, 2023.</p> <p>Likewise, the City submitted a request to increase the budget and was approved by Metro in the amount of \$185,285 for the PCLRF's Direct Administration Project Code 620 on December 5, 2023.</p>
Cause	The City has in prior years included administration costs directly related to the projects within the budget and actuals of the projects. However, this is the first year this was brought to the City's attention by the auditors that all administration costs should be included in Direct Administration Project.
Effect	The City's PALRF and PCLRF project expenditures 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 agrees with this finding. In future years, the City will ensure administration costs are budgeted and actuals are reported within the Direct Administration Project.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals of the said projects on December 5, 2023. 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, 2023
(Continued)**

PALRF & PCLRF Finding #2023-003	City of Arcadia
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 and PCLRF annual expenditures in the amount of \$3,848 and \$58,789, respectively, or a total of \$62,637. The amount of \$62,637 represents an excess of over 20 percent of the PALRF and PCLRF’s total annual expenditures.
Cause	This was due to an oversight on the part of the City.
Effect	The City’s Proposition A and Proposition C respective Administration Project Codes 610 and 620 expenditures exceeded 20 percent of its PALRF and PCLRF total annual expenditures. Therefore, the City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PALRF’s and PCLRF’s total annual expenditures.
Management’s Response	The finding was due to staff turnover, which was responsible for communicating the 20 percent administrative cap to the relevant staff. The staff have since addressed this matter with Metro. A one-time waiver by Metro has been granted.
Corrected During the Audit	The City requested a one-time waiver of the 20% administrative cap from Metro for Proposition A and Proposition C. Metro granted the waiver on December 12, 2023. 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, 2023
(Continued)**

PALRF & PCLRF Finding #2023-004	City of Artesia
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, 2023 deadline for submitting the Form C in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 13, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form C is entered in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that Form C is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 18, 2023. 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, 2023
(Continued)

PALRF Finding #2023-005	City of Artesia
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, 2023 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 18, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the timely submission of all required forms and documentation.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City's Recreational Transit Form was submitted to Metro on December 18, 2023. 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, 2023
(Continued)**

PCLRF Finding #2023-006	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section (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 for PCLRF Project Code 705, ATP Cycle 3, in the amount of \$29,105. However, the City subsequently received an approved budget in the amount of \$29,105 from Metro for the PCLRF project on December 18, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it 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 Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. 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, 2023
(Continued)**

PCLRF Finding #2023-007	City of Bradbury
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 \$604 for the Wild Rose Project in FY2022/23 prior to receiving approval from Metro. This is a repeat finding from fiscal year 2022.
Cause	It was due to the change in personnel in the City’s finance department.
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	We recommend that the City establish procedures to ensure that all expenditures are approved by Metro prior to expending the funds including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City accepts the finding and will ensure to establish procedures to ensure that expenditures are approved by Metro prior to expending the funds and new personnel are made aware of the procedures.
Corrected During the Audit	The City received a retroactive approval from Metro on November 16, 2023 on the budget for Wild Rose Project, in the amount of \$604. 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, 2023
(Continued)**

PALRF & PCLRF Finding #2023-008	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 Project Update (Form B), "On or before August 1st of each fiscal year, the Jurisdictions shall submit 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, 2022 deadline for submitting Form B in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on November 14, 2023.
Cause	It was due to the change in personnel in 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 Form B is submitted in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form B before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. 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, 2023
(Continued)**

PALRF & PCLRF Finding #2023-009	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, 2023 deadline for submitting Form C in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	It was due to the change in personnel in 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 Form C is submitted in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form C before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. 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, 2023
(Continued)**

PCLRF Finding #2023-010	City of Burbank
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.”
Condition	The City’s administrative expenditures exceeded more than 20 percent of its total Proposition C Local Return Fund (PCLRF) annual expenditures in the amount of \$305,448. The amount of \$305,448 represents an excess of over 20 percent of the PCLRF’s total local return annual expenditures.
Cause	It was due to an oversight by the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF’s total annual expenditures.
Management’s Response	In the future, the City will monitor the administrative expenditures so that they will not exceed more than 20 percent cap of PCLRF’s total expenditures.
Corrected During the Audit	Metro Program Manager granted the City a waiver to reimburse its PCLRF account for the questioned cost of \$305,448 on December 12, 2023. 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, 2023
(Continued)

PALRF Finding #2023-011	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 City incurred expenditures prior to Metro's approval on the following projects:</p> <ul style="list-style-type: none"> a. Administrative Overhead for Senior/Handicapped Transit Program Project Code 610, in the amount of \$214,576. b. Administrative Overhead for Downey Depot Maintenance Project Code 610 in the amount of \$740. <p>However, the budgets for the projects above were subsequently approved by Metro on November 17, 2023, for the same amounts expended.</p>
Cause	The request for budget approvals from Metro for these projects was overlooked in fiscal year 2022-23.
Effect	The City did not comply with the Guidelines as expenditures for the PALRF 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 A Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City's expenditures of Proposition A 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 Administrative Overhead costs and ensure to request the appropriate Metro approved budget prior to incurring the expenditures.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals for the said projects on November 17, 2023. 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, 2023
(Continued)**

PALRF Finding #2023-012	City of El Segundo
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, 2023 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 5, 2023. This is a repeat finding from fiscal year 2022.
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 establish 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	The City accepts the finding and the Finance Department has reminded staff about the due date and set-up annual reminder to ensure that the Recreational Transit Form is submitted before the due date of October 15.
Corrected During the Audit	The City’s Recreational Transit Form was submitted on December 5, 2023. 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, 2023
(Continued)**

PALRF Finding #2023-013	City of El Segundo
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section IV, E.1-3 Timely 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 2020 lapsed fund balance in the amount of \$470,845 was not fully expended within 3 years as of June 30, 2023 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 fiscal year 2022.
Cause	This was an oversight by the City for not tracking the timely use of funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely, or a capital reserve account can be established.
Management’s Response	The City accepts the finding and has reminded staff to work to identify eligible operational and capital objectives during the budget development process each year to ensure there are sufficient encumbrances within the Proposition A fund to fully spend down the City's Proposition A allocations.
Corrected During the Audit	On December 5, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024.

**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, 2023
(Continued)**

PALRF Finding #2023-014	City of Glendora
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, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on December 20, 2023.
Cause	It came to the City’s attention during the audit that the listing was not submitted to Metro by the deadline of October 15th. This was due to an oversight. The City’s Accounting Manager who worked on the Metro project with little to no assistance from staff left in September 2023, prior to the deadline of the form submission. Upon her exit, the employee who was working on the audit received the form but only provided the listing to the Metro auditor and not to Metro due to lack of training. As a result, the listing was submitted to Metro not until December 20, 2023.
Effect	The City’s Listing of Recreational Transit Services was not submitted in a timely manner 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 from Metro to verify the form was submitted in a timely manner.
Management’s Response	Moving forward, this task has been placed on the City’s yearly task calendar, as well as a reminder set in the outlook calendar to submit the listing by October 15th of each year. The City has reevaluated the process to ensure that the form will be submitted in a timely manner. The City is confident that this will not be a finding in the future.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on December 20, 2023. 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, 2023
 (Continued)**

PALRF Finding #2023-015	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 provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 <p>We noted salary discrepancies amounting to \$749 in nine (9) out of twelve (12) payroll transactions tested. The differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees’ hourly rates.</p> <p>However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return fund, these discrepancies will not be questioned.</p>
Cause	Upon reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to PALRF resulting in an under allocation of salaries to the local return funds.
Effect	Payroll discrepancies resulting from improper timecard management and limited HR data access can lead to misallocation of the local return funds.
Recommendation	We recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund’s projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.

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, 2023
(Continued)

PALRF Finding #2023-015 (Continued)	City of Glendora
Management's Response	The City is implementing a new finance system that will require electronic entry, thereby eliminating manual entry, in which the proper funds will be charged for the time worked on projects and will be better managed by the City. However, in order to resolve this issue at the present time, the employees will now be required to attach and submit the Certification with the timecard to the supervisor for validation that the hours are listed accurately and broken down according to the appropriate funds to be charged. Furthermore, the City plans to have a discussion meeting on providing access to HR files to the Finance department employees for any payroll-related documents that is requested so they can be provided to the Metro auditor during the audit.

**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, 2023
(Continued)**

PALRF Finding #2023-016	City of La Habra Heights
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 for Proposition A Local Return Fund (PALRF) Project Code 107, Dial-A-Ride, in the amount of \$15,036. However, the City subsequently received an approved budget in the amount of \$15,036 from Metro for the PALRF project on November 20, 2023.
Cause	This was an oversight by the City due to recent turnover among administrative staff and management.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements so that the City can obtain approval from Metro before implementing any Proposition A Local Return projects. Additionally, the City should properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit it before the requested due date. This ensures that the City's expenditures align with Metro's approval and adhere to the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of the said project on November 20, 2023. 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, 2023
(Continued)

PALRF Finding #2023-017	City of La Habra Heights
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 Metro's approved budget for PALRF Project Code 410, Prop A Fund Trade, by more than 25 percent, amounting to an excess of \$30,000. Subsequently, the City submitted a request for an increase in the budget from \$40,000 to \$80,000 to Metro, which was approved on December 19, 2022. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
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 take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring 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 any budget change 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 them to Metro to ensure that the proper budget amounts are requested.
Auditor’s Additional Comment	Metro Program Manager granted a retroactive budget approval of said project to \$80,000 on November 20, 2023. 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, 2023
(Continued)**

PALRF & PCLRF Finding #2023-018	City of La Habra Heights
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, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 20, 2023. 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, 2023
 (Continued)**

PCLRF Finding #2023-019	City of La Habra Heights
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects."</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2023 since the City incurred PCLRF expenditures for the following two projects: (1) Project Code 715, 20/21 Street Improvements - Various Roads Overlay; and (2) Project Code 715, 21/22 Street Improvements - Various Roads Overlay. However, the City did not submit a PMS Certification Form during the fiscal year 2023. The City submitted the PMS Certification Form on November 20, 2023.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	<p>This was an oversight by the City due to the recent turnover of administrative staff and management.</p>
Effect	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2023
 (Continued)**

PCLRF Finding #2023-019 (Continued)	City of La Habra Heights
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that if the City incurs expenditures for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly certified and executed by the City’s Engineer or designated registered Civil Engineer and submitted to Metro within the third year from the last submission date to be in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated and submitted in fiscal year 2023.
Corrected During the Audit	The City has submitted the PMS Certification Form on November 20, 2023. 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, 2023
(Continued)

PALRF Finding #2023-020	City of Long Beach
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, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on December 5, 2023.
Cause	The City submitted the report to Metro seven weeks late even though the report was completed over two months in advance. The delayed transmittal to Metro was due to staff attrition and lack of management oversight between the City departments.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner 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 15 th 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 from Metro to verify the form was submitted in a timely manner.
Management's Response	The Public Works Department (Department) will ensure staff are properly trained on the preparation, review, and timely submission of forms to the Los Angeles County Metropolitan Transportation Authority. The Department will also improve internal guidelines and communication between City Departments to obtain necessary information in advance of filing deadlines. The expected completion date for implementation of these planned actions is No later than December 31, 2023.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on December 5, 2023. 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, 2023
(Continued)**

PALRF Finding #2023-021	City of Los Angeles
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, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on November 16, 2023.
Cause	This was an oversight by the City.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner 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 15 th 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 from Metro to verify the form was submitted in a timely manner.
Management's Response	The City will ensure staff are made aware of the timely submission of the recreational transit form to Metro. The City will also improve internal procedures and guidelines to obtain necessary information in advance of filing deadlines.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 16, 2023. 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, 2023
(Continued)**

PCLRF Finding #2023-022	City of Palmdale
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 2020 PCLRF ending fund balance in the amount of \$496,812 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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 20, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024. 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, 2023
(Continued)**

PALRF & PCLRF Finding #2023-023	City of Palos Verdes Estates
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, 2023 deadline for submitting the Form C in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 1, 2023.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Form C by the due date.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Form C is entered in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure the Form C is submitted before the deadline.
Corrected During the Audit	The City subsequently entered Form C in the LRMS on December 1, 2023. 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, 2023
(Continued)

PCLRF Finding #2023-024	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely 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 2020 ending fund balance of Proposition C Local Return Fund (PCLRF) in the amount of \$198,744 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 21, 2023, Metro granted the City an extension on the usage of lapsed funds until June 30, 2024. This is a repeat finding from fiscal years 2021 and 2022.
Cause	This was an oversight by the City due to administrative staff and management turnover for not tracking the timely use of funds.
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 take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	Executive, Management, and administrative staff in the Finance Department have had significant turnover during the past 12 months. All staff that would have been involved in the production of, or had institutional knowledge of, the timely use of funds left the City. In the future, management will ensure the fund is fully expended within 3 years.
Corrected During the Audit	On December 21, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024. 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, 2023
(Continued)**

PALRF Finding #2023-025	City of Rolling Hills
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – 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 did not submit the Form A prior to the fund exchange with the City of Beverly Hills in the amount of \$58,400. Instead, the City submitted the information in the Local Return Management System (LRMS) on October 31, 2023.
Cause	This was an oversight on the part 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 Form A is entered in the LRMS before the expenditure of funds so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City acknowledges the oversight and will ensure to submit the Form A before the expenditure of funds.
Corrected During the Audit	The City subsequently received approval for the fund exchange in the LRMS on October 31, 2023. 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, 2023
 (Continued)**

PALRF & PCLRF Finding #2023-026	City of Rolling Hills
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 15 th 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, 2023 deadline for submitting the Form C in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023.
Cause	This was due to an oversight on the part 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 Form C is entered in the LRMS before the due date so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City acknowledges the oversight and will ensure to submit the Form C on or before October 15 th .
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 31, 2023. 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, 2023
(Continued)

PALRF Finding #2023-027	City of Rolling Hills Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I ©, 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 for PALRF Project Code 610, Personnel Admin Costs, in the amount of \$15,686. However, the City subsequently received approval from Metro for this project on November 06, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition A Local Return projects, properly enters the budgeted amount for each project in the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Proposition A Local Return Funds are in accordance with Metro’s approval and the Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of the said project on November 06, 2023. No follow-up action 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, 2023
(Continued)

PALRF Finding #2023-028	City of San Dimas
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, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on October 24, 2023.
Cause	The new City staff was unfamiliar with the submittal of the listing and did not follow-up with Metro on the reporting requirement deadline.
Effect	The City’s Listing of Recreational Transit Services was not submitted in a timely manner 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 from Metro to verify the form was submitted in a timely manner.
Management’s Response	The new City staff is now aware of the submittal process of the listing and will ensure that in the future, the form will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on October 24, 2023. 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, 2023
(Continued)**

PALRF Finding #2023-029	City of Signal Hill
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, 2023 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on November 6, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance 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	The City submitted the Recreational Transit Form on November 6, 2023 due to oversight. In the future, the City will make sure to submit the 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 November 6, 2023. 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, 2023
(Continued)**

PALRF Finding #2023-030	City of Temple City
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, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on November 15, 2023.
Cause	The late submission of the listing to Metro was due to an oversight by the City staff.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner 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 from Metro to verify the form was submitted in a timely manner.
Management's Response	The City plans to create a checklist to keep track of the deadline dates for submission of the forms, including the listing, as required by Metro for all local return funds.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 15, 2023. No follow-up is required.



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**MANAGEMENT
AUDIT SERVICES**

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FY22 AND FY23 MEASURE R AUDITS

INTRODUCTION

On November 4, 2008, Los Angeles County voters approved Measure R which imposed an additional half-cent transactions and use tax to fund transportation improvements in the County. Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year¹. The audit reports must be provided to the Oversight Committee so that it can determine whether Metro and local subrecipients have complied with the Measure R requirements (see Exhibit 1) and communicate its findings to the Metro Board.

In compliance with the Ordinance, Metro contracted with BCA Watson Rice, LLP (BCA) to perform the independent audit of the Measure R Special Revenue Fund. Metro also contracted with two firms to conduct the audits of Measure R sales tax revenues used by the County of Los Angeles (County) as well as the 88 cities (Cities). The report prepared by Vasquez & Company, LLP covers the audits of the County as well as 39 of the Cities, and the report prepared by Simpson & Simpson covers the audits of 49 of the Cities. The audit reports are attached as Exhibits 2, 3, and 4.

THE AUDITS

The Independent Auditor's reports on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the fiscal years ending June 30, 2022, and June 30, 2023.

The audits of compliance with the Local Return Guidelines of the County and the 88 Cities for Fiscal Years 2022 (FY22) and 2023 (FY23), found 17 and 12 local jurisdictions with compliance issues, respectively. All findings have been resolved or are in the process of being resolved. Audit findings were as follows:

Compliance Issue	FY22	FY23
Untimely Submittal of Forms - <i>Form One and Form Two are required to be submitted by jurisdictions to Metro identifying the budget and expenditures</i>	11	7
Failure to Obtain Approval Before Incurring Expenses – <i>Jurisdictions are required to obtain project approval before expending funds</i>	6	4
Inadequate accounting procedures, record-keeping, and documentation - <i>It is the jurisdiction's responsibility to maintain proper accounting records and documentation</i>	1	3
Total	18	14

¹ The Committee collectively received the results of the FY22 and FY23 Audits, as a meeting was not convened in 2023 due to efforts to reestablish the Committee composition and meet Brown Act requirements.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the six audit reports in February 2024. Each member of the Committee reviewed the reports, and the Committee met on March 7, 2024, during which the Committee received a formal presentation from the three contracted auditor firms on the respective audit reports.

The Committee inquired, and received satisfactory responses, regarding whether staff turnover within the jurisdictions is a potential cause for the non-compliance issues, repeat instances of non-compliance, as well as Metro's resolution process with the jurisdictions.

MEASURE R OVERSIGHT COMMITTEE FINDINGS

The Committee finds that: 1) the audits were performed in accordance with the Ordinance that the voters approved in 2008; 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the fiscal years ending June 30, 2022 and June 30, 2023; and 3) the County and Cities complied, in all material respects, with the Measure R Ordinance and guidelines that are applicable to the Measure R Local Return program for the fiscal years ending June 30, 2022 and June 30, 2023. The audits of FY22 resulted in 18 instances of non-compliance in 17 local jurisdictions including two material weaknesses and three significant deficiencies in internal controls over compliance. The audits of FY23 resulted in 14 instances of non-compliance in 12 local jurisdictions including two material weaknesses and two significant deficiencies in internal controls over compliance.

RESOLUTION OF THE INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE MAKING FINDINGS REGARDING THE ANNUAL AUDIT PURSUANT TO THE MEASURE R ORDINANCE

WHEREAS, on November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional half-cent transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that an annual audit be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

WHEREAS, the audits must be provided to the Oversight Committee so that the Oversight Committee can determine whether Metro and local subrecipients have complied with the Measure R requirements; and

WHEREAS, under contract with Metro, BCA Watson Rice LLP performed the independent audits of the Measure R Special Revenue Fund, and Vasquez & Company, LLP and Simpson & Simpson audited the compliance of the County of Los Angeles (County) and the 88 cities (Cities);

NOW, THEREFORE, the Measure R Independent Taxpayers Oversight Committee of Metro finds that:

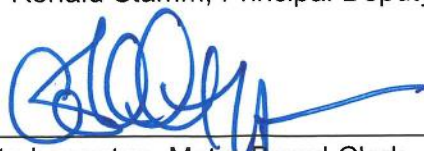
The audits were performed in accordance with the Ordinance that the voters approved in 2008;

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the years ending June 30, 2022 and June 30, 2023; and

The County and Cities complied with the Ordinance requirements that are applicable to the Measure R Local Return program for the fiscal years ending June 30, 2022 and June 30, 2023, however, the audits found two material weaknesses and three significant deficiencies in internal control over compliance during FY22 and two material weaknesses and two significant deficiencies in internal controls over compliance during FY23. All findings have been resolved or are in the process of being resolved.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:



Collette Langston, Metro Board Clerk

Adopted this 5 day of June, 2024.

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure R Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2022
(With Comparative Totals For 2021)**



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
For the Year Ended June 30, 2022

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Independent Auditor's Report

Measure R Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Audit of Schedule of Measure R Revenues and Expenditures

Opinion

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure R Fund is intended to present the revenues and expenditures attributable to the Measure R Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2022, 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. Our report is not modified with respect to this matter.

Responsibility of Management for the Schedule of Measure R Revenues and Expenditures

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the LACMTA's ability to continue as a going concern for twelve months beyond the Schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Schedule of Measure R Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from a fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 LACMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the LACMTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic Schedule 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 Schedule, and other knowledge we obtained during our audit of the basic Schedule. 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.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited Schedule from which it has been derived.

BCA Watson Rice, LLP

Torrance, CA
November 17, 2022

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022
(With Comparative Totals for 2021)
(Amounts expressed in thousands)

	<u>2022</u>	<u>2021</u>
Revenues		
Sales tax	\$ 1,091,162	\$ 912,444
Intergovernmental	67,570	51,815
Investment income	1,839	2,838
Net decline in fair value of investments	(7,042)	(3,957)
	<hr/>	<hr/>
Total revenues	1,153,529	963,140
	<hr/>	<hr/>
Expenditures		
Administration and other	249,838	113,425
Transportation subsidies	404,338	340,962
Debt and interest expenditures		
Principal - leases	1,403	-
Interest - leases	15	-
	<hr/>	<hr/>
Total expenditures	655,594	454,387
	<hr/>	<hr/>
Excess of revenues over expenditures	497,935	508,753
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	25,891	11,510
Transfers out	(277,597)	(573,426)
Inception of long-term leases	2,986	-
Right-to-use lease	(2,986)	-
	<hr/>	<hr/>
Total other financing sources (uses)	(251,706)	(561,916)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 246,229</u>	<u>\$ (53,163)</u>

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

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, about one third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure R

Measure R, also known as the Traffic Relief and Rail Expansion Ordinance is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 2009 and continuing on for the next 30 years. Revenues collected are required to be allocated in the following manner: 1) 2% for rail capital improvements; 2) 3% for Metrolink capital improvement projects within Los Angeles County; 3) 5% for rail operations for new transit project operations and maintenance; 4) 15% for local return; 5) 20% for county-wide bus service operations, maintenance, and expansion; 6) 20% for highway capital projects; and 7) 35% for transit capital specific projects.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund 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:

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

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 Fund to account for Measure R 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 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 Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and net 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, 2022, the Measure R fund had investment income of \$1,839 and net decline in fair value of investments of \$7,042. The net decline in fair value of investments were mainly due to a decrease in 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 Schedule 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.

Leases

Effective July 1, 2021, LACMTA implemented GASB 87, the new accounting standard on leases. GASB 87 establishes a single model for lease accounting with the underlying foundation that leases are financing, with the exceptions for short-term leases, contracts that transfer ownership and do not contain termination options, and leases that are considered exclusions from scope of leases under the new standard. With the implementation of GASB 87, the new accounting standards on leases, LACMTA has recognized an intangible right to use lease asset, in the government-wide financial statements as of June 30, 2022. The right to use lease asset is equal to the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before commencement date of the lease term and direct ancillary costs necessary to place the asset into service. Lease assets are reported with other capital assets and lease liabilities are reported separately on the Statement of Net Position in the government-wide financial statements. The lease liability is reduced as payments are made and recognize an outflow of resources for the interest on the liability while the right to use lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Any remeasurement of the lease liability requires a corresponding change in the right to use lease asset. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset, with any difference being recognized as a gain or loss.

LACMTA is a lessee for noncancellable leases of office space recorded under the Measure R fund. At the commencement of a lease, LACMTA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payment made at or before the lease commencement date, plus certain indirect costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

LACMTA determines the discount rate it uses to discount the expected lease payments to present value. LACMTA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, LACMTA uses its estimated incremental borrowing rate as the discount rate for leases. The future lease payments expected to be made are discounted using an implied rate of .677% given an average lease term of 5 to 7 years. The lease terms and lease payments used are those that are stated in the executed agreements. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the LACMTA is reasonably certain to exercise.

LACMTA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The aforementioned accounting practice is in conformity with GASB 87, Leases.

Comparative Financial Data

The amounts shown for 2021 in the accompanying Schedule are included only to provide a basis for comparison with 2022 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure R fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in financial position thereof for the year 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 Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

Los Angeles County Metropolitan Transportation Authority
 Measure R Special Revenue Fund
 Notes to the Schedule of Revenues and Expenditures
 For the Fiscal Year Ended June 30, 2022

6. Leases

LACMTA, as a lessee, has entered into a lease agreement involving office space/building. In fiscal year 2022, principal and interest payments of \$1,403 and \$15, respectively, represent the total amount of periodic lease payments per executed contract.

The amount of \$2,986 was allocated to Measure R, which was treated as other financing sources (uses) in the Measure R schedule of revenues and expenditures for the fiscal year ended June 30, 2022. The amount was measured based on the present value of future lease payments expected to be made during the lease term.

As of June 30, 2022, the future lease payment under the lease agreement is as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,583	\$ 6	\$ 1,589
Total	\$ 1,583	\$ 6	\$ 1,589

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

The Measure R fund at June 30, 2022 had an excess of revenues and other financing sources over expenditures and other financing uses of \$246,229 due to 1) higher sales tax revenues brought about by the increase in consumer spending as the economy recovered from the pandemic recession, and 2) decrease in transfers out on bus and rail operating projects as a result of one-time federal funding provided by the stimulus grants. The forgoing factors contributed to the increase in fund balance in Measure R from \$276,965 to \$523,194.

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2022 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. 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.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

10. Restatement

The administrative and other expenditures for the fiscal year ended June 30, 2021 had been restated to reflect adjustments related to transactions that should have been reported as expenditures for the fiscal year ended June 30, 2022. The restatement resulted in the increase of the beginning fund balance as of July 1, 2021 by \$53,734.

11. 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.

12. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 17, 2022, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the fiscal year ended June 30, 2022
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 865,000	\$ 865,000	\$ 1,091,162	\$ 226,162
Intergovernmental	125,167	125,167	67,570	(57,597)
Investment income	-	-	1,839	1,839
Net decline in fair value of investments	-	-	(7,042)	(7,042)
Total revenues	990,167	990,167	1,153,529	163,362
Expenditures				
Administration and other	405,335	403,218	249,838	153,380
Transportation subsidies	392,630	394,512	404,338	(9,826)
Debt and interest expenditures				
Principal	-	-	1,403	(1,403)
Interest and fiscal charges	-	-	15	(15)
Total expenditures	797,965	797,730	655,594	142,136
Excess of revenues over expenditures	192,202	192,437	497,935	305,498
Other financing sources (uses)				
Transfers in	143,859	143,859	25,891	(117,968)
Transfers out	(695,629)	(695,629)	(277,597)	418,032
Inception of long-term leases	-	-	2,986	2,986
Capital outlay-long-term leases	-	-	(2,986)	(2,986)
Total other financing sources (uses)	(551,770)	(551,770)	(251,706)	300,064
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (359,568)	\$ (359,333)	\$ 246,229	\$ 605,562

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Revenues and Expenditures Performed in Accordance with *Government Auditing Standards*

Measure R Independent Taxpayer 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 Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprised LACMTA’s basic Schedule, and have issued our report thereon dated November 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, 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 Schedule 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is 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 Schedule. 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 17, 2022

**Independent Auditor’s Report on Compliance with Requirements Applicable to
Measure R Revenues and Expenditures in Accordance with the
*Traffic Relief and Rail Expansion Ordinance No. 08-01***

Measure R Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Measure R Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the *Traffic Relief and Rail Expansion Ordinance No. 08-01* (the Ordinance) applicable to LACMTA’s Measure R revenues and expenditures for the fiscal year ended June 30, 2022.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the fiscal year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of LACMTA’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Measure R revenues and expenditures.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA’s compliance with Measure R revenues and expenditures based on our audit. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Measure R revenues and expenditures as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing other procedures as necessary in the circumstances.
- Obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Measure R revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 compliance requirements of the Measure R revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 17, 2022

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2022

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Status of Prior Year Audit Findings

None noted.

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure R Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2023
(With Comparative Totals For 2022)**



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
For the Year Ended June 30, 2023

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2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

Independent Auditor's Report

Measure R Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Audit of Schedule of Measure R Revenues and Expenditures

Opinion

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure R Fund is intended to present the revenues and expenditures attributable to the Measure R Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2023, 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. Our report is not modified with respect to this matter.

Responsibility of Management for the Schedule of Measure R Revenues and Expenditures

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Measure R Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 LACMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic Schedule 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 Schedule, and other knowledge we obtained during our audit of the basic Schedule. 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.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 17, 2022. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited Schedule from which it has been derived.

BCA Watson Rice, LLP

Torrance, CA
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for 2022)
(Amounts expressed in thousands)

	2023	2022
Revenues		
Sales tax	\$ 1,110,713	\$ 1,091,162
Intergovernmental	81,047	67,570
Investment income	18,857	1,839
Net decline in fair value of investments	(6,994)	(7,042)
	1,203,623	1,153,529
Expenditures		
Administration and other	277,352	249,838
Transportation subsidies	423,951	404,338
Debt and interest expenditures		
Principal - leases	1,571	1,403
Interest - leases	18	15
	702,892	655,594
Excess of revenues over expenditures	500,731	497,935
Other financing sources (uses)		
Transfers in	353,110	25,891
Transfers out	(374,868)	(277,597)
Inception of long-term leases	-	2,986
Right-to-use lease	-	(2,986)
	(21,758)	(251,706)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 478,973	\$ 246,229

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

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 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, about one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure R

Measure R, also known as the Traffic Relief and Rail Expansion Ordinance is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 2009, and continuing on for the next 30 years. Revenues collected are required to be allocated in the following manner: 1) 2% for rail capital improvements; 2) 3% for Metrolink capital improvement projects within Los Angeles County; 3) 5% for rail operations for new transit project operations and maintenance; 4) 15% for local return; 5) 20% for county-wide bus service operations, maintenance, and expansion; 6) 20% for highway capital projects; and 7) 35% for transit capital specific projects.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund 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 regarding the special revenue fund type are described below:

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

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 the governmental fund type Special Revenue Fund to account for Measure R 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 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 on 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 Schedule.

Investment Income and Net Decline in Fair Value of Investments

Investment income and net 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, 2023, the Measure R fund had an investment income of \$18,857 and a net decline in fair value of investments of \$6,994. The net decline in the fair value of investments was mainly due to a decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the Schedule 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.

Leases

Effective July 1, 2021, LACMTA implemented GASB 87, the new accounting standard on leases. GASB 87 establishes a single model for lease accounting with the underlying foundation that leases are financing, with the exceptions for short-term leases, contracts that transfer ownership and do not contain termination options, and leases that are considered exclusions from the scope of leases under the new standard. With the implementation of GASB 87, the new accounting standards on leases, LACMTA has recognized an intangible right to use lease assets, in the government-wide financial statements as of June 30, 2023. The right to use the leased asset is equal to the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement date of the lease term and direct ancillary costs necessary to place the asset into service. Lease assets are reported with other capital assets and lease liabilities are reported separately on the Statement of Net Position in the government-wide financial statements. The lease liability is reduced as payments are made and recognize an outflow of resources for the interest on the liability while the right to use the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Any remeasurement of the lease liability requires a corresponding change in the right to use the lease asset. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset, with any difference being recognized as a gain or loss.

LACMTA is a lessee for noncancellable leases of office space recorded under the Measure R fund. At the commencement of a lease, LACMTA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payment made at or before the lease commencement date, plus certain indirect costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

LACMTA determines the discount rate it uses to discount the expected lease payments to the present value. LACMTA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, LACMTA uses its estimated incremental borrowing rate as the discount rate for leases. The future lease payments expected to be made are discounted using an implied rate of 2.31% given an average lease term of 5 to 7 years. The lease terms and lease payments used are those that are stated in the executed agreements. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the LACMTA is reasonably certain to exercise.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

LACMTA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease assets and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The aforementioned accounting practice is in conformity with GASB 87, Leases.

Comparative Financial Data

The amounts shown for 2022 in the accompanying Schedule are included only to provide a basis for comparison with 2023 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure R fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in the financial position thereof for the year 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 Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

6. Leases

LACMTA, as a lessee, has entered into a lease agreement involving office space/building. In fiscal year 2023, principal and interest payments of \$1,571 and \$18, respectively, represent the total amount of periodic lease payments per executed contract, which matured in June 2023. Also, effective July 1, 2022, a remeasurement of the present value of lease liability and an adjustment to related right-to-use lease asset were affected due to the change in borrowing rate from .677% to 2.31%.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

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

The Measure R fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of \$478,973 primarily due to the one-time reimbursement of capital expenditures from the ARPA Capital Infrastructure Grant (CIF), and the transfers in from other local funds. The forgoing factors contributed to the increase in fund balance in Measure R from \$523,194 to \$1,002,167.

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2023, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. 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.

10. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 28, 2023, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the fiscal year ended June 30, 2023
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 1,031,800	\$ 1,031,800	\$ 1,110,713	\$ 78,913
Intergovernmental	175,463	175,463	81,047	(94,416)
Investment income	-	-	18,857	18,857
Net decline in fair value of investments	-	-	(6,994)	(6,994)
Total revenues	1,207,263	1,207,263	1,203,623	(3,640)
Expenditures				
Administration and other	546,503	553,173	277,352	275,821
Transportation subsidies	612,697	605,640	423,951	181,689
Debt and interest expenditures				
Principal	-	-	1,571	(1,571)
Interest and fiscal charges	-	-	18	(18)
Total expenditures	1,159,200	1,158,813	702,892	455,921
Excess of revenues over expenditures	48,063	48,450	500,731	452,281
Other financing sources (uses)				
Transfers in	428,369	428,369	353,110	(75,259)
Transfers out	(689,978)	(689,978)	(374,868)	315,110
Total other financing sources (uses)	(261,609)	(261,609)	(21,758)	239,851
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (213,546)	\$ (213,159)	\$ 478,973	\$ 692,132



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

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

Measure R Independent Taxpayer 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 Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, 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 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 Schedule 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is 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 Schedule. 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 28, 2023



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

**Independent Auditor's Report on Compliance with Requirements Applicable to
Measure R Revenues and Expenditures in Accordance with the
*Traffic Relief and Rail Expansion Ordinance No. 08-01***

Measure R Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Measure R Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the *Traffic Relief and Rail Expansion Ordinance No. 08-01* (the Ordinance) applicable to LACMTA's Measure R revenues and expenditures for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the fiscal year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Measure R revenues and expenditures.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion

on LACMTA's compliance with Measure R revenues and expenditures based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Measure R revenues and expenditures as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing other procedures as necessary in the circumstances.
- Obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Measure R revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant deficiencies, and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 compliance requirements of the Measure R revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2023

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Status of Prior Year Audit Findings

None noted.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES

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

Report on Compliance

Opinion

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 Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2022 (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.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for the County's and the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or program agreements applicable to the County and each City's Measure R Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's and the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's and the Cities' compliance with the requirements of the Measure R Local Return Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's and the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's and the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-007. Our opinion is not modified with respect to these matters.



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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines 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 with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-003, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 #2022-004 and #2022-005, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

Vaquer & Company LLP

**Glendale, California
December 30, 2022**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2022**

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
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

1. Funds were expended for transportation purposes.
2. Separate Measure R Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form One or electronic equivalent) was submitted on time.
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure R 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2022**

The audits of the County of Los Angeles and 39 cities have resulted in 7 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Bell (See Finding #2022-001)	\$ 134,979	\$ 134,979
		Calabasas (See Finding #2022-003)	156,347	156,347
		Compton (See Finding #2022-004)	605,793	605,793
		Montebello (See Finding #2022-005)	170,195	170,195
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	3	Bell Gardens (See Finding #2022-002)	None	None
		South Gate (See Finding #2022-006)	None	None
		Vernon (See Finding #2022-007)	None	None
Total Findings and Questioned Costs	7		\$ 1,067,314	\$ 1,067,314

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022**

Finding #2022-001	City of Bell
Compliance Reference	<p>Section B(II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Guidelines states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year.”</p> <p>“Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.”</p>
Condition	<p>The City claimed expenditures under MRLRF Project Code 170, Maintenance and Operations, totaling \$134,979 prior to approval by Metro.</p> <p>Although, we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.</p>
Cause	Due to staffing constraints, the budget request was not properly allocated and reviewed when it was submitted online.
Effect	The City claimed expenditures totaling \$134,979 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management’s Response	The \$134,979 request was submitted on time, but due to staffing shortage, there was an oversight, and it was not properly allocated/broken down between the Administration and Operating Costs.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval for the said project on September 21, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-002	City of Bell Gardens
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of Measure R Local Return Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1 st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1 st of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003	City of Calabasas
Compliance Reference	<p>Section B(II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Guidelines states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year.”</p> <p>“Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.”</p>
Condition	<p>The City claimed expenditures under MRLRF with no prior approval from Metro for the following projects:</p> <ul style="list-style-type: none"> a. MRLRF Project code 110, Public Transit Fueling project, totaling \$9,968; b. MRLRF Project code 110, Flexible Route Shuttle project, totaling \$26,171; c. MRLRF Project code 110, Old Town Calabasas/Commons Trolley project, totaling \$6,448; d. MRLRF Project code 110, JARC Grant Local Match Funding project, totaling \$20,814; e. MRLRF Project code 130, Dial-A-Ride project, totaling \$27,699; f. MRLRF Project code 140, Summer Beach Bus project, totaling \$413; g. MRLRF Project code 180, Vehicle and Misc. Equipment project, totaling \$5,171; and h. MRLRF Project code 630, Direct Administration project, totaling \$59,663. <p>Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior years’ audits.</p>

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003 (Continued)	City of Calabasas
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed expenditures totaling \$156,347 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects.
Management's Response	The City agrees with the findings and will continue to work diligently to establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on November 18, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-004	City of Compton
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year.</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	<p>The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under MRLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of \$605,793 were not included in the Budget Request or "8/1" Table.</p> <p>This is a repeat finding from prior year's audit in relation to the MRLRF's prior period adjustment to recognize the FY2020/21 debt service payment of \$207,117.</p>
Cause	<p>The City had received approval for the bond issuance from Metro, but was not aware that separate approvals were required for underlying annual project expenditures including debt service payments through the Budget Request or "8/1" Table.</p>
Effect	<p>The City claimed debt service payments totaling \$605,793 prior to approval by Metro. The City did not comply with the Local Return Guidelines.</p>

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-004 (Continued)	City of Compton
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said project on December 1, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said project. No additional follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-005	City of Montebello
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year.</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects prior to approval by Metro:</p> <ul style="list-style-type: none"> a. Project code 490, Sales Tax Revenue Bonds, totaling \$1,605; and b. Project code 630, Administrative Overhead, totaling \$168,590. <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.</p>
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.
Effect	The City claimed expenditures totaling \$170,195 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 Measure R-funded projects.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-005 (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on July 5, 2022 and August 18, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said projects. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-006	City of South Gate
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1 st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-007	City of Vernon
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023**

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655 N. Central Avenue
Suite 1550
Glendale, CA 91203

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

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

Report on Compliance

Opinion

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 Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the aforementioned Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of the County and the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the County's and the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the County and each City's Measure R Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's and the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's and the Cities' compliance with the requirements of the Measure R Local Return Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's and the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's and the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 through #2023-003. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

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 the Guidelines 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 with the Guidelines 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 Guidelines 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

Vasquez & Company LLP

**Glendale, California
December 29, 2023**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2023**

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
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37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

1. Funds were expended for transportation purposes.
2. Separate Measure R Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form One or electronic equivalent) was submitted on time.
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure R 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023

The audits of the County of Los Angeles and 39 cities have resulted in 3 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	1	South Gate (See Finding #2023-003)	\$ 341,654	\$ 341,654
Annual Expenditure Report (Actuals Entry) or electronic equivalent was submitted on time.	1	Lynwood (See Finding #2023-002)	None	None
Accounting procedures, record keeping and documentation are adequate.	1	Huntington Park (See Finding #2023-001)	None	None
Total Findings and Questioned Costs	3		\$ 341,654	\$ 341,654

Details of the above findings are in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023

Finding #2023-001	City of Huntington Park
Compliance Reference	Measure R Local Return Guidelines Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>As of the date of audit fieldwork, the City's year-end closing process is still ongoing. We noted the following observations:</p> <ul style="list-style-type: none"> • Reconciliation of major balance sheet accounts including bank accounts was not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. <p>Accordingly, the audits of the City's financial statements for fiscal years 2022 and 2023 have not yet started because of the clean-up and closing process currently being done.</p>
Cause	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-001 (Continued)	City of Huntington Park
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-002	City of Lynwood
Compliance Reference	Section B(II)(2) Annual Expenditure Report (Actuals Entry) of the Measure R Local Return Guidelines states that "Jurisdiction shall submit an Annual Expenditure Report (Actuals Entry) to Metro annually, by October 15 th . The Expenditure Report serves to notify Metro of the previous year's LR fund receipts and expenditures. Jurisdictions are required to specify administration charges to Direct Administration in order to verify compliance with the 20% cap on administration costs.
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) on October 23, 2023, 8 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Measure R Actuals Entry is submitted in a timely manner by October 15 th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry). No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-003	City of South Gate
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Program Guidelines states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year.”</p> <p>“Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.”</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project code 390, Citywide LED Street Light Conversion, totaling \$20,150; and b. Project code 730, Alameda St. Complete Street, totaling \$321,504. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The projects were inadvertently not included.
Effect	The City claimed expenditures totaling \$341,654 prior to approval from Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management’s Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the said projects on October 17, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on October 18, 2023. No additional follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurance and Understanding Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (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.

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 Measure R Local Return program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

The Cities' management is responsible for the Cities compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or program agreements applicable to the Cities' Measure R Local Return Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cities' compliance with the requirements of the Measure R Local Return Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-011. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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 the Guidelines 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 the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-006 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

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.

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

Los Angeles, California
December 30, 2022

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2022**

- | | |
|----------------------------------|-----------------------------------|
| 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 GLENORA | 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
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

1. Funds were expended for transportation purposes.
2. Separate Measure R Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form One or electronic equivalent) was submitted on time.
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure R 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2022**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 11 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Claremont (#2022-004) Redondo Beach (#2022-011)	\$ 28,969 175,000	\$ 28,969 175,000
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Artesia (#2022-001) Glendale (#2022-007)	None None	None None
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	6	Artesia (#2022-002) Bradbury (#2022-003) Covina (#2022-005) La Habra Heights (#2022-008) Palmdale (#2022-009) Pasadena (#2022-010)	None None None None None None	None None None None None None
Accounting procedures, record keeping, and documentation are adequate.	1	Downey (#2022-006)	12,066	-
Total Findings and Questioned Costs	11		\$ 216,035	\$ 203,969

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022**

Finding #2022-001	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II. 1), Expenditure Plan (Form One): "Jurisdictions shall submit to Metro an Expenditure Plan, annually, on or before August 1 st of each fiscal year."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Expenditure Plan in the LRMS. However, the City updated the information in the LRMS on August 9, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City is in compliant with Metro's Guidelines.
Management's Response	In the future, management will ensure the Expenditure Plan is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 9, 2021. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-002	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on December 2, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the 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	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 2, 2022. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 4, 2022. This is a repeat finding from fiscal year 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the 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 2022 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 November 4, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-004	City of Claremont
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF's Project Code 820, Street Accessibility Improvements, in the amount of \$28,969 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$488,000 from Metro for the MRLRF project on November 21, 2022.
Cause	The City believed the FY2020/21 approved budget would carry over for FY2021/22.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF 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 Measure R 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 Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	Going forward, the City will review the MRLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro granted retroactive budget approval for the project on November 21, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-005	City of Covina
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report to Metro by entering the expenditures in the LRMS. The City subsequently reported the MRLRF expenditures in the LRMS on October 20, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Report is properly prepared and submitted before the due date of October 15th by reporting the annual expenditures in the LRMS so that the City's expenditures of the MRLRF will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City's Finance and Public Works departments will work together to ensure that the Expenditure Report will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently reported the annual expenditures on October 20, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2022
 (Continued)**

Finding #2022-006	City of Downey
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” 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
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-006 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 630 in the amount of \$12,066 were based on estimated percentages on MRLRF activity rather than the employee's actual hours worked on the project. Although the City provided a time study listing of the employees charged to MRLRF, the salaries and benefits 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 2021-22.</p> <p>This is a repeat finding from the prior six fiscal years.</p>
Cause	The City allocates the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations have been used in prior fiscal years.
Effect	The payroll costs claimed under the MRLRF projects may include expenditures which may be disallowed Measure R project expenditures. This resulted in a questioned cost of \$12,066.
Recommendation	We recommend that the City reimburse its MRLRF account for \$12,066. 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 program.
Management's Response	<p>As a resolution to prior years' findings, the City indicated in April 2022 that its corrective action plan was to have an outside consultant (Revenue and Cost Specialists) who was hired during fiscal year 2021-22 to prepare an updated CAP and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23. Although the CAP was for fiscal year 2022-23, the City, in a good faith effort, ensure that the payroll and benefits charges allocated to MRLRF in fiscal year 2021-22 were within the amounts allowed by the new CAP.</p> <p>All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the payroll expenditures based on the new cost study.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-006 (Continued)	City of Downey
Auditor's Additional Comment	The City represented to the Auditor that the City will reimburse MRLRF for the questioned cost of \$12,066 from General Fund during fiscal year 2022-23.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-007	City of Glendale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II. 1), Expenditure Plan (Form One): "Jurisdictions shall submit to Metro an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Expenditure Plan in the LRMS. However, the City updated the information in the LRMS on August 10, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City is in compliant with Metro's Guidelines.
Management's Response	In the future, management will ensure the Expenditure Plan is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 10, 2021. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-008	City of La Habra Heights
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the 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	In the future management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 19, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-009	City of Palmdale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the 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 concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-010	City of Pasadena
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the 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	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-011	City of Redondo Beach
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF’s Project Code 725, Citywide Curb Ramp Improvements, in the amount of \$175,000 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$175,000 from Metro for the MRLRF project on October 14, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that the City obtains approval from Metro prior to implementing any MRLRF 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 MRLRF funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MRLRF projects.
Corrected During the Audit	On October 14, 2022, the City received a retroactive approved budget amount of \$175,000 from Metro for the MRLRF project. No follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2023 (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.

In our opinion, 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 Measure R Local Return program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to each City's Measure R Local Return Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cities' compliance with the requirements of the Measure R Local Return Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



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 #2023-001 through #2023-011. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines 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 with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-005, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 #2023-003 and #2023-008, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

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

Los Angeles, California
December 29, 2023

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2023**

- | | |
|----------------------------------|-----------------------------------|
| 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 GLENORA | 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
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

1. Funds were expended for transportation purposes.
2. Separate Measure R Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form One or electronic equivalent) was submitted on time.
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure R 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 11 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Arcadia (#2023-001) Artesia (#2023-002) South Pasadena (#2023-011)	\$ 70,066 15,176 15,187	\$ 70,066 15,176 15,187
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	1	Bradbury (#2023-004)	None	None
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	5	Artesia (#2023-003) Bradbury (#2023-005) La Habra Heights (#2023-008) Palos Verdes Estates (#2023-009) Rolling Hills (#2023-010)	None None None None None	None None None None None
Accounting procedures, record keeping, and documentation are adequate	2	Cerritos (#2023-006) Glendora (#2023-007)	None None	None None
Total Findings and Questioned Costs	11		\$ 100,429	\$ 100,429

Details of the findings are in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023

Finding #2023-001	City of Arcadia
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF's Project Code 820, Baldwin Avenue Streetscape Improvement Street, in the amount of \$70,066 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$1,600,000 from Metro for the said MRLRF project on November 30, 2023.
Cause	The finding was due to staff turnover among those responsible for submitting the budgets to Metro.
Effect	The City did not comply with the Measure R Local Return Guidelines as expenditures for the MRLRF 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 Measure R Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Measure R Local Return Guidelines.
Management’s Response	The finding was due to staff turnover among those responsible for submitting the budgets. Staff have since then addressed this matter with Metro. Metro has retroactively accepted this project.
Corrected During the Audit	Metro granted retroactive budget approval for the project on November 30, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-002	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The City incurred expenditures prior to receiving approval from Metro for MRLRF Project Code 705, ATP Cycle 3, in the amount of \$15,176. However, the City subsequently received an approved budget in the amount of \$15,176 from Metro for the MRLRF project on December 18, 2023.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that it obtains approval from Metro prior to implementing any Measure R Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it before the requested due date so that the City's expenditures of Measure R Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-003	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on December 18, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form Two is entered into the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure Form Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-004	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Plan (Form One), "To maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit to Metro an Expenditure Plan (Form One) annually, by August 1st of each year.
Condition	The City did not meet the August 1, 2022 deadline for submitting Form One in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form One is submitted in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure R Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form One before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-005	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two is entered in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure R Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form Two before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-006	City of Cerritos
Compliance Reference	According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures charged to the Measure R 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. Although a payment to the vendor, Built Rite Fence Company that was charged to MRLRF's Street Repair and Maintenance Project Code 705 in the amount of \$7,616, was allowable and was properly supported by an invoice and cancelled check, the expenditure was not supported by a formal contract, purchase order, or an approval/resolution from the City Council, as mandated by the City’s Purchasing and Contracting Policy.
Cause	This oversight occurred as the City approved the invoice through its accounting system as a check request, bypassing the essential procurement protocols like a contract, purchase order, or City Council approval.
Effect	The absence of a purchase order, contract, or City Council approval as required by the City’s Purchasing and Contracting Policy highlights a deficiency in the City’s internal control.
Recommendation	We recommend that the City implement more stringent controls and review processes to ensure that all expenditures are processed in compliance with the City’s Purchasing and Contracting Policy so that all Local Return Fund expenditures are also fully compliant with the Guidelines.
Management’s Response	The City has an adopted purchase policy that applies to all purchases. The City staff will continue to utilize the policy in order to determine the appropriate procedure for managing purchases.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-007	City of Glendora
Compliance Reference	<p>The Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”</p>
Condition	<p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 <p>Normally, both the employee and their supervisor are required to sign these forms. However, in special circumstances, such as when employees are on sick leave due to a work injury, on unpaid leave, or receiving salary continuation due to an industrial injury, the City Manager’s signature is also necessary.</p> <p>During our review, we noted that in the following scenarios, only the supervisors’ signatures were present, and the City Manager’s signature was absent:</p> <ul style="list-style-type: none"> a) Employees on sick leave due to work injury b) Employees on unpaid leave c) Employees receiving salary continuation due to industrial injury <p>Of the eleven (11) payroll transactions tested, charges for seven (7) transactions were allocated to the MRLRF despite the absence of the required authorization documentation from the City management, particularly in special circumstances cases. However, since these charges are allowable and eligible expenses for the local return funds, they will not be questioned.</p> <p>Furthermore, we noted salary discrepancies amounting to \$94 in three (3) out of eleven (11) payroll transactions tested. The differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees’ hourly rates.</p> <p>However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return funds, these discrepancies will not be questioned.</p>

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-007 (Continued)	City of Glendora
Cause	<p>In regard to the City Manager’s approval of the employees’ salaries, who were paid under special circumstances, the Finance department does not have access to the workman’s compensation files. Due to the holiday vacations and vacancies in the Human Resources (HR) department, the necessary information requested was not provided to the auditor.</p> <p>Regarding salary discrepancies, upon reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to MRLRF resulting in an under allocation of salaries to the local return funds.</p>
Effect	<p>The payroll costs claimed under the local return funds projects for employees paid under special circumstances without City management approvals may include expenditures that could be disallowed to the local return funds.</p> <p>Also, payroll discrepancies resulting from improper timecard management and limited HR data access, can lead to misallocation to the local return funds.</p>
Recommendation	<p>We recommend that the City strengthen its controls to ensure that the necessary approvals are obtained for salaries paid under special circumstances, including sick pay for work injuries, unpaid leave, and salary continuation for industrial injuries. Also, we recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund’s projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.</p>
Management’s Response	<p>The City is implementing a new finance system that will require electronic entry, thereby eliminating manual entry, in which the proper funds will be charged for the time worked on projects and will be better managed by the City. However, in order to resolve this issue at the present time, the employees will now be required to attach and submit the Certification with the timecard to the supervisor for validation that the hours are listed accurately and broken down according to the appropriate funds to be charged.</p> <p>Furthermore, the City plans to have a discussion meeting on providing access to HR files to the Finance department employees for any payroll-related documents that is requested so they can be provided to the Metro auditor during the audit.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-008	City of La Habra Heights
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Measure R Local Return Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 20, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-009	City of Palos Verdes Estates
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on December 1, 2023.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Annual Expenditure Report by the due date.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Form Two is entered in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure Form Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered Form Two in the LRMS on December 1, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-010	City of Rolling Hills
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form Two is entered in the LRMS before the due date so that the City is in compliance with the Measure R Local Return Guidelines.
Management's Response	The City acknowledges the oversight and will ensure to submit the Form Two on or before October 15th.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 31, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-011	City of South Pasadena
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	<p>The expenditures for the following MRLRF projects were incurred prior to Metro’s approval:</p> <ul style="list-style-type: none"> a. Planning, Engineering for Transit Services Project Code 180, in the amount of \$380. b. Planning, Engineering for Traffic Control Project Code 380, in the amount of \$7,593. c. Planning, Engineering for Transportation Marketing Project Code 580 in the amount of \$569. d. Planning, Engineering for Streets and Roads Project Code 780 in the amount of \$2,848. e. Planning, Engineering for Active Transportation Project Code 880 in the amount of \$3,797. <p>However, the City subsequently received approved budgets in the total amount of \$15,187 from Metro on December 4, 2023 for the same amounts of the expenditures incurred on all of the projects listed above.</p>
Cause	This finding occurred due to a misunderstanding of the coding system. The team was under the impression that the newly hired staff’s time can only be used as administrative expenditures, leading to the misallocation of the expenses.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF 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 Measure R Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City is taking immediate steps to rectify the situation, including re-training the City staff on the coding system and reviewing all recent transactions to ensure that they are properly coded. The City also is implementing additional checks and balances to prevent similar issues in the future.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 4, 2023. No follow-up is required.



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MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FISCAL YEAR 2022 MEASURE M AUDITS

INTRODUCTION

On November 8, 2016, Los Angeles County voters approved Measure M that imposed a one-half of one percent (.5%) transactions and use tax to fund transportation improvements in the County. The rate of this tax shall increase to one percent (1.0%) on July 1, 2039 immediately upon the expiration of the .5% tax imposed by Ordinance No. 08-01 of the Los Angeles County Metropolitan Transportation Authority (Measure R).

Measure M, also known as the Los Angeles County Traffic Improvement Plan (“Ordinance”) establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit reports must be provided to the Oversight Committee so that it can determine whether Metro and local subrecipients have complied with the Measure M requirements (see Exhibit 1).

In compliance with the Ordinance, Metro contracted with BCA Watson, LLP to perform the independent audit of the Measure M Special Revenue Fund. Metro also contracted with two firms to conduct the audits of Measure M sales tax revenues allocated to the Local Return program used by the County of Los Angeles (County) as well as the 88 cities (Cities) within the County. The report performed by Vasquez & Company LLP, covers the audits of the County as well as 39 of the Cities and the report performed by Simpson & Simpson LLP, covers the audits of 49 of the Cities. (These Audits are attached as Exhibits 2, 3, and 4.)

THE AUDITS

The Independent Auditors’ reports on the Measure M Special Revenue Fund found that Metro and the County including the Cities complied in all material respects with the Ordinance requirements that are applicable to the Measure M revenues and expenditures for the year ended June 30, 2022.

The audits of compliance with the Measure M Local Return Guidelines of the County and 88 Cities found sixteen (16) local jurisdictions with compliance issues. All findings have been resolved. Audit findings were in two basic categories as follows:

- **Untimely Submittal of Forms:** Eleven (11) findings of Cities not having submitted forms on time. Form M-One and Form M-Two are required to be submitted by Cities to Metro identifying the budget and expenditures of their Measure M Local Return funded projects.
- **Failure to Obtain Approval Before Incurring Expenses:** Seven (7) cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting a Form M-One which lists the project name, amount of Measure M Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure M Local Return eligibility per the Local Return Guidelines.

MEASURE M OVERSIGHT COMMITTEE REVIEW

The Measure M Oversight Committee received the three audit reports in February 2023. The Committee reviewed the reports and met on March 1, 2023. At that meeting, the Committee received a formal presentation of the audit reports from each of the three audit firms.

The Committee asked questions and received satisfactory answers to questions regarding administrative costs, proper subfund allocations and jurisdictions with repeat findings and possible mitigations to late form submissions.

The Committee was satisfied with the audit reports.

MEASURE M OVERSIGHT COMMITTEE FINDINGS

(1) The audits were performed in accordance with the Ordinance that the voters approved in 2016;

(2) Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the year ended June 30, 2022; and

(3) The County and Cities complied in all material respects with the Measure M Ordinance and guidelines that are applicable to the Measure M Local Return program for the year ended June 30, 2022.

The audits found eighteen (18) instances of non-compliance which according to Metro staff, have all been resolved.

RESOLUTION OF THE INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MAKING FINDINGS REGARDING THE ANNUAL AUDIT PURSUANT TO THE MEASURE M ORDINANCE

WHEREAS, On November 8, 2016, Los Angeles County voters approved Measure M that imposed one-half of one percent (.5%) transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure M, also known as the Los Angeles County Traffic Improvement Plan, establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

WHEREAS, the audits must be provided to the Oversight Committee so that the Oversight Committee can determine whether Metro and local subrecipients have complied with the Measure M requirements; and

WHEREAS, under contract with Metro, BCA Watson, LLP (BCA) performed the independent audit of the Measure M Special Revenue Fund, and Vasquez & Company, LLP and Simpson & Simpson LLP, audited the compliance of the County of Los Angeles (County) and the 88 cities (Cities) with regard to the Measure M Local Return program;

NOW, THEREFORE, the Measure M Independent Taxpayer Oversight Committee of Metro finds that:

The audits were performed in accordance with the Ordinance that the voters approved in 2016;

Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the year ended June 30, 2022;

The County and Cities complied with the Ordinance requirements that are applicable to the Measure M Local Return program for the year ended June 30, 2022. The audits found eighteen (18) instances of non-compliance in sixteen (16) local jurisdictions including one (1) material weakness and three (3) significant deficiencies in internal control over compliance. All compliance issues have been resolved.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed: 

Collette Langston, Metro Board Clerk

Adopted this 7 day of June 2023.

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure M Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2022
(With Comparative Totals For 2021)**



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
For the Year Ended June 30, 2022

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Independent Auditor's Report

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Audit of the Schedule of Measure M Revenues and Expenditures

Opinion

We have audited the accompanying Schedule of Measure M Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure M Fund is intended to present the revenues and expenditures attributable to the Measure M Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2022, 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. Our report is not modified with respect to this matter.

Responsibilities of Management for the Schedule of Measure M Revenues and Expenditures

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the LACMTA's ability to continue as a going concern for twelve months beyond the Schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Schedule of Measure M Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from a fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 LACMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the LACMTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic Schedule 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 Schedule, and other knowledge we obtained during our audit of the basic Schedule. 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.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure M Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited Schedule from which it has been derived.

BCA Watson Rice, LLP

Torrance, CA
November 17, 2022

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022
(With Comparative Totals for 2021)
(Amounts expressed in thousands)

	2022	2021
Revenues		
Sales tax	\$ 1,089,933	\$ 911,235
Intergovernmental	-	7,005
Investment income	5,900	6,004
Net decline in fair value of investments	(15,666)	(5,420)
Total revenues	1,080,167	918,824
Expenditures		
Administration and other	57,292	31,881
Transportation subsidies	327,855	223,876
Total expenditures	385,147	255,757
Excess of revenues over expenditures	695,020	663,067
Other financing sources (uses)		
Transfers out	(256,030)	(624,082)
Proceeds from long term debt	-	1,500
Total other financing sources (uses)	(256,030)	(622,582)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 438,990	\$ 40,485

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

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, about one third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure M

Measure M, also known as Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on November 8, 2016 and the rate of the tax shall increase to one percent on July 1, 2039, immediately upon expiration of the one-half percent sales tax imposed by Traffic Relief and Rail Expansion Ordinance (Measure M).

Revenues collected are required to be allocated in the following manner: 1) 5% for Metro rail operations; 2) 20% for transit operations (Metro and Municipal Providers); 3) 2% for ADA Paratransit for the disabled and Metro discounts for seniors and students; 4) 35% for transit construction; 5) 2% for Metro State of Good Repair projects; 6) 17% for highway construction; 7) 2% for Metro active transportation program; 8) 16% for local return - base for local projects and transit services; and 9) 1% for local return for regional rail.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure M Special Revenue Fund was 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.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

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 Fund to account for Measure M 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 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 Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and net 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, 2022, the Measure M fund had investment income of \$5,900 and net decline in fair value of investments of \$15,666. The net decline in investments was mainly due to a decrease in 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 Schedule 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 2021 in the accompanying Schedule are included only to provide a basis for comparison with 2022 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure M fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in financial position thereof for the year 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 Measure M Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure M Ordinance.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

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

The Measure M fund at June 30, 2022 had an excess of revenues over expenditures and other financing uses of \$438,990 due to 1) higher sales tax revenues resulting from an increase in consumer spending as the economy recovered from the pandemic recession, and 2) decrease in transfers out on bus and rail operating projects as a result of one-time federal funding provided by the stimulus grants. The foregoing factors contributed to the increase in Measure M Fund balance from \$672,442 to \$1,111,432 at June 30, 2022.

8. Audited Financial Statements

The audited financial statements for the Measure M Special Revenue Fund for the fiscal year ended June 30, 2022 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. 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.

10. 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.

11. Subsequent Events

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 17, 2022, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2022
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 865,000	\$ 865,000	\$ 1,089,933	\$ 224,933
Intergovernmental	10,494	10,494	-	(10,494)
Investment income	-	-	5,900	5,900
Net decline in fair value of investments	-	-	(15,666)	(15,666)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	875,494	875,494	1,080,167	204,673
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Administration and other	65,474	71,610	57,292	14,318
Transportation subsidies	318,391	316,136	327,855	(11,719)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	383,865	387,746	385,147	2,599
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	491,629	487,748	695,020	207,272
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses)				
Transfers in	13,367	13,367	-	(13,367)
Transfers out	(649,370)	(649,370)	(256,030)	393,340
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(636,003)	(636,003)	(256,030)	379,973
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (144,374)</u>	<u>\$ (148,255)</u>	<u>\$ 438,990</u>	<u>\$ 587,245</u>

**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***

Measure M Independent Taxpayer 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 Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, 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 Schedule 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is 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 Schedule. 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 17, 2022

**Independent Auditor’s Report on Compliance with Requirements Applicable to
Measure M Revenues and Expenditures in Accordance with the
*Los Angeles County Traffic Improvement Plan Ordinance No. 16-01***

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Measure M Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the *Los Angeles County Traffic Improvement Plan Ordinance No. 16-01* (the Ordinance) applicable to LACMTA’s Measure M revenues and expenditures for the fiscal year ended June 30, 2022.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of LACMTA’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Measure M revenues and expenditures.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance with Measure M revenues and expenditures based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Measure M revenues and expenditures as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing other procedures as necessary in the circumstances.
- Obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Measure M revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 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 “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 compliance requirements of the Measure M revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 17, 2022

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2022

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Status of Prior Year Audit Findings

None noted.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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

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

Report on Compliance

Opinion

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 Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2022 (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.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County’s and the Cities’ compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for the County's and the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or program agreements applicable to the County and each City's Measure M Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's and the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's and the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's and the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-007. Our opinion is not modified with respect to these matters.



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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify 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 with the Guidelines 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 with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-003, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 #2022-004 and #2022-005, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

Vasquez & Company LLP

Glendale, California

December 30, 2022

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2022**

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
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2022**

The audits of the County of Los Angeles and 39 cities have resulted in 7 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Bell (See Finding #2022-001)	\$ 30,428	\$ 30,428
		Calabasas (See Finding #2022-003)	41,656	41,656
		Compton (See Finding #2022-004)	813,333	813,333
		Montebello (See Finding #2022-005)	52,957	52,957
Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	3	Bell Gardens (See Finding #2022-002)	None	None
		South Gate (See Finding #2022-006)	None	None
		Vernon (See Finding #2022-007)	None	None
Total Findings and Questioned Costs	7		\$ 938,374	\$ 938,374

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022**

Finding #2022-001	City of Bell
Compliance Reference	<p>Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p>
Condition	<p>The City claimed expenditures under MMLRF Project Code 170, Maintenance and Operation, totaling \$30,428 prior to approval by Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from Metro.</p>
Cause	Due to staffing constraints, the budget request was not properly allocated and reviewed when it was submitted online.
Effect	The City claimed expenditures totaling \$30,428 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 Measure M-funded projects.
Management's Response	The \$30,428 request was submitted on time, but due to staffing shortage, there was an oversight, and it was not properly allocated/broken down between the Administration and Operating Costs.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval for the said project on September 21, 2022. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-002	City of Bell Gardens
Compliance Reference	<p>Section XXV Administrative Section, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditures Plan (8/1 Table) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$ 250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1 st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1 st of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003	City of Calabasas
Compliance Reference	<p>Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p>
Condition	<p>The City claimed expenditures under MMLRF Project Code 640, Direct Administration, totaling \$41,656 prior to approval by Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro.</p> <p>This is a repeat finding from prior years' audits.</p>
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed MMLRF expenditures totaling \$41,656 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 Measure M-funded projects.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003 (Continued)	City of Calabasas
Management's Response	The City agrees with the findings and will continue to work diligently to establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure M-funded projects. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on November 22, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-004	City of Compton
Compliance Reference	<p>Section XXV Administrative, Expenditure Plan (Form M-One or 8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One or 8/1 Table) or its electronic equivalent, annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One or 8/1 Table) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p>
Condition	<p>The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under MMLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of \$813,333 were not included in the Budget Request or "8/1" Table.</p> <p>This is a repeat finding from prior year's audit in relation to the MMLRF's prior period adjustment to recognize the FY2020/21 debt service payment of \$207,115.</p>
Cause	The City had received approval for the bond issuance from Metro, but was not aware that separate approvals were required for underlying annual project expenditures including debt service payments through the Budget Request or "8/1" Table.
Effect	The City claimed debt service payments totaling \$813,333 prior to approval by Metro. The City did not comply with the Local Return Guidelines.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-004 (Continued)	City of Compton
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said project on December 1, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said project. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-005	City of Montebello
Compliance Reference	<p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One) or its electronic equivalent, annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p>
Condition	<p>The City claimed expenditures for the following MMLRF projects prior to approval by Metro:</p> <ul style="list-style-type: none"> a. Project code 490, Sales Tax Revenue Bonds, totaling \$1,605; and b. Project code 640, Administrative Overhead, totaling \$51,352. <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.</p>
Cause	<p>The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.</p>
Effect	<p>The City claimed expenditures totaling \$52,957 prior to approval by Metro. The City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.</p>

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-005 (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on July 5, 2022 and August 18, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said projects. No additional follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-006	City of South Gate
Compliance Reference	<p>Section XXV Administrative Section, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditures Plan (8/1 Table) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$ 250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1 st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1 st of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-007	City of Vernon
Compliance Reference	<p>Section XXV Administrative Section, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditures Plan (8/1 Table) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$ 250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1 st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurance and Understanding Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (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.

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 Measure M Local Return program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.



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Responsibilities of Management for Compliance

The Cities' management is responsible for each respective City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or program agreements applicable to the Cities' Measure M Local Return Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings # 2022-001 through #2022-011. Our opinion is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 the Guidelines 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 the Guidelines 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 Guidelines 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding # 2022-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audit are described in the accompanying Summary of Audit Results (Schedule 1 and Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

Los Angeles, California
December 30, 2022

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2022**

- | | |
|----------------------------------|-----------------------------------|
| 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
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2022**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 11 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Alhambra (#2022-001) Covina (#2022-005) Redondo Beach (#2022-011)	\$ 569,942 252,260 67,264	\$ 569,942 252,260 67,264
Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	2	Artesia (#2022-002) Glendale (#2022-007)	None None	None None
Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	6	Artesia (#2022-003) Bradbury (#2022-004) Covina (#2022-006) La Habra Heights (#2022-008) Palmdale (#2022-009) Pasadena (#2022-010)	None None None None None None	None None None None None None
Total Findings and Questioned Costs	11		\$ 889,466	\$ 889,466

Details of the findings are in Schedule 2

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022

Finding #2022-001	City of Alhambra
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	<p>The expenditures for the following MMLRF projects were incurred prior to Metro’s approval:</p> <ul style="list-style-type: none"> a. Project Code 780, Professional Engineering Consulting Services to Advance the 710 N Arterial and I-10 Interchange Improvement Concepts, in the amount of \$559,246. b. Project Code 780, Professional Stakeholder Outreach Consulting Services for 710 North Terminus, in the amount of \$10,696. <p>However, the City received retroactive project approvals from Metro on November 2, 2022.</p>
Cause	The City's mistakenly made an assumption that the projects were already approved by Metro prior to expenditures being incurred.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF 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 Measure M 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 Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City agrees with this finding. The City will closely monitor that all of the projects are approved and ensure that the expenditures are not incurred prior to Metro's approval.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said projects on November 2, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-002	City of Artesia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements - Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Expenditure Plan in the LRMS. However, the City updated the information in the LRMS on August 9, 2021.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City is in compliant with Metro's Guidelines.
Management's Response	In the future, management will ensure the Expenditure Plan is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 9, 2021. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-003	City of Artesia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on December 2, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure M 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	In the future management will ensure the Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 2, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-004	City of Bradbury
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on November 4, 2022. This is a repeat finding from fiscal year 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Measure M 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 new Finance Director during fiscal year 2022 and was unaware of the compliance requirement of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 4, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-005	City of Covina
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	<p>The expenditures for the following MMLRF projects were incurred prior to Metro’s approval:</p> <ul style="list-style-type: none"> a. Project Code 302, Azusa Avenue Traffic Signal Rehabilitation, in the amount of \$42,260. b. Project Code 304, Traffic Signal Maintenance, in the amount of \$210,000. <p>However, the City received retroactive project approvals from Metro on October 13, 2022.</p>
Cause	Expenditures were reallocated to MMLRF to make better use of available transportation funding. Changes were made during the mid-year budget process that were not reported to Metro until October 13, 2022.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF 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 Measure M Local Return projects, and properly enter the budgeted amount for each project in the LRMS and submit before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City’s Finance and Public Works departments will work together to ensure that any budget changes are communicated to Metro immediately so that all projects have the necessary budget approvals.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said projects on October 13, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-006	City of Covina
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report to Metro by entering the expenditures in the LRMS. The City subsequently reported the MMLRF expenditures in the LRMS on October 20, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Report is properly prepared and submitted before the due date of October 15th by reporting the annual expenditures in the LRMS so that the City's expenditures of the MMLRF will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City's Finance and Public Works departments will work together to ensure that the Expenditure Report will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently reported the annual expenditures on October 20, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-007	City of Glendale
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements - Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Expenditure Plan in the LRMS. However, the City updated the information in the LRMS on August 10, 2021.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City is in compliant with Metro's Guidelines.
Management's Response	In the future management will ensure the Expenditure Plan is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 10, 2021. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-008	City of La Habra Heights
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure M 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	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 19, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-009	City of Palmdale
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure M 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 concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-010	City of Pasadena
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure M 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	In the future, management will ensure the Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-011	City of Redondo Beach
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:...Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MMLRF’s Project Code 725, Citywide Curb Ramp Improvements, in the amount of \$67,264 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$85,000 from Metro for the MMLRF project on October 14, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that the City obtains approval from Metro prior to implementing any MMLRF projects, and properly enter the budgeted amount for each project in the LRMS and submit before the requested due date so that the City’s expenditures of MMLRF funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MMLRF projects.
Corrected During the Audit	On October 14, 2022, the City received a retroactive approved budget amount of \$85,000 from Metro for the MMLRF project. No follow-up is required.



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MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FISCAL YEAR 2023 MEASURE M AUDITS

INTRODUCTION

On November 8, 2016, Los Angeles County voters approved Measure M which imposed a one-half of one percent (.5%) transactions and use tax to fund transportation improvements in the County. The rate of this tax will increase to one percent (1.0%) on July 1, 2039, immediately upon the expiration of the .5% tax imposed by Ordinance No. 08-01 of the Los Angeles County Metropolitan Transportation Authority (Measure R).

Measure M, also known as the Los Angeles County Traffic Improvement Plan (“Ordinance”) establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit reports must be provided to the Oversight Committee so that it can determine whether Metro and local subrecipients have complied with the Measure M requirements (see Exhibit 1) and communicate its findings to the Metro Board.

In compliance with the Ordinance, Metro contracted with BCA Watson, LLP to perform the independent audit of the Measure M Special Revenue Fund. Metro also contracted with two firms to conduct the audits of Measure M sales tax revenues allocated to the Local Return program used by the County of Los Angeles (County) as well as the 88 cities (Cities) within the County. The report prepared by Vasquez & Company LLP, covers the audits of the County as well as 39 of the Cities, and the report prepared by Simpson & Simpson LLP, covers the audits of 49 of the Cities. (These Audits are attached as Exhibits 2, 3, and 4.)

THE AUDITS

The Independent Auditors’ reports on the Measure M Special Revenue Fund found that Metro and the County including the Cities complied in all material respects with the Ordinance requirements that are applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2023.

The audits of compliance with the Measure M Local Return Guidelines of the County and 88 Cities found eleven (11) instances of non-compliance within ten (10) local jurisdictions. Audit findings were in three basic categories as follows:

- **Untimely Submittal of Forms:** Seven (7) findings of Cities not having submitted forms on time. Form M-One and Form M-Two are required to be submitted by Cities to Metro identifying the budget and expenditures of their Measure M Local Return funded projects. The findings have been resolved as the Cities subsequently submitted the required forms.
- **Failure to Obtain Approval Before Incurring Expenses:** Two (2) cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting a Form M-One which lists the project name, amount of Measure M Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure M Local Return eligibility per the Local Return Guidelines. The findings have been resolved as the Cities subsequently submitted the required forms and obtained retroactive approvals from Metro.

- Inadequate accounting procedures, record keeping, and/or documentation: One (1) city failed to complete its year-end accounting closing process. One (1) city failed to maintain accurate payroll records. Cities are required to maintain proper accounting records and documentation. The Cities are in the process of correcting their procedures and during the fiscal year 2024 audit, the auditors will verify whether corrective actions are properly implemented by the Cities.

MEASURE M OVERSIGHT COMMITTEE REVIEW

The Measure M Oversight Committee received the three audit reports in March 2024. The Committee reviewed the reports and met on March 6, 2024. At that meeting, the Committee received a formal presentation of the audit reports from each of the three audit firms.

The Committee inquired and received satisfactory responses to whether staff turnover within the jurisdictions is a possible cause for the non-compliance issues.

The Committee was satisfied with the audit reports.

MEASURE M OVERSIGHT COMMITTEE FINDINGS

(1) The audits were performed in accordance with the Ordinance that the voters approved in 2016;

(2) Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2023; and

(3) The County and Cities complied in all material respects with the Measure M Ordinance and guidelines that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2023.

The audits found eleven (11) instances of non-compliance within ten (10) local jurisdictions which are in the process of being resolved.

RESOLUTION OF THE INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MAKING FINDINGS REGARDING THE ANNUAL AUDIT PURSUANT TO THE MEASURE M ORDINANCE

WHEREAS, on November 8, 2016, Los Angeles County voters approved Measure M that imposed a one-half of one percent (.5%) transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure M, also known as the Los Angeles County Traffic Improvement Plan, establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that annual audits be conducted within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year; and

WHEREAS, the audits must be provided to the Oversight Committee so that the Oversight Committee can determine whether Metro and local sub-recipients have complied with the Measure M requirements; and

WHEREAS, under contract with Metro, BCA Watson Rice, LLP (BCA) performed the independent audit of the Measure M Special Revenue Fund, and Vasquez & Company, LLP and Simpson & Simpson LLP, audited the compliance of the County of Los Angeles (County) and the 88 cities (Cities) with regard to the Measure M Local Return program;

NOW, THEREFORE, the Measure M Independent Taxpayer Oversight Committee of Metro finds that:

The audits were performed in accordance with the Ordinance that the voters approved in 2016;

Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2023;

The County and Cities complied with the Ordinance requirements that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2023. The audits found eleven (11) instances of non-compliance in ten (10) local jurisdictions including two (2) material weaknesses and two (2) significant deficiencies in internal controls over compliance. All but two compliance issues have been resolved. Metro staff is working with the jurisdiction to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:



Collette Langston, Metro Board Clerk

Adopted this 5 day of June 2024.

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure M Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2023
(With Comparative Totals For 2022)**



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
For the Year Ended June 30, 2023

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2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

Independent Auditor's Report

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Audit of the Schedule of Measure M Revenues and Expenditures

Opinion

We have audited the accompanying Schedule of Measure M Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure M Fund is intended to present the revenues and expenditures attributable to the Measure M Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2023, 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. Our report is not modified with respect to this matter.

Responsibilities of Management for the Schedule of Measure M Revenues and Expenditures

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Measure M Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit 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 LACMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic Schedule 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 Schedule, and other knowledge we obtained during our audit of the basic Schedule. 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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of expenditures by subfund and programs - budget to actual and the schedule of fund balances by subfund and programs for the fiscal year ended and as of June 30, 2023, on pages 10 and 11 are presented for purposes of additional analyses and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure M Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 17, 2022. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited Schedule from which it has been derived.

BCA Watson Rice, LLP

Torrance, CA
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for 2022)
(Amounts expressed in thousands)

	2023	2022
Revenues		
Sales tax	\$ 1,106,177	\$ 1,089,933
Intergovernmental	1,581	-
Investment income	29,304	5,900
Net decline in fair value of investments	(1,647)	(15,666)
Total revenues	1,135,415	1,080,167
Expenditures		
Administration and other	64,634	57,292
Transportation subsidies	346,936	327,855
Total expenditures	411,570	385,147
Excess of revenues over expenditures	723,845	695,020
Other financing sources (uses)		
Transfers in	837	-
Transfers out	(685,159)	(256,030)
Total other financing sources (uses)	(684,322)	(256,030)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 39,523	\$ 438,990

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

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 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, about one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure M

Measure M, also known as Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on November 8, 2016, and the rate of the tax shall increase to one percent on July 1, 2039, immediately upon expiration of the one-half percent sales tax imposed by Traffic Relief and Rail Expansion Ordinance (Measure M).

Revenues collected are required to be allocated in the following manner: 1) 5% for Metro rail operations; 2) 20% for transit operations (Metro and Municipal Providers); 3) 2% for ADA Paratransit for the disabled and Metro discounts for seniors and students; 4) 35% for transit construction; 5) 2% for Metro State of Good Repair projects; 6) 17% for highway construction; 7) 2% for Metro active transportation program; 8) 16% for local return - base for local projects and transit services; and 9) 1% for local return for regional rail.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure M Special Revenue Fund was 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.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

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 the governmental fund type Special Revenue Fund to account for Measure M 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 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 on 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 Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and net 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, 2023, the Measure M fund had an investment income of \$29,304 and a net decline in the fair value of investments of \$1,647. The net decline in investments was mainly due to a 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 Schedule 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 2022 in the accompanying Schedule are included only to provide a basis for comparison with 2023 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure M fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in the financial position thereof for the year 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 Measure M Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure M Ordinance.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

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

The Measure M fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of \$39,523 primarily due to higher sales tax and investment income. The foregoing factors contributed to the increase in Measure M Fund balance from \$1,111,432 to \$1,150,955 at June 30, 2023.

8. Audited Financial Statements

The audited financial statements for the Measure M Special Revenue Fund for the fiscal year ended June 30, 2023, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. 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.

10. Subsequent Events

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 28, 2023, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 1,031,800	\$ 1,031,800	\$ 1,106,177	\$ 74,377
Intergovernmental	10,607	10,607	1,581	(9,026)
Investment income	-	-	29,304	29,304
Net decline in fair value of investments	-	-	(1,647)	(1,647)
Total revenues	<u>1,042,407</u>	<u>1,042,407</u>	<u>1,135,415</u>	<u>93,008</u>
Expenditures				
Administration and other	99,977	97,070	64,634	32,436
Transportation subsidies	407,887	405,710	346,936	58,774
Total expenditures	<u>507,864</u>	<u>502,780</u>	<u>411,570</u>	<u>91,210</u>
Excess of revenues over expenditures	<u>534,543</u>	<u>539,627</u>	<u>723,845</u>	<u>184,218</u>
Other financing sources (uses)				
Transfers in	15,456	15,456	837	(14,619)
Transfers out	(779,694)	(779,694)	(685,159)	94,535
Total other financing sources (uses)	<u>(764,238)</u>	<u>(764,238)</u>	<u>(684,322)</u>	<u>79,916</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (229,695)</u>	<u>\$ (224,611)</u>	<u>\$ 39,523</u>	<u>\$ 264,134</u>

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Expenditures by Subfund and Programs – Budget and Actual
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

Subfund	Programs	Final Budget	Actual	Variance with Final Budget
	Program:			
<i>Transit Operating and Maintenance</i>	Metro rail operations	\$ -	\$ 137,102	\$ (137,102)
	Transit operations	71,999	229,937	(157,938)
	ADA Paratransit	20,326	12,440	7,886
<i>Transit/First/ Last Mile (Capital)</i>	Transit construction	591,762	330,057	261,705
	Metro State of Good Repair	31,531	11,389	20,142
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway construction	335,262	166,189	169,073
	Metro active transportation program	25,608	8,747	16,861
<i>Local Return/ Regional Rail</i>	Local return	162,457	185,229	(22,772)
	Regional rail	11,745	10,788	957
	Total Program	1,250,690	1,091,878	158,812
Administration	Administration	16,328	4,014	12,314
	Total	\$ 1,267,018	\$ 1,095,892	\$ 171,126

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Fund Balances by Subfund and Programs
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

Subfund	Programs	Balance, July 1, 2023	Revenues			Expenditures/Uses of Funds				Fund Balance
			Revenue Allocations	Other Revenues	Total Revenues	Admin	Local Return / Transportation Subsidies	Transfers-out/ Capital Projects	Other Financing Sources	
<i>Transit Operating & Maintenance</i>	Program:									
	Metro Rail Operations	\$ 91,985	\$ 54,095	\$ 1,128	\$ 55,223	\$ -	\$ -	\$ (137,102)	\$ -	\$ 10,106
	Transit Operations	398,841	225,063	(670)	224,393	-	(71,940)	(157,997)	-	393,297
	ADA Paratransit	(65)	22,072	(135)	21,937	-	-	(12,440)	-	9,432
<i>Sub-total</i>		490,761	301,230	323	301,553	-	(71,940)	(307,539)	-	412,835
<i>Transit/First/ Last Mile (Capital)</i>	Transit Construction	(52,099)	387,020	(1,056)	385,964	(15,884)	(2,197)	(312,813)	837	3,808
	Metro State of Good Repair	21,751	22,625	(200)	22,425	-	-	(11,390)	-	32,786
	<i>Sub-total</i>	(30,348)	409,645	(1,256)	408,389	(15,884)	(2,197)	(324,203)	837	36,594
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway Construction	582,635	202,606	(2,316)	200,290	(37,795)	(85,520)	(42,873)	-	616,737
	Active Transportation Program	53,403	23,328	(323)	23,005	(6,165)	(813)	(1,769)	-	67,661
	<i>Sub-total</i>	636,038	225,934	(2,639)	223,295	(43,960)	(86,333)	(44,642)	-	684,398
<i>Local Return/ Regional Rail</i>	Local Return	-	185,229	-	185,229	-	(185,229)	-	-	-
	Regional Rail - Metrolink	9,755	11,167	(22)	11,145	(776)	(1,237)	(8,775)	-	10,112
	<i>Sub-total</i>	9,755	196,396	(22)	196,374	(776)	(186,466)	(8,775)	-	10,112
Total program		\$ 1,106,206	\$ 1,133,205	\$ (3,594)	\$ 1,129,611	\$ (60,620)	\$ (346,936)	\$ (685,159)	\$ 837	\$ 1,143,939
<i>Administration</i>	Administration	5,226	5,846	(42)	5,804	(4,014)	-	-	-	7,016
Grand Total		<u>\$ 1,111,432</u>	<u>\$ 1,139,051</u>	<u>\$ (3,636)</u>	<u>\$ 1,135,415</u>	<u>\$ (64,634)</u>	<u>\$ (346,936)</u>	<u>\$ (685,159)</u>	<u>\$ 837</u>	<u>\$ 1,150,955</u>



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

**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***

Measure M Independent Taxpayer 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 Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, 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 Schedule 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is 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 Schedule. 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 28, 2023



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

**Independent Auditor's Report on Compliance with Requirements Applicable to
Measure M Revenues and Expenditures in Accordance with the
*Los Angeles County Traffic Improvement Plan Ordinance No. 16-01***

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Measure M Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the *Los Angeles County Traffic Improvement Plan Ordinance No. 16-01* (the Ordinance) applicable to LACMTA's Measure M revenues and expenditures for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Measure M revenues and expenditures.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on LACMTA's compliance with Measure M revenues and expenditures based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Measure M revenues and expenditures as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing other procedures as necessary in the circumstances.
- Obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Measure M revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant deficiencies, and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 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 “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 compliance requirements of the Measure M revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2023

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Status of Prior Year Audit Findings

None noted.



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

**To the Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer Oversight Committee**

Report on Compliance

Opinion

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 Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the aforementioned Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of the County and the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the County's and the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the County and each City's Measure M Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's and the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's and the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's and the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 and #2023-002. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

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 the Guidelines 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 with the Guidelines 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 Guidelines 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

Vasquez & Company LLP

**Glendale, California
December 29, 2023**

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2023**

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
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023**

The audits of the County of Los Angeles and 39 cities have resulted in 2 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Annual Expenditure Report (Actuals Entry) or electronic equivalent was submitted on time.	1	Lynwood (See Finding #2023-002)	None	None
Accounting procedures, record keeping and documentation are adequate.	1	Huntington Park (See Finding #2023-001)	None	None
Total Findings and Questioned Costs	2		None	None

Details of the above findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
 Measure M Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2023**

Finding #2023-001	City of Huntington Park
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>As of the date of audit fieldwork, the City's year-end closing process is still ongoing. We noted the following observations:</p> <ul style="list-style-type: none"> • Reconciliation of major balance sheet accounts including bank accounts was not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. <p>Accordingly, the audits of the City's financial statements for fiscal years 2022 and 2023 have not yet started because of the clean-up and closing process currently being done.</p>
Cause	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

**Los Angeles County Metropolitan Transportation Authority
 Measure M Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2023
 (Continued)**

Finding #2023-001 (Continued)	City of Huntington Park
Recommendation	<p>We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.</p>
Management's Response	<p>The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.</p>

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-002	City of Lynwood
Compliance Reference	Section XXV Administrative, Reporting Requirements Annual Expenditure Report (Actuals Entry) of Measure M Local Return Guidelines states that "Jurisdiction shall submit on or before October 15 th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) on October 23, 2023, 8 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Measure M Actuals Entry is submitted in a timely manner by October 15 th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry). No follow-up is required.



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M LOCAL RETURN GUIDELINES**

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2023 (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.

In our opinion, 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 Measure M Local Return program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.





Responsibilities of Management for Compliance

Management is responsible for the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to each City's Measure M Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



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 #2023-001 through #2023-009. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines 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 with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-004, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 #2023-002 and #2023-006, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other 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 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.

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

Los Angeles, California
December 29, 2023

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2023**

- | | |
|----------------------------------|-----------------------------------|
| 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
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 9 findings. The table below summarize those findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Arcadia (#2023-001) South Pasadena (#2023-009)	\$ 1,961 15,187	\$ 1,961 15,187
Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	1	Bradbury (#2023-003)	None	None
Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	5	Artesia (#2023-002) Bradbury (#2023-004) La Habra Heights (#2023-006) Palos Verdes Estates (#2023-007) Rolling Hills (#2023-008)	None None None None None	None None None None None
Accounting procedures, record keeping and documentation are adequate.	1	Glendora (#2023-005)	None	None
Total Findings and Questioned Costs	9		\$ 17,148	\$ 17,148

Details of the findings are in Schedule 2

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023

Finding #2023-001	City of Arcadia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MMLRF's Project Code 820, Baldwin Avenue Streetscape Improvement Street, in the amount of \$1,961 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$500,000 from Metro for the said MMLRF project on November 30, 2023.
Cause	The finding was due to staff turnover among those responsible for submitting the budgets to Metro.
Effect	The City did not comply with the Measure M Local Return Guidelines as expenditures for the MMLRF 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 Measure M Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.
Management’s Response	The finding was due to staff turnover among those responsible for submitting the budgets. Staff have since then addressed this matter with Metro. Metro has retroactively accepted this project.
Corrected During the Audit	Metro granted retroactive budget approval for the project on November 30, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-002	City of Artesia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on December 18, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form M-Two is entered in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that Form M-Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-003	City of Bradbury
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "To maintain legal eligibility and meet Measure M LR Program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually by August 1st of each year."
Condition	The City did not meet the August 1, 2022 deadline for submitting Form M-One in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form M-One is submitted in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure M Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form M-One before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-004	City of Bradbury
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form M-Two is submitted in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure M Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form M-Two before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Measure M Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2023
 (Continued)**

Finding #2023-005	City of Glendora
Compliance Reference	The Measure M Local Return Guidelines, Section XXV: Program Objective, states, “The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to cities and County of Los Angeles (Jurisdictions) may be used for purposes other than transportation purposes.” and Audit Requirements, “It is each Jurisdiction’s responsibility to maintain proper accounting records and documentation...”
Condition	<p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 <p>We noted salary discrepancies amounting to \$299 in three (3) payroll transactions tested. These differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees’ hourly rates. However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return funds, these discrepancies will not be questioned.</p>
Cause	In reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to MMLRF, resulting in an under allocation of salaries to the local return funds.
Effect	Payroll discrepancies resulting from improper timecard management and limited HR data access can lead to misallocation of the local return funds.
Recommendation	We recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund’s projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-005 (Continued)	City of Glendora
Management's Response	<p>The City is implementing a new finance system that will require electronic entry, thereby eliminating manual entry, in which the proper funds will be charged for the time worked on projects and will be better managed by the City. However, in order to resolve this issue at the present time, the employees will now be required to attach and submit the Certification with the timecard to the supervisor for validation that the hours are listed accurately and broken down according to the appropriate funds to be charged.</p> <p>Furthermore, the City plans to have a discussion meeting on providing access to HR files to the Finance department employees for any payroll-related documents that is requested so they can be provided to the Metro auditor during the audit.</p>

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-006	City of La Habra Heights
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to recent turnover among administrative staff and management.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Measure M Local Return Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 20, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-007	City of Palos Verdes Estates
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on December 1, 2023.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Form M-Two Report by the due date.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form M-Two is entered in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure Form M-Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered Form M-Two in the LRMS on December 1, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-008	City of Rolling Hills
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form M-Two is entered in the LRMS before the due date so that the City is in compliance with the Measure M Local Return Guidelines.
Management's Response	The City acknowledges the oversight and will ensure to submit the Form M-Two on or before October 15th.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 31, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-009	City of South Pasadena
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	<p>The expenditures for the following MMLRF projects were incurred prior to Metro’s approval:</p> <ul style="list-style-type: none"> a. Planning, Engineering for Transit Services Project Code 180, in the amount of \$380. b. Planning, Engineering for Traffic Control Project Code 380, in the amount of \$7,593. c. Planning, Engineering for Transportation Marketing Project Code 580 in the amount of \$569. d. Planning, Engineering for Streets and Roads Project Code 780 in the amount of \$2,848. e. Planning, Engineering for Active Transportation Project Code 880 in the amount of \$3,797. <p>However, the City subsequently received approved budgets in the total amount of \$15,187 from Metro on December 4, 2023 for the same amounts of the expenditures incurred on all of the projects listed above.</p>
Cause	This finding occurred due to a misunderstanding of the coding system. The team was under the impression that the newly hired staff’s time can only be used as administrative expenditures, leading to the misallocation of the expenses.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF 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 Measure M Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-009 (Continued)	City of South Pasadena
Management's Response	The City is taking immediate steps to rectify the situation, including re-training the City staff on the coding system and reviewing all recent transactions to ensure that they are properly coded. The City also is implementing additional checks and balances to prevent similar issues in the future.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said projects on December 4, 2023. No follow-up is required.



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**MANAGEMENT
AUDIT SERVICES**

Fiscal Years 2022 and 2023 Consolidated Audit

Finance, Budget and Audit Committee

July 18, 2024

Kimberly Houston, Deputy Chief Auditor



MANAGEMENT AUDIT SERVICES

Background



Metro must provide assurance that recipients of funds are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source



Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company and Simpson and Simpson, certified public accountants, for FY22 and FY23

General Assessment / Next Steps

- The auditors concluded that the County, Cities, transit operators, and other agencies, with the exception of the City of Huntington Park, complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for FY22 and FY23. The Independent Citizens' Advisory Oversight Committee requested a report back on the City of Huntington Park and met with Local Programming staff and City representatives during the June 2024 Public Hearing.
- Conduct FY24 Consolidated Audit – Fall/Winter 2024
- Present Findings to ITOCs / hold public hearings – Spring/Summer 2025
- Present Findings to Metro Board – Summer 2025

Questions
