



Board Report

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Agenda Number: 4.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE MARCH 5, 2025

SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2024

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year ended June 30, 2024 (Attachment A) completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2024 (Attachment B) completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2024 (Attachment C) completed by Simpson and Simpson, LLP (Simpson).

ISSUE

The oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Measure R Independent Taxpayers Oversight Committee (Committee) so that the Committee can determine whether the Los Angeles County Metropolitan Transportation Authority (LACMTA) and local subrecipients have complied with the Measure R requirements.

BACKGROUND

On November 4, 2008, Los Angeles County voters approved Measure R, which imposed a half-cent transaction 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 LACMTA complies with the terms of the

Ordinance.

DISCUSSION

The following summarizes the independent auditor's reports on the Schedule of Revenues and Expenditures for Measure R Special Revenue Fund:

Management Audit Services (MAS) contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinance. BCA conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that BCA plan and perform the audit to obtain reasonable assurance about whether the Schedule of Measure R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that 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, 2024, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinance for the fiscal year ended June 30, 2024.

The following summarizes the independent auditor's reports on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines:

MAS contracted with two firms, Vasquez and Simpson, 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 firms conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance, which could have a direct and material effect on the Measure R Local Return program, occurred.

Vasquez concluded that the County and the Cities complied in all material respects with the requirements in the Ordinance and the Measure R Local Return Guidelines applicable to the Measure R Local Return program for the fiscal year ended June 30, 2024. Vasquez found six (6) instances of noncompliance, summarized in Schedule 2 of Attachment B.

Simpson concluded that the 49 Cities complied in all material respects with the requirements in the Ordinance and the Measure R Local Return Guidelines applicable to the Measure R Local Return program for the fiscal year ended June 30, 2024. Simpson found four (4) instances of noncompliance, summarized in Schedule 2 of Attachment C.

EQUITY PLATFORM

The Measure R Independent Auditor Reports summarized in this report support compliance with the

applicable ordinance and guidelines, as well as assist program managers in effectively managing and administering the Measure R-funded programs that serve all communities throughout the County. There are no known equity impacts or concerns from audit services conducted to complete the annual audits.

NEXT STEPS

As required by the Ordinance, the Committee will prepare an annual report detailing the results of the annual audit process and any findings. In addition, a public hearing will be scheduled to receive public input.

ATTACHMENT(S)

- A. Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund (FY24)
- B. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez FY24)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson FY24)

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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, 2024
(With Comparative Totals For 2023)**



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Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
For the Year Ended June 30, 2024

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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 the 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, 2024, 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, 2024, 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, 2024, 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

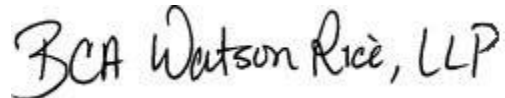
Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental 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 28, 2023. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2024, is consistent, in all material respects, with the audited Schedule from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, CA
December 2, 2024

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024
(With Comparative Totals for 2023)
(Amounts expressed in thousands)

	<u>2024</u>	<u>2023</u>
Revenues		
Sales tax	\$ 1,092,876	\$ 1,110,713
Intergovernmental	58,922	81,047
Investment income	40,005	18,857
Net appreciation (decline) in fair value of investments	8,843	(6,994)
Other	7,273	-
Total revenues	<u>1,207,919</u>	<u>1,203,623</u>
Expenditures		
Administration and other	318,095	277,352
Transportation subsidies	416,533	423,951
Capital outlay - long-term lease arrangement	779	-
Debt and interest expenditures:		
Principal	9	1,571
Interest and fiscal charges	3	18
Total expenditures	<u>735,419</u>	<u>702,892</u>
Excess of revenues over expenditures	<u>472,500</u>	<u>500,731</u>
Other financing sources (uses)		
Transfers in	120,185	353,110
Transfers out	(617,662)	(374,868)
Long-term lease arrangement issued	779	-
Total other financing sources (uses)	<u>(496,698)</u>	<u>(21,758)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (24,198)</u>	<u>\$ 478,973</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, 2024

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.

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, 2024

2. Summary of Significant Accounting Policies (Continued)

The most significant of LACMTA's accounting policies regarding 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 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.

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, 2024

2. Summary of Significant Accounting Policies (Continued)

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

Investment income and net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2024, the Measure R fund had an investment income of \$40,005 and a net appreciation in fair value of investments of \$8,843. The net appreciation in the fair value of investments was mainly due to an increase in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

The LACMTA issues a publicly available annual comprehensive financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained at the LACMTA's website <https://www.metro.net/about/financebudget/>.

Leases

In FY 2022, LACMTA implemented GASB Statement No. 87, *Leases*, which addresses accounting and financial reporting for leases by governments. GASB Statement No. 87, requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

LACMTA is a lessee for a noncancellable lease 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 is not provided in the lease agreement, LACMTA uses its estimated incremental borrowing rate as the discount rate for leases. The future lease payments expected to be made are discounted using the interest rate implicit in the lease agreement 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 agreement. 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.

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, 2024

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*.

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 2023 in the accompanying Schedule are included only to provide a basis for comparison with 2024 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.

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, 2024

6. Leases

LACMTA, as a lessee, has entered into a lease agreement involving office space/building. In fiscal year 2024, LACMTA recorded at present value a lease liability and right-to-use lease assets of \$779 and \$779, respectively, related to a newly executed lease contract using the current fiscal year's discount rate of 2.59%. During the year, LACMTA recorded principal and interest payments of \$9 and \$3, respectively, representing the total amount of periodic lease payments per executed contract.

As of June 30, 2024, LACMTA has 1 active lease agreement with an outstanding lease liability of \$770 and a right-to-use lease asset recognized at present value, net of accumulated amortization, of \$759, presented in the LACMTA's government-wide financial statement.

At June 30, 2024, the principal and interest requirements to maturity for this lease are presented below:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 50	\$ 19	\$ 69
2026	61	18	79
2027	66	16	82
2028	71	15	86
2029	76	13	89
2030-2034	446	29	475
Total	<u>\$ 770</u>	<u>\$ 110</u>	<u>\$ 880</u>

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

The Measure R fund at June 30, 2024 had a deficiency of revenues under expenditures and other financing uses of \$24,198 primarily due to the transfers out for operating, planning, and capital projects. This factor resulted in a decrease in Measure R's fund balance from \$1,002,167 to \$977,969.

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2024, 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, 2024

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 December 2, 2024, 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, 2024
(Amounts expressed in thousands)

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,092,876	\$ (107,124)
Intergovernmental	210,785	210,785	58,922	(151,863)
Investment income	-	-	40,005	40,005
Net appreciation in fair value of investments	-	-	8,843	8,843
Other	-	-	7,273	7,273
Total revenues	<u>1,410,785</u>	<u>1,410,785</u>	<u>1,207,919</u>	<u>(202,866)</u>
Expenditures:				
Administration and other	559,322	554,351	318,095	236,256
Transportation subsidies	573,886	568,419	416,533	151,886
Capital outlay - long-term lease arrangement issued	-	-	779	(779)
Debt and interest expenditures:				
Principal	-	-	9	(9)
Interest and fiscal charges	-	-	3	(3)
Total expenditures	<u>1,133,208</u>	<u>1,122,770</u>	<u>735,419</u>	<u>387,351</u>
Excess of revenues over expenditures	277,577	288,015	472,500	184,485
Other financing sources (uses)				
Transfers in	240,087	240,087	120,185	(119,902)
Transfers out	(494,274)	(494,274)	(617,662)	(123,388)
Long-term lease arrangement issued	-	-	779	779
Total other financing sources (uses)	<u>(254,187)</u>	<u>(254,187)</u>	<u>(496,698)</u>	<u>(242,511)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 23,390</u>	<u>\$ 33,828</u>	<u>\$ (24,198)</u>	<u>\$ (58,026)</u>



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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, 2024, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated December 2, 2024.

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 or significant deficiencies may exist that were not 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.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, California
December 2, 2024



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**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, 2024.

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, 2024.

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.

A handwritten signature in black ink that reads "BCA Watson Rice, LLP". The signature is written in a cursive, flowing style.

Torrance, California
December 2, 2024

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2024

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 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, 2024

**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, 2024

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2024**

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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, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and 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, 2024.

Basis for Opinion

We conducted our audits 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 audits. 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 of the County and the Cities are responsible for their 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 grant 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 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 #2024-001 through #2024-006. 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 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-002 and #2024-004 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 #2024-006 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 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 31, 2024

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2024**

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 LAWNDALE
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, 2024**

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, 2024

The audits of the County of Los Angeles and 39 cities have resulted in six (6) findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Carson (See Finding #2024-001)	\$ 757,313	\$ 757,313
		Culver City (See Finding #2024-003)	73,479	73,479
		Maywood (See Finding #2024-005)	61,524	61,524
		South Gate (See Finding #2024-006)	1,769,793	1,769,793
Accounting procedures, record keeping and documentation are adequate.	2	Compton (See Finding #2024-002)	None	None
		Huntington Park (See Finding #2024-004)	None	None
Total Findings and Questioned Costs	6		\$ 2,662,109	\$ 2,662,109

Details of the above findings are presented 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, 2024

Finding #2024-001	City of Carson
Compliance Reference	Section B (II)(1) 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. "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."
Condition	The City claimed expenditures prior to approval from Metro under Project code 730, PW1617 - Leonardo Drive, totaling \$757,313. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The budget was reset and reprogrammed to carryover for FY 23-24 at year end since no expenditures were incurred in FY2022-23. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditure totaling \$757,313 of Measure R funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on September 17, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for said project on September 17, 2024. 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, 2024
(Continued)

Finding #2024-002	City of Compton
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	As of the date of the audit, on December 24, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations: • Reconciliations of major balance sheet accounts including bank accounts were 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. The audits of the City's financial statements for the fiscal years 2023 and 2024 had not yet been completed because of the clean-up and closing process currently being done. Further, we noted that the separate local return fund bank accounts were combined into the City's pooled cash and investments accounts during FY2024. This violated Metro's mandate to maintain separate bank accounts for local return funds.
Cause	During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were 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 R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-002 (Continued)	City of Compton
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. We further recommend that the City reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate. This will also help in monitoring and tracking the activities and balances of local return funds.
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. The City acknowledges the finding and will recommend to the City Council to reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-003	City of Culver City
Compliance Reference	Section B (II) Expenditure Plan (Form One) of 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 (Form One), annually, by August 1st of each year. "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."
Condition	The City claimed expenditure under Project code 705, Culver City Street Improvements, totaling \$73,479, prior to approval from Metro. Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The project was inadvertently not included in the submitted budget request. This project was included in the budget request for FY 2022-2023. Due to the resignation of a key staff member, the project was not added to the FY 2023-2024 budget request.
Effect	The City claimed expenditure totaling \$73,479 of Measure R 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 Measure R-funded projects.
Management's Response	The City submitted a budget request via LRMS on December 11, 2024. Moving forward, the City will ensure that budget requests are made timely to Metro and match the City's approved construction in progress (CIP) budget.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on December 18, 2024. 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, 2024
(Continued)

Finding #2024-004	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	As of the date of audit fieldwork, on December 24, 2024, the City's year-end closing process was still ongoing for fiscal year 2024. The following critical observations were identified: • 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. • The beginning fund balances were not reconciled with the prior year's audited reports. • A system issue was discovered, causing balances to not roll over correctly. Accordingly, the audit of the City's financial statements for the fiscal year 2024 was started late because of the ongoing clean-up and closing process. This is a repeat finding from prior year.
Cause	During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, 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 R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-004 (Continued)	City of Huntington Park
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 should 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 updated and provided timely to the users.
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, 2024
(Continued)

Finding #2024-005	City of Maywood
Compliance Reference	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.” “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.”
Condition	The City claimed expenditures under the following projects prior to approval from Metro. a. Project code 302, HSIP Cycle 11 Traffic Signal Improvements, totaling \$51,524; and b. Project code 780, Gateway COG I-710 Corridor planning FY 23-24, totaling \$10,000. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.
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, 2024.
Effect	The City claimed expenditures totaling \$61,524 of Measure R 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 via LRMS and obtained retroactive approval of the budgets for said projects on September 25, 2024.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on September 25, 2024. 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, 2024
(Continued)

Finding #2024-006	City of South Gate
Compliance Reference	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), annually, by August 1st of each year. "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."
Condition	The City claimed expenditures for the following MRLRF projects with no prior approval from Metro: a. Project code 715, Citywide Residential Resurfacing Phase II, totaling \$83,643; b. Project code 720, Firestone Blvd Median Island Alameda/LA, totaling \$1,369,552; and c. Project code 730, Alameda St. Complete Street, totaling \$316,598. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro. This is a repeat finding from prior year.
Cause	The projects were inadvertently not included in the submitted Expenditure Plan (Form One).
Effect	The City claimed expenditures totaling \$1,769,793 with no prior approval from Metro. Lack of prior approval results in noncompliance.
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, 2024
(Continued)**

Finding #2024-006 (Continued)	City of South Gate
Management's Response	The City submitted budget requests via LRMS and obtained retroactive approval of the budgets for said projects on October 15, 2024.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on October 15, 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 MEASURE R ORDINANCE
AND MEASURE R LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



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, 2024**

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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: 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, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and 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, 2024.

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 of the Cities are responsible for their 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 grant 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 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 #2024-001 through #2024-004. 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

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.

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 were not 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.



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".

Los Angeles, California
December 31, 2024

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2024**

- | | |
|----------------------------------|-----------------------------------|
| 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, 2024

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, 2024**

The audit of the 49 cities have resulted in four (4) findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	1	Lancaster (#2024-003)	\$ 31,949	\$ 31,949
Timely use of funds.	1	Glendale (#2024-001)	1,800,946	1,800,946
Accounting procedures, record keeping and documentation are adequate.	2	Glendora (#2024-002)	None	None
		South Pasadena (#2024-004)	None	None
Total Findings and Questioned Costs	4		\$ 1,832,895	\$ 1,832,895

Details of the above findings are presented 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, 2024

Finding #2024-001	City of Glendale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (III), Timely Use of Funds, "Measure R LR funds have five (5) years to be expended. Funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received."
Condition	The City's fiscal year 2018-19 lapsed fund balance in the amount of \$1,800,946 was not fully expended within 5 years as of June 30, 2024, and was not reserved for capital projects as required by the Measure R Local Return Guidelines. However, the City received an extension approval from Metro to spend the lapsed funds until June 30, 2025 on December 10, 2024.
Cause	This was an oversight by the City for not tracking the timely use of funds.
Effect	The City was not in compliance with Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure requiring City staff to review the estimated annual fund balance so that funds are expended in a timely manner or a capital reserve account can be established.
Management's Response	The City will program the funding to ensure the lapsed amount is spent in a timely manner.
Corrected During the Audit	On December 10, 2024, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2025.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-002	City of Glendora
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..." In addition, Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: "e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared." Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported.
Condition	The bank reconciliation process was significantly delayed. As of the date of the audit, December 21, 2024, the bank reconciliation had only been completed through November 2023.
Cause	The preparation of the bank reconciliations was delayed due to staff turnover in several supervisory and lead positions within the Finance Department, as well as the transition to a new financial system in mid-December 2023.
Effect	The delay in preparing the bank reconciliations increases the risk of inaccuracies in the financial records, which could lead to misstated financial statements. This also limits the ability to ensure the integrity of cash balances and properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for preparing bank reconciliations, ensuring that they are completed on a timely basis. This should include assigning clear responsibilities and deadlines for staff, as well as providing adequate training on the new financial system. Additionally, management should prioritize the reconciliation process to ensure it is aligned with financial reporting timelines and that any discrepancies are identified and resolved promptly.
Management's Response	The Finance Department is actively working to address the delays in the bank reconciliation process. The City has engaged additional staff resources to assist with the reconciliations and are implementing a more structured approach to ensure timely completion moving forward. The department is also providing additional training on the new financial system to ensure staff is equipped with the necessary tools and knowledge. Management is committed to prioritizing the reconciliation process and aligning it with the overall financial reporting schedule to ensure that all reconciliations are completed accurately and on time.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-003	City of Lancaster
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 the MRLRF's Project Code 720, 16ZZ001 - Safer Street Action Plan, in the amount of \$31,949, were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$1,057,000 from Metro for said MRLRF project on October 10, 2024.
Cause	This was an oversight on the part of the City.
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 MRLRF projects, properly enters the budgeted amount for each project in the LRMS and submits it before the requested due date so that the City's expenditures of MRLRF are in accordance with Metro's approval and the Measure R Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures are incurred.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 10, 2024. 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, 2024
(Continued)

Finding #2024-004	City of South Pasadena
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	As of the date of the audit, December 18, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations including: (a) The beginning fund balance for MRLRF was not reconciled with the prior year's audited financial statement. (b) A detailed breakdown of expenditures charged to the MRLRF for the fiscal year ended June 30, 2024 was not provided. (c) No bank reconciliation was prepared as of June 30, 2024.
Cause	During the fiscal year ended June 30, 2024, management experienced significant turnover in key personnel within the Finance and Public Works departments. This disruption impacted the oversight of the local return funds and Metro-related projects, leading to delays in critical reconciliations, account analyses, and the preparation of necessary documentation required by both management and the auditors.
Effect	Without supporting documentation and reconciliations, variances remained between amounts recorded in the City's general ledger and those reported to Metro. This increases the risk of: (a) Inaccurate or misstated financial records and reports. (b) Noncompliance with applicable local return guidelines.
Recommendation	We recommend that management prioritize and complete the year-end closing process promptly to address the identified issues. Specifically, management should: 1. Ensure that all beginning fund balances are reconciled with the prior year's audited financial statements. 2. Provide a detailed breakdown of expenditures charged to the local return funds for the fiscal year, along with the necessary supporting documentation for verification. 3. Complete all required bank reconciliations for the fiscal year. Management should implement a structured approach with clear responsibilities and timelines to ensure that these tasks are completed accurately and in a timely manner. Regular process reviews and oversight should be conducted to ensure all necessary actions are taken before finalizing the year-end closing.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-004 (Continued)	City of South Pasadena
Management's Response	The City has engaged an external CPA firm to assist with year-end closing activities, including preparing bank reconciliations and supporting the City during the audit process. Management is prioritizing this effort, recognizing its significant impact on all the funds within the City's general ledger. While some progress has been made, the year-end closing process and necessary adjustments are expected to be completed by February 2025.

FISCAL YEAR 2024 MEASURE R REVENUES AND EXPENDITURES AUDIT WITH INTERNAL CONTROLS AND COMPLIANCE REPORT

P R E S E N T A T I O N T O

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

MARCH 5, 2025



*2355 Crenshaw Blvd., Suite 150
Torrance, CA 90501
PH 310.792.4640*

Contents

- Auditor and LACMTA Management Responsibilities
- Summary of Audit Results
- Financial Highlights
- Required Communications
- Management Letter Comments

Responsibilities

- LACMTA Management Responsibilities:
 - Preparation of the Schedule of Measure R Revenues and Expenditures
 - Design, implementation and maintenance of internal control – free from material misstatement, whether due to fraud or error.
- Auditor's Responsibilities:
 - Express an opinion on the fair presentation on the Schedule of Measure R Revenues and Expenditures based on our audit.
 - Express an opinion on compliance with the *Traffic Relief and Rail Expansion Ordinance 08-01* (Measure R Ordinance).

Summary of Audit Results

- Schedule of Measure R Revenues and Expenditures Audit
 - Unmodified opinion
- No internal control material weaknesses or significant deficiencies over financial reporting were identified.
- No significant internal control deficiencies over compliance were identified.
- LACMTA complied with the *Traffic Relief and Rail Expansion Ordinance 08-01 (Measure R Ordinance)*

Financial Highlights

- Sales tax revenue decreased by \$17.8 million compared to prior year (1.6% change from prior year). The decrease was mainly due to a decrease in consumer spending during FY 2023-2024.
- Actual expenditures increased by \$32.5 million compared to prior year (4.6% change from prior year) due primarily to an increase in spending in administration by \$40.7 million and offset by a decrease in local return subsidies allocation by \$7.4 million.
- Transfers-in decreased by \$232.9 million from the previous year (66.0% change), primarily due to American Rescue Plan Act (ARPA) Capital Infrastructure Grant reimbursements for capital project expenditures received in FY 2023.
- Transfers-out increased by \$242.8 million compared to prior year (64.8% change from prior year). Increase was mainly attributed to higher transfers to other funds for transit capital projects.
- Actual sales tax revenue was less than budgeted by \$107.1 million.
- Actual expenditures were less than budgeted by \$387.4 million mainly due to actual amounts for professional and technical services for capital projects and transportation subsidies coming in less than the budgeted amount.
- Actual transfers in were less than budgeted by \$119.9 mainly due to the actual amount received from other funds being less than the anticipated amount for the South Bay Transit Invest Program and the Sepulveda Transit Corridor.
- Actual transfers out were more than budgeted by \$123.4 million mainly due to transit capital projects spending being more than the budgeted amount during FY 2024.
- Measure R fund at June 30, 2024 had an excess of expenditures over revenues and other financing uses of \$24.2 million, decreasing Measure R fund balance from \$1.0 billion to \$977.9 million.

Required Communications

Items to be Communicated

Auditor's Responsibilities Under Generally Accepted Auditing Standards

- To express an opinion on the Schedule of Measure R Revenues and Expenditures.
- To provide reasonable, not absolute, assurance of detecting material misstatements.
- To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.
- To inform LACMTA of any illegal acts that we become aware of.
 - None

Required Communications (Continued)

- Adoption/Change in accounting
 - None
- Significant or unusual transactions
 - None
- Alternative treatments discussed with management
 - None
- Significant issues discussed with management
 - None
- Difficulties encountered in performing the audit
 - We encountered no significant difficulties in dealing with management in performing and completing conducting our audit.

Required Communications (Continued)

- Management consultations with other independent accountants
 - To our knowledge, there were no such consultation with other accountant.
- Discussions held prior to retention
 - No major issues were discussed as a condition to our retention.
- Disagreements with management
 - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedule of Measure R Revenues and Expenditures or the auditor's report.
 - No such disagreements occurred during the audit.
- Management representation
 - We requested certain representations from management, which are included in the management representation letter dated December 2, 2024.

Management Letter Comments

- There are no management letter comments.

Audited Financial Statements for Measure R Special Revenue Fund

- Included in LACMTA's June 30, 2024
Annual Comprehensive Financial Report (ACFR)

BCA Watson Rice LLP

Audit Engagement Team

- Marialyn Labastilla, Engagement Partner (mslabastilla@bcawr.com)
- Helen Chu, Quality Control Partner (hchu@bcawr.com)
- Ihab Fakhreddine, Audit Manager (ifakhreddine@bcawr.com)
- Kristen Reyes, Senior Auditor (kreyes@bcawr.com)

QUESTIONS AND ANSWERS

**Measure R Local Return Fund Audit Results
For the Fiscal Years Ended June 30, 2024
(Package B)**

Simpson & Simpson, LLP



Measure R Independent Taxpayers Oversight Committee Meeting
March 5, 2025

Agenda

- ❖ Presenters: Etta Hur, CPA, Partner
Austine Cho, CPA, Senior Audit Manager
- Background
- Summary of Audit Results - Findings and Questioned Costs
- Analysis of Measure R Audit Results
- S&S Contact Information
- Questions



Background



Simpson and Simpson, LLP

- We have audited the compliance of the following 49 cities (49 Jurisdictions under Package B).

- | | |
|----------------------------------|-----------------------------------|
| 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 |
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| 14. CITY OF EL SEGUNDO | 44. CITY OF SIGNAL HILL |
| 15. CITY OF GLENDALE | 45. CITY OF SOUTH PASADENA |
| 16. CITY OF GLEN DORA | 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 | |



Simpson and Simpson, LLP

- We conducted our audits of compliance 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, and the compliance requirements described in the Measure R Ordinance, the Measure R Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds.



Summary of Audit Results – Findings and Questioned Costs



Summary of Audit Results

❖ Audit Summary: FY2024

Audits were performed for all 49 jurisdictions in FY2024:

- Total dollar amounts associated with the findings are as follows:
 - **FY2024:** Increase from \$100,429 in FY2023 to \$1,832,895 in FY2024.



FY2024 Summary of Audit Results

FY2024 Audit Summary:

- **Total Questioned Costs:** \$1,832,895 (approximately 1.6% of the FY2024 Measure R allocations of \$115,378,368 under Package B).
- **Resolution:** All questioned costs were resolved during the audits.

Types of Questioned Costs:

- a) \$31,949: Funds expended on Measure R eligible project prior to Metro's approval (resolved during the audits).
- b) \$1,800,946: No timely use of funds (resolved during the audit).

Compliance Findings:

- **4 Non-Compliance Findings** were identified.
- No Material Weaknesses and No Significant Deficiencies in internal control over compliance were noted for FY2024.



FY2024 Summary of Audit Results (Cont.)

FY2024 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	1	Lancaster (#2024-003)	\$ 31,949	\$ 31,949
Timely use of funds.	1	Glendale (#2024-001)	1,800,846	1,800,846
Accounting procedures, record keeping, and documentation are adequate.	2	Glendora (#2024-002) South Pasadena (#2024-004)	None None	None None
Total FY2024 Findings and Questioned Cost	4		\$ 1,832,895	\$ 1,832,895



FY2024 Material Weakness and Significant Deficiency In Internal Controls over Compliance

- **There were no material weaknesses and no significant deficiencies in internal control over Compliance noted during our audit of FY2024.**

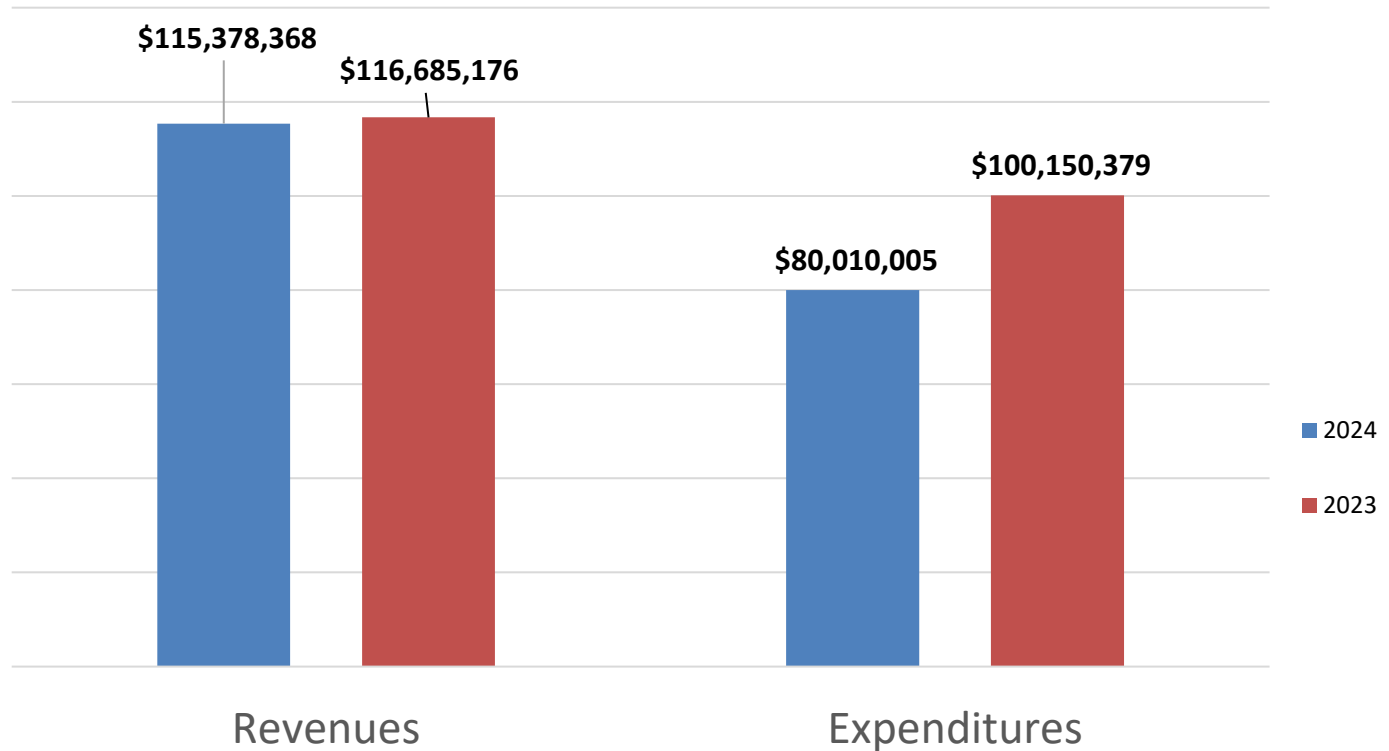


Analysis of Measure R Audit Results



Revenue and Expenditures of 49 Jurisdictions

FY 2024 and FY 2023
Revenues and Expenditures



S&S Contact information

Team member	Contact information
Grace Yuen Lead Engagement Partner	Email: gyuen@simpsonllp.com
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Questions





Metro®

**PRESENTATION
TO THE MEASURE R
INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
AUDIT RESULTS OF
MEASURE R LOCAL
RETURN FUNDS
Package A**

March 5, 2025



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/ Scope of the Audits



/ Scope of the Audits

Financial and Compliance Audits of Measure R Local Return Funds held by the County of Los Angeles and 39 Cities under Package A

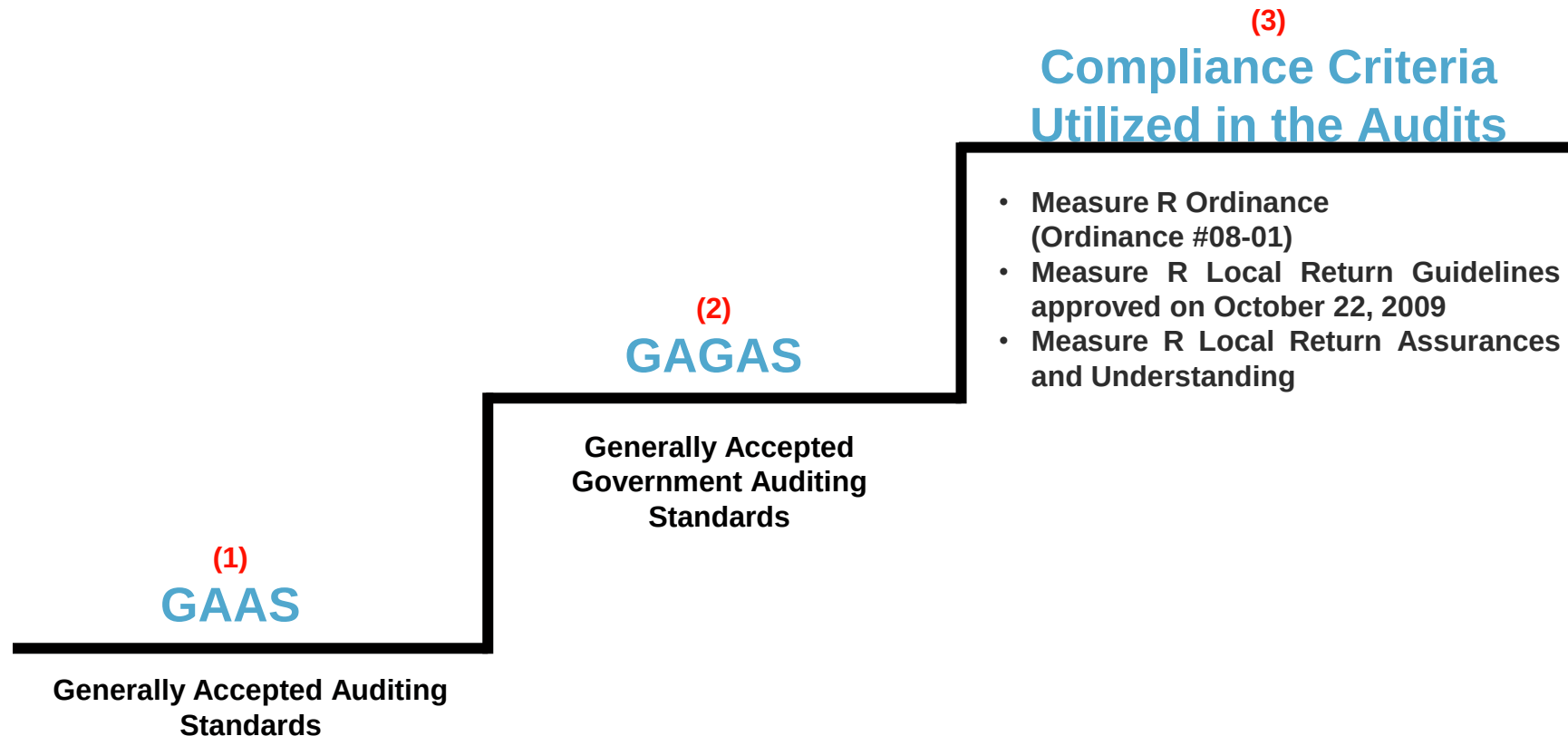
- | | | | |
|--------------------------|---------------------|-------------------|----------------------|
| 1. County of Los Angeles | 11. Compton | 21. Irwindale | 31. Rosemead |
| 2. Agoura Hills | 12. Cudahy | 22. La Puente | 32. San Fernando |
| 3. Azusa | 13. Culver City | 23. Lawndale | 33. Santa Fe Springs |
| 4. Baldwin Park | 14. El Monte | 24. Lynwood | 34. Santa Monica |
| 5. Bell | 15. Gardena | 25. Malibu | 35. South El Monte |
| 6. Bell Gardens | 16. Hawthorne | 26. Maywood | 36. South Gate |
| 7. Beverly Hills | 17. Hidden Hills | 27. Montebello | 37. Vernon |
| 8. Calabasas | 18. Huntington Park | 28. Monterey Park | 38. Walnut |
| 9. Carson | 19. Industry | 29. Pico Rivera | 39. West Hollywood |
| 10. Commerce | 20. Inglewood | 30. Pomona | 40. Westlake Village |



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized

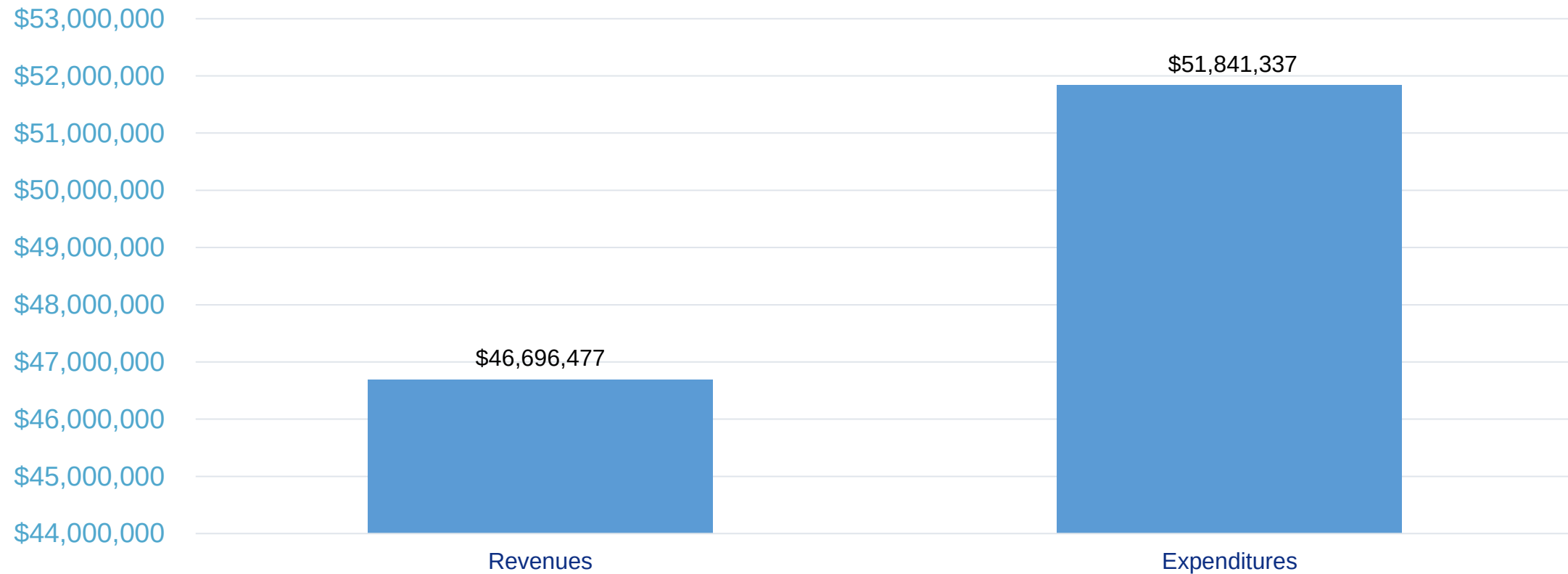


/ Revenue and Expenditures of the County of Los Angeles and 39 Cities



/ Revenue and Expenditures of the County of Los Angeles and 39 Cities

FY 2024 Revenues and Expenditures



/ Overview of the Audit Results



/ Overview of the Audit Results

FY 2024 Summary of Audit Results

- Dollars associated with the findings have increased from \$341,654 in FY2023 to \$2,662,109 in FY2024 audit.
- This represents about 5.70% of the total Measure R FY2024 allocations of \$46,696,447 to the County of Los Angeles and 39 cities under Package A.

Questioned Costs

- The questioned cost of \$2,662,109 relates to Measure R funds expended on eligible projects prior to Metro's approval.

All of these were resolved during the audit.

/ Details of Audit Results



/ Details of Audit Results

Our findings are as follows:

A. Funds were expended prior to Metro's approval.

- Compliance Reference: Section B(II) Expenditure Plan (Form One) of the 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), annually, by August 1st of each year".
- Number of cities involved: 4 of 39 cities
- Questioned costs for 2024:

	Total Expenditures Claimed for 2024	Questioned	Resolved During the Audit	Report Reference
1. Carson	\$ 3,544,160	\$ 757,313	\$ 757,313	Finding #2024-001, Page 8
2. Culver City	592,131	73,479	73,479	Finding #2024-003, Page 11
3. Maywood	1,674,145	61,524	61,524	Finding #2024-005, Page 14
4. South Gate	3,999,212	1,769,793	1,769,793	Finding #2024-006, Page 15
	<u>\$ 9,809,648</u>	<u>\$ 2,662,109</u>	<u>\$ 2,662,109</u>	

/ Details of Audit Results, continued

B. Accounting procedures, recordkeeping and documentation were not adequate.

- Compliance Reference: Section VII of the Measure R Local Return Program Guidelines 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”.
- Number of cities involved: 2 of 39 cities
 - City of Compton (Finding #2024-002, Page 9)
 - City of Huntington Park (Finding #2024-004, Page 12)
- Questioned costs for 2024: None

/ Material Weaknesses and Significant Deficiency in Internal Control Over Compliance



/ Material Weaknesses and Significant Deficiency in Internal Control Over Compliance

(1) Material Weaknesses

City of Compton

Finding #2024-002

- During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
- A disclaimer of opinion was issued on the City's MRLRF financial statements as of and for the year ended June 30, 2024.

/ Material Weaknesses and Significant Deficiency in Internal Control Over Compliance, continued

(2) Material Weaknesses

City of Huntington Park

Finding #2024-004

- During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
- A qualified opinion was issued on the City's MRLRF financial statements as of and for the year ended June 30, 2024.

/ Material Weaknesses and Significant Deficiency in Internal Control Over Compliance, continued

(3) Significant Deficiency (repeat finding)

City of South Gate

Finding #2024-006

- The City claimed expenditures totaling \$1,769,793 with no prior approval from Metro.
- This is a repeat finding from prior year.

/ Required Communications to the Measure R Independent Taxpayers Oversight Committee



/ Required Communications to the Measure R Independent Taxpayer Oversight Committee



Professional standards require independent accountants to discuss with those in charge of governance matters of importance which arise during the course of their audit as well as significant matters concerning the audited jurisdictions' internal controls and the preparation and composition of the financial statements. We therefore present the following information required to be communicated to the Measure R Independent Taxpayer Oversight Committee based upon the results of our audit of the Measure R Local Return Funds of the County of Los Angeles and the 39 cities.

/ Required Communications to the Measure R Independent Taxpayer Oversight Committee, continued

Management's Responsibility

Management of the jurisdictions has primary responsibility for the accounting principles used, their consistency, application and clarity.

Consultations with Other Accountants

We are not aware of any consultations by management of the jurisdictions with other accountants about accounting or auditing matters.

Difficulties with Management

We did not encounter any difficulties with management of the jurisdictions while performing our audit procedures.

/ Required Communications to the Measure R Independent Taxpayer Oversight Committee, continued

Disagreements with Management

We encountered no disagreements with management of the jurisdictions on financial accounting and reporting matters.

Significant Accounting Policies

The jurisdictions' significant accounting policies are appropriate and were consistently applied.

Controversial Issues

No significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.

/ Required Communications to the Measure R Independent Taxpayer Oversight Committee, continued

Irregularities, Fraud or Illegal Acts

No irregularities, fraud or illegal acts came to our attention as a result of our audit procedures.

Management Representations

The jurisdictions provided us with signed copies of the management representation letters prior to issuance of our auditor's opinions.

Questions

/ Contact Information

Vasquez + Company LLP has over 50 years of experience in performing audit, tax, accounting, and consulting services for all types of nonprofit organizations, governmental entities, and private companies. We are the largest minority-controlled accounting firm in the United States and the only one to have global operations and certified as MBE with the Supplier Clearinghouse for the Utility Supplier Diversity Program of the California Public Utilities Commission.

We are clients of the **RSM Professional Services+ Practice**. As a client, we have access to the Professional Services+ Collaborative, a globally connected community that provides access to an ecosystem of capabilities, collaboration and camaraderie to help professional services firms grow and thrive in a rapidly changing business environment. As a participant in the PS+ Collaborative, we have the opportunity to interact and share best practices with other professional services firms across the U.S. and Canada.

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**Thank you for your
time and attention!**

