Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2026-0060, **File Type:** Informational Report **Agenda Number:** 5.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
MARCH 9, 2026

SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2025

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, 2025 (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, 2025 (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, 2025 (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, 2025, in accordance with accounting principles generally accepted in the United States. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinance for the fiscal year ended June 30, 2025.

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).

Vasquez concluded that the County and the 39 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, 2025. Vasquez found nine instances of noncompliance, summarized in Schedule 2 of Attachment B, four of which were repeat findings from the prior two years.

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, 2025. Simpson found nine instances of noncompliance, summarized in Schedule 2 of Attachment C, three of which were repeat findings from the prior two years.

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 section 8(i)(2), the Committee will prepare an annual report detailing the results of the annual audit process and any findings, which will be reported to the Metro Board through the Consolidated Audit report. In addition, a public hearing is anticipated to be scheduled in early June 2026 to receive public input.

ATTACHMENT(S)

A. Measure R Special Revenue Fund Independent Auditor's Report (BCA FY25)
B. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez FY25)
C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson FY25)

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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, 2025 (With Comparative Totals For 2024)

BCAWR
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Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
For the Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025, 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

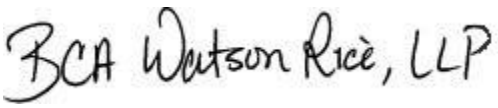
Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental 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 December 2, 2024. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2025, 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, 2025, 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.



Torrance, CA
December 2, 2025

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for 2024)
(Amounts expressed in thousands)

	2025	2024
Revenues		
Sales tax	$ 1,079,808	$ 1,092,876
Intergovernmental	105,873	58,922
Investment income	37,846	40,005
Net appreciation in fair value of investments	10,560	8,843
Other	-	7,273
Total revenues	1,234,087	1,207,919
Expenditures		
Administration and other	258,517	318,095
Transportation subsidies	375,946	416,533
Capital outlay - long-term lease arrangement	14,743	779
Debt and interest expenditures:		
Principal	531	9
Interest and fiscal charges	285	3
Total expenditures	650,022	735,419
Excess of revenues over expenditures	584,065	472,500
Other financing sources (uses)		
Transfers in	68,072	120,185
Transfers out	(1,088,895)	(617,662)
Long-term lease arrangement issued	14,743	779
Total other financing sources (uses)	(1,006,080)	(496,698)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$ (422,015)	$ (24,198)

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

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.

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.

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, 2025, the Measure R fund had an investment income of $37,846 and a net appreciation in fair value of investments of $10,560. 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.

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 2024 in the accompanying Schedule are included only to provide a basis for comparison with 2025 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

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

The Schedule is intended to reflect the revenues and expenditures of the Measure R fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in the financial position thereof for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

4. Intergovernmental Transactions

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

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

6. Leases

LACMTA, as a lessee, has entered into lease agreements involving office space/building. These leases have non-cancellable periods of more than 12 months and for accounting purposes are reported as financing leases.

In fiscal year 2025, LACMTA recorded at present value a lease liability and right-to-use lease assets of $14,743 and $14,743, respectively, related to a newly executed lease contract, using the current fiscal year's discount rate of 2.90%.

As of June 30, 2025, LACMTA has 2 active lease agreements with a total outstanding lease liability of $14,981 and a total right-to-use lease asset recognized at present value, net of accumulated amortization, of $14,874, presented in the LACMTA's government-wide financial statement. During the year, LACMTA recorded principal and interest payments of $531 and $285, respectively, representing the total amount of periodic lease payments per executed contract.

At June 30, 2025, the principal and interest requirements to maturity for this lease are presented below:

Year Ending June 30	Principal	Interest	Total
2026	$ 393	$ 497	$ 890
2027	385	417	802
2028	424	407	831
2029	466	393	859
2030	509	379	888
2031-2035	3,048	1,645	4,693
2036-2040	4,525	1,101	5,626
2041-2045	5,231	395	5,626
Total	$ 14,981	$ 5,234	$ 20,215

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

The Measure R fund at June 30, 2025 had a deficiency of revenues over expenditures and other financing uses of $422,015 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 $977,969 to $555,954.

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2025, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. Contingent Liabilities

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

10. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through December 2, 2025, 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, 2025
(Amounts expressed in thousands)

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Sales tax	$ 1,156,000	$ 1,156,000	$ 1,079,808	$ (76,192)
Intergovernmental	132,721	128,167	105,873	(22,294)
Investment income	-	-	37,846	37,846
Net appreciation in fair value of investments	-	-	10,560	10,560
Total revenues	1,288,721	1,284,167	1,234,087	(50,080)
Expenditures:				
Administration and other	545,334	453,330	258,517	194,813
Transportation subsidies	541,798	574,298	375,946	198,352
Capital outlay - long-term lease arrangement issued	-	-	14,743	(14,743)
Debt and interest expenditures:				
Principal	-	-	531	(531)
Interest and fiscal charges	-	-	285	(285)
Total expenditures	1,087,132	1,027,628	650,022	377,606
Excess of revenues over expenditures	201,589	256,539	584,065	327,526
Other financing sources (uses)				
Transfers in	261,148	281,383	68,072	(213,311)
Transfers out	(978,254)	(1,056,737)	(1,088,895)	(32,158)
Long-term lease arrangement issued	-	-	14,743	14,743
Total other financing sources (uses)	(717,106)	(775,354)	(1,006,080)	(230,726)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$ (515,517)	$ (518,815)	$ (422,015)	$ 96,800

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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, 2025, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated December 2, 2025.

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.

BCA Watson Rice, LLP

Torrance, California
December 2, 2025

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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, 2025.

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, 2025.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing other procedures as necessary in the circumstances.

- Obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Measure R revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

BCA Watson Rice, LLP

Torrance, California
December 2, 2025

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2025

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, 2025

VASQUEZ + COMPANY LLP

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2025

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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, 2025 (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, 2025.

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 is 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 #2025-001 through #2025-009. 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 #2025-002 and #2025-008 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-004 and #2025-005 to be significant deficiencies.

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

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

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

Vasquez & Company LLP

Glendale, California
December 31, 2025

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2025

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, 2025

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

SCHEDULE 1

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025

The audits of the County of Los Angeles and 39 cities have resulted in nine (9) 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	Cudahy (Finding #2025-003)	$ 29,045	$ 29,045
		Culver City (Finding #2025-005)	377,855	377,855
		Huntington Park (Finding #2025-006)	300,000	300,000
		San Fernando (Finding #2025-009)	97,632	97,632
Administrative expenses were within the 20% cap.	1	Cudahy (Finding #2025-004)	13,840	13,840
The Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Calabasas (Finding #2025-001)	None	None
		Huntington Park (Finding #2025-007)	None	None
Accounting procedures, recordkeeping and documentation are adequate.	2	Compton (Finding #2025-002)	None	None
		Huntington Park (Finding #2025-008)	None	None
Total Findings and Questioned Costs	9		**$ 818,372**	**$ 818,372**

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, 2025

Finding #2025-001	**City of Calabasas**
Compliance Reference	Section II(B) Expenditure Plan (Form One) of the Measure R Local Return Guidelines states, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".
Condition	The City missed the August 1, 2024 filing deadline for Form One, submitting the 8/1 Table late. The City submitted Form One on August 5, 2024.
Cause	Due to staffing changes in the Public Works Department, there was a transition period that affected the changeover of required reporting communications with Metro.
Effect	The City submitted the Form One 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form One via LRMS prior to the August 1st deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure the 8/1 Table is submitted in a timely manner by August 1st for each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on August 5, 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, 2025
(Continued)

Finding #2025-002 (Material Weakness)	**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 30, 2025, the City's year-end closing process was still ongoing. We noted the following critical observations: • Cut-off procedures related to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected prior period's account balances. • Beginning fund balances were not reconciled with prior year's audited reports. • The audits of the City's financial statements for the fiscal years 2024 and 2025 have not yet been completed due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal year 2024.
Cause	During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. Currently, accounting personnel and support staff are working toward closing the books and preparing 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, 2025
(Continued)

Finding #2025-002 (Material Weakness) (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 these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task, the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to the users in a timely manner.
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-003	**City of Cudahy**
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 receiving approval from Metro under Project Code 302, Active Transportation Program, totaling $29,045. Although the expenditures were determined to be eligible for Local Return funding, this project did not have prior approval from Metro.
Cause	The project was inadvertently omitted from the City's budget request for FY2024/25.
Effect	By claiming $29,045 of Measure R funds prior to Metro's approval, the City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Metro's approval is obtained before incurring expenditures 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 the project on December 23, 2025.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for the project on December 23, 2025. 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, 2025
(Continued)

Finding #2025-004 (Significant Deficiency)	**City of Cudahy**
Compliance Reference	Section A II 8 Transportation and Administration of the Measure R Local Return Guidelines states that, "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City claimed MRLRF administrative expenses in excess of the 20% cap, totaling $3,023. This is a repeat finding from prior year's audit relating to the MRLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 630, Fund Administration to $13,274, resulting in an excess of $10,817.
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Account the amount exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Account the amount over the 20% cap, totaling $13,840.
Finding Corrected During the Audit	The City has recorded a due from General Fund in FY2024/25. 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, 2025
(Continued)

Finding #2025-005 (Significant Deficiency)	**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 expenditures under the following projects prior to approval from Metro: a. Project code 705, Culver City Street Improvements, totaling $962; and b. Project code 806 MOVE Culver City Mobility Lane, totaling $376,893. 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 the fiscal year 2024.
Cause	The projects were inadvertently excluded from the submitted budget request. Due to the resignation of a key staff member, the project was not added to the FY 2024-2025 budget request.
Effect	The City claimed expenditures totaling $377,855 of Measure R LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on 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, 2025
(Continued)

Finding #2025-005 (Significant Deficiency) (Continued)	**City of Culver City**
Management's Response	The City submitted a budget request via LRMS on December 11, 2025. Moving forward, the City will ensure that budget requests are made timely to Metro and match the City's approved CIP budget.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on December 16, 2025. 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, 2025
(Continued)

Finding #2025-006	**City of Huntington Park**
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 obtaining approval from Metro under Project Code 780, Engineering Administration, totaling $300,000. Although the expenditures were determined to be eligible for Local Return funding, this project did not have prior approval from Metro.
Cause	This condition was caused by turnover of the City staff responsible for completing the Expenditure Plan. A City staff member who is currently assigned to monitor the Measure R Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Measure R Local Return Expenditure Plan in previous fiscal years.
Effect	The City claimed expenditures totaling $300,000 in 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 before incurring expenditures on Local Return-funded projects.
Management's Response	The City submitted a Budget Request via LRMS and obtained retroactive approval for the project on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the project was obtained through LRMS on December 11, 2025. 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, 2025
(Continued)

Finding #2025-007	**City of Huntington Park**
Compliance Reference	Section II(B) Expenditure Plan (Form One) of the Measure R Local Return Guidelines states, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".
Condition	The City missed the August 1, 2024 deadline of Form One, submitting the 8/1 Table late. Form One was submitted on October 15, 2024.
Cause	This condition was caused by turnover of the City staff responsible for completing Form One, 8/1 Table. A City staff member who is currently assigned to submit Form One, 8/1 Table was unaware of the requirements to submit Form One, 8/1 Table by August 1 of each year.
Effect	The City submitted the Form One 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form One via LRMS prior to the August 1 deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure 8/1 Table is submitted in a timely manner by August 1st of each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on October 15, 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, 2025
(Continued)

Finding #2025-008 (Material Weakness)	**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 29, 2025, the City's year-end closing process was still ongoing for the fiscal year 2025. The following critical observations have been identified: • Cut-off procedures relating to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected the prior period's account balances. • Certain accounts and beginning fund balances were not reconciled to the City's published 2024 audited reports. Accordingly, the audit of the City's financial statements for the fiscal year 2025 remains in progress due to the ongoing clean-up and closing process. This is a repeat finding from the fiscal years 2023 and 2024.
Cause	During the fiscal years 2021 through 2025, 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 2025 and prior years. Currently, the accounting personnel and support staff are working toward closing the books and preparing 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, 2025
(Continued)

Finding #2025-008 (Material Weakness) (Continued)	**City of Huntington Park**
Recommendation	The City should 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 these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures should be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to users on a timely basis. We further recommend that the City maintain a separate account for its local return. 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 accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed on time.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009	**City of San Fernando**
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 170, Parking Lots Maintenance Project, totaling $97,632. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The delay in submitting the project budget update to the granting agency was attributable to temporary staffing constraints that impacted the timely completion of required reporting activities.
Effect	The City claimed expenditure totaling $97,632 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.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009 (Continued)	**City of San Fernando**
Management's Response	Management acknowledges this deficiency and has corrective action to prevent recurrence. Specifically, responsibilities for grant reporting will be restructured to ensure adequate staffing coverage, and cross-training initiatives are implemented to mitigate the risk of delays arising from personnel changes or absences. These measures will strengthen internal capacity and ensure the timely fulfillment of all reporting obligations in the future. The City submitted a Budget Request to Metro Program Manager and obtained retroactive approval of the budget for said project on September 30, 2025.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for said project on September 30, 2025. 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, 2025

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, 2025

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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, 2025 (collectively, the Requirements). Compliance areas tested and related findings are identified in the accompanying Compliance Areas 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, 2025.

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.

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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 #2025-001 through #2025-009. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-003, #2025-004, #2025-007, and #2025-008 that we consider to be significant deficiencies.

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

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

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

Simpson & Simpson

Los Angeles, California
December 31, 2025

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2025

1. CITY OF ALHAMBRA
2. CITY OF ARCADIA
3. CITY OF ARTESIA
4. CITY OF AVALON
5. CITY OF BELLFLOWER
6. CITY OF BRADBURY
7. CITY OF BURBANK
8. CITY OF CERRITOS
9. CITY OF CLAREMONT
10. CITY OF COVINA
11. CITY OF DIAMOND BAR
12. CITY OF DOWNEY
13. CITY OF DUARTE
14. CITY OF EL SEGUNDO
15. CITY OF GLENDALE
16. CITY OF GLENDORA
17. CITY OF HAWAIIAN GARDENS
18. CITY OF HERMOSA BEACH
19. CITY OF LA CANADA FLINTRIDGE
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
31. CITY OF PALMDALE
32. CITY OF PALOS VERDES ESTATES
33. CITY OF PARAMOUNT
34. CITY OF PASADENA
35. CITY OF RANCHO PALOS VERDES
36. CITY OF REDONDO BEACH
37. CITY OF ROLLING HILLS
38. CITY OF ROLLING HILLS ESTATES
39. CITY OF SAN DIMAS
40. CITY OF SAN GABRIEL
41. CITY OF SAN MARINO
42. CITY OF SANTA CLARITA
43. CITY OF SIERRA MADRE
44. CITY OF SIGNAL HILL
45. CITY OF SOUTH PASADENA
46. CITY OF TEMPLE CITY
47. CITY OF TORRANCE
48. CITY OF WEST COVINA
49. CITY OF WHITTIER

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Areas Tested
Fiscal Year Ended June 30, 2025

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, 2025

The audits of the 49 cities have resulted in nine (9) findings. The table below summarizes these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Downey (#2025-002)	$ 137,503	$ 137,503
		Palos Verdes Estates (#2025-006)	232,074	232,074
Timely use of funds.	1	Glendale (#2025-003)	1,522,484	1,522,484
Administrative expenses exceed the 20% cap.	1	Artesia (#2025-001)	4,127	4,127
Accounting procedures, record keeping and documentation are adequate.	5	Glendora (#2025-004)	None	None
		Glendora (#2025-005)	212,403	212,403
		Palos Verdes Estates (#2025-007)	None	None
		Redondo Beach (#2025-008)	None	None
		West Covina (#2025-009)	48,729	48,729
Total Findings and Questioned Costs	**9**		**$ 2,157,320**	**$ 2,157,320**

Details of the findings are in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025

Finding #2025-001	**City of Artesia**
Compliance Reference	According to Measure R Local Return Guidelines, Section A (II) 8, Transportation Administration, "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs.... The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City's administrative expenditure exceeded 20 percent of its total Measure R Local Return Fund (MRLRF) annual expenditures by $4,127. This amount represents the excess over the 20 percent administrative expenditure limitation.
Cause	This was an oversight on the part of the City.
Effect	The City's Measure R Local Return Administration (Project Code 630 - General Program Administration) exceeded the allowable 20 percent of total MRLRF annual expenditure. Accordingly, the City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures do not exceed the 20 percent cap of the MRLRF's total annual expenditures.
Management's Response	In the future, the City will monitor the administrative expenditures that they will not exceed more than 20 percent cap of MRLRF's total expenditures.
Finding Corrected During the Audit	The Metro Program Manager granted the City a waiver to reimburse its MRLRF account for the questioned cost of $4,127 on December 29, 2025. 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, 2025
(Continued)

Finding #2025-002	**City of Downey**
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 Lakewood Traffic Signal Upgrades Project Code 302, in the total amount of $137,503, were incurred prior to Metro's approval. However, the City subsequently received an approved budget from Metro in the total amount of $137,505 on October 10, 2025.
Cause	The request for Metro's approval of the project budget was overlooked.
Effect	The City did not comply with the Measure R Local Return Guidelines, as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit it before the requested due date so that the City's expenditures of Measure R Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all project costs and ensure to request the appropriate Metro approved budget prior to the fiscal year end.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on October 10, 2025. 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, 2025
(Continued)

Finding #2025-003 (Significant Deficiency)	**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 2019–20 lapsed fund balance of $1,522,484 was not fully expended within the required five-year period as of June 30, 2025, nor was it reserved for capital projects in accordance with the Measure R Local Return Guidelines. This is a repeat finding from the fiscal year 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 the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
Management's Response	The City will program the funding to ensure the lapsed amount is spent in a timely manner.
Finding Corrected During the Audit	On November 17, 2025, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2026. 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, 2025
(Continued)

Finding #2025-004 (Significant Deficiency)	**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..."
Condition	The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024. This is a repeat finding from the fiscal year 2024.
Cause	The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to the delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
Effect	The delay in preparing the bank reconciliations and finalizing the year-end closing process 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 related accounts and to properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for both bank reconciliations and year-end closing procedures to ensure 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, and monitoring progress to ensure that discrepancies are identified and resolved promptly.
Management’s Response	The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005	**City of Glendora**
Compliance Reference	According to Measure R Local Return Guidelines, Section A.I: Program Summary, states, "The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes." and Section B.VII: Audit Section, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines." In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, the memo states that: "(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (b) A Federal award and non-Federal award. (5) Personnel activity reports or equivalent documentation must meet the following standards: : (a) They must reflect an after the fact distribution of the actual activity of each employee, : (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances."

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Continued)	**City of Glendora**
Condition	During our payroll testing, we noted that the payroll costs allocated to the Measure R Local Return Fund's (MRLRF) Street Repair and Maintenance I Project Code 705 were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities. In addition, the employees' timesheets did not identify the specific hours worked on the above projects for the following payroll periods tested: (a) October 27, 2024 (b) December 22, 2024 (c) February 2, 2025 (d) March 30, 2025 As a result, we were also unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible MRLRF activities for total amounts of $212,403.
Cause	The fiscal year 2024-25 was the City's first full fiscal year operating under a new Time and Attendance system. During system implementation, the City relied on guidance provided by the implementation representative and configured payroll cost allocations in accordance with that guidance. At that time, it was assumed that this configuration would meet Metro's cost allocation and documentation requirements. However, it was determined that this setup did not fully capture or report actual hours worked by project or activity as required for detailed payroll and benefit cost allocation.
Effect	The payroll costs and employee benefits charged under the MRLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of $212,403.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-005 (Continued)	**City of Glendora**
Management's Response	The City acknowledges the finding and has taken corrective action to ensure full compliance with Metro requirements. The City has engaged a third-party consultant with specialized expertise in Time and Attendance system configuration and Metro grant compliance. The City is currently developing and implementing detailed activity and project codes to capture actual hours worked by employee and by specific project. Updating Time and Attendance system configurations will ensure that payroll costs and employee benefits are allocated based on actual hours worked and supported by timesheet documentation. Reviewing internal payroll and reporting procedures will also help ensure consistent application and ongoing compliance. These actions will strengthen internal controls, improve payroll cost transparency, and ensure all future personnel cost charges to Metro-funded projects are fully supported and compliant with Metro requirements. The City met with a third-party consultant specializing in Time and Attendance system configuration and job costing to evaluate options for achieving full compliance with Metro's payroll documentation requirements. During this discussion, the consultant proposed implementing job costing within the Time and Attendance system as a means to independently track employee time by project. The conversation also emphasized the need for a structured and consistent method of time tracking and project management, particularly to distinguish hours worked on local transportation projects from those charged to the General Fund. This approach will allow the City to accurately capture actual hours worked at the employee level and allocate payroll costs and related benefits directly to the appropriate funding source. Based on this guidance, the City is moving forward with: • Establishing job costing and project/activity codes within the Time and Attendance system; • Requiring employees to record time worked by project, including transportation-related projects funded by Metro; • Aligning payroll reporting with Metro's documentation and compliance requirements. These enhancements will improve accuracy, transparency, and auditability of personnel cost allocations going forward.
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of $212,403 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-006	**City of Palos Verdes Estates**
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The City incurred expenditures totaling $232,074 for Project Code 705 – FY 23/24 Annual Resurfacing Project prior to receiving Metro approval. These expenditures related to the fiscal year 2024 and were subsequently recorded as a prior period adjustment in the fiscal year 2025.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023.
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 and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive appropriate instruction on the Measure R Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City accepts the finding. The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.
Finding Corrected During the Audit	On December 18, 2025, the City received retroactive approval from Metro for the budget associated with Project Code 705 — FY 23-24 Annual Resurfacing Project, in the amount of $232,100. 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, 2025
(Continued)

Finding #2025-007 (Significant Deficiency)	**City of Palos Verdes Estates**
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII, Audit Section, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits."
Condition	During the procedures performed to reconcile the beginning balances of the fiscal year 2025 financial statements to the audited ending balances as of June 30, 2024, we noted that the City recorded certain fiscal year 2024 Local Return Funds project expenditures after the completion and issuance of the fiscal year 2024 Local Return Funds audit reports. These transactions were not recorded in the City's accounting records at the time the fiscal year 2024 audits were completed and were subsequently recorded by the City at the beginning of the fiscal year 2025. As a result of these post-year entries, cash and investments were overstated and expenditures were understated in the following fund: • MRLRF: $232,074 Because these transactions related to fiscal year 2024 activities but were recorded after the issuance of the fiscal year 2024 Local Return Funds audit reports, they were recorded as prior period adjustments in the fiscal year 2025.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023. In addition, the City personnel were unfamiliar with the City's fund requirements and Local Return reporting processes, and the City engaged an external accounting support team to assist with the year-end closing process. Collectively, these circumstances adversely affected controls over the Local Return Funds and Metro-related projects, and contributed to delays in critical reconciliations, account analyses, and the preparation of supporting documentation required for year-end financial reporting and audit purposes.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007 (Significant Deficiency) (Continued)	**City of Palos Verdes Estates**
Effect	Although supporting documentation was maintained by the external accounting support team, the City personnel were unable to readily locate or provide the documentation upon request, resulting in unresolved differences between amounts recorded in the City's general ledger and those reported to Metro. As a result, these conditions increased the risk of: (a) inaccurate or misstated financial records and reports; and (b) noncompliance with applicable local return guidelines. In addition, deficiencies in the City's year-end closing and documentation processes contributed to delays in the completion of the required audits.
Recommendation	We recommend that management prioritize timely completion of the year-end closing process and strengthen controls over period-end financial reporting. This should include implementing a structured closing process with clearly defined roles, responsibilities, and timelines. In addition, management should ensure appropriate supervisory review and oversight to verify that all required reconciliations, documentation, and adjustments are completed accurately and timely prior to finalizing the year-end close.
Management's Response	The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Significant Deficiency)	**City of Redondo Beach**
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 on December 16, 2025, the City's year-end closing process had not yet been completed. Accordingly, we noted the following matters: (a) Bank reconciliations for May and June 2025 had not been completed due to unresolved reconciling items. (b) Interest income allocations for all local return funds had not been finalized, and interest earned but not yet received as of June 30, 2025 had not been accrued. (c) Unrealized gains and losses on investments had not been recorded as of year-end.
Cause	The City implemented a new permit management and financial system in August 2024, which created in reconciliation challenges between permit payment activity and bank records. Due to ongoing issues, the City discontinued the system and transitioned to a new system in April 2025. While the new system is operating more effectively, unresolved reconciliation issues remain for the March through April 2025 transition period, primarily related to transactions recorded in both systems. In addition, staffing shortages within the Finance Department further contributed to delays in completing year-end reconciliations and closing activities. As a result, the City was unable to finalize the year-end closing process and related allocations prior to the audit.
Effect	Delays in preparing bank reconciliations and year-end closing procedures increase the risk of errors or omissions in the City's financial records. Because interest allocations, accrued interest, and unrealized gains and losses were not recorded, interest income, interest receivable, investment balances, and related fund balances may be misstated or not properly allocated among Local Return funds. These conditions also limit management's ability to detect and correct errors on a timely basis and weaken internal controls over financial reporting.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Significant Deficiency) (Continued)	**City of Redondo Beach**
Recommendation	We recommend that the Finance Department establish and follow a documented year-end closing process to ensure that: • Bank reconciliations are completed monthly and reviewed. • Interest income allocations and accruals are finalized prior to closing. • Unrealized investment gains and losses are recorded at year-end, and all closing entries are subject to supervisory review. • We further recommend prioritizing completion of the outstanding reconciliations for May and June 2025 and providing additional training to staff on the new financial system and year-end procedures.
Management's Response	Management agrees with the recommendation and will strengthen the financial statement closing process by enhancing year-end procedures through improved documentation, clearer task assignments, and the implementation of a structured close checklist and timeline. The Finance Department will complete interest allocations, along with pooled cash and related bank reconciliations, on a monthly basis with established internal deadlines, and supervisor will perform monthly reviews to ensure accuracy and completeness. Responsibilities for bank reconciliations and interest allocations have been reassigned to designated staff to provide continuity. Progress will be monitored regularly to ensure alignment with financial reporting and audit timelines.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009	**City of West Covina**
Compliance Reference	According to Measure R Local Return Guidelines, Section A.I: Program Summary, "The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes." and Section B.VII: Audit Section states, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines." In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state, "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, the memo states that "(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (b) A Federal award and non-Federal award. : (5) Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after the fact distribution of the actual activity of each employee, : (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances."

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009 (Continued)	**City of West Covina**
Condition	During our payroll testing, we noted that the payroll costs allocated to the Measure R Local Return Fund (MRLRF) Administration Project Code 630 (Project) were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities. In addition, the employees' timesheets did not identify the specific hours worked on the Project for the following payroll periods tested: (a) August 30, 2024 (b) December 6, 2024 (c) March 14, 2025 (d) May 23, 2025 As a result, we were unable to verify that the payroll costs and employee benefits charged to the Project were based on actual time spent on eligible MRLRF activities for a total amount of $48,729.
Cause	During the fiscal year 2024-25, the City converted its system to Tyler Munis ERP and planned to use this new system to streamline payroll processing and track the actual hours spent by the employees on each project. The City eliminated the use of the hard copy timesheets. However, due to the delay in the application of the new software, the estimated percentages were used to allocate the salaries to MRLRF.
Effect	The payroll costs and employee benefits claimed under the MRLRF projects may include disallowed Measure R project expenditures. This resulted in questioned costs of $48,729 for MRLRF.
Recommendation	We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.
Management's Response	The City management acknowledges the audit finding regarding the use of budgeted allocations for administrative costs instead of actual hours. Beginning January 2026, the City will implement the timesheet tracking for all administrative personnel to ensure costs are accurately allocated based on actual time spent on each project.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-009 (Continued)	**City of West Covina**
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of $48,729 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.

FISCAL YEAR 2025
MEASURE R
REVENUES AND EXPENDITURES AUDIT
WITH
INTERNAL CONTROLS AND COMPLIANCE REPORT

PRESENTATION TO

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

MARCH 9, 2026

BCAWR
Certified Public Accountants & Advisors

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

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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).

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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)*

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Financial Highlights

- Sales tax revenue decreased by $13.1 million compared to prior year (1.2% change from prior year). The decrease was mainly due to a decrease in consumer spending during FY 2024-2025.

- Actual expenditures decreased by $85.4 million compared to prior year (11.6% change from prior year) due primarily to a decrease in spending in administration and other expenditures by $59.6 million and by a decrease in transportation subsidies by $40.6 million.

- Transfers-in decreased by $52.1 million from the previous year (43.4% change from prior year). Decrease was mainly attributed to zero billings for the Sepulveda Transit Corridor project.

- Transfers-out increased by $471.2 million compared to prior year (76.3% change from prior year). Increase was due primarily to lower than anticipated expenditures for various transit capital projects.

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Financial Highlights (Continued)

- Actual sales tax revenue was less than budgeted by $76.2 million.
- Actual expenditures were less than budgeted by $377.6 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 $213.3, 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 $32.2 million, mainly due to operating expenditures (bus and rail) being more than the budgeted amount during FY 2025.
- Measure R fund at June 30, 2025, had a deficiency of revenues and other financing sources over expenditures and other financing uses of $422.0 million, decreasing Measure R fund balance from $977.9 million to $555.9 million at June 30, 2025.

Required Communications

with Those Charged with Governance

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

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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.

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Required Communications (Continued)

- Management consultations with other independent accountants
  - To our knowledge, there were no such consultations with other accountants.

- 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, 2025.

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Management Letter Comments

- There are no management letter comments.

Audited Financial Statements for Measure R Special Revenue Fund

- Included in LACMTA's June 30, 2025 Annual Comprehensive Financial Report (ACFR)

BCAWR
Certified Public Accountants & Advisors

BCA Watson Rice LLP
Audit Engagement Team

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- Kristen Reyes, Senior Auditor (kreyes@bcawr.com)

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QUESTIONS AND ANSWERS

BCAWR
Certified Public Accountants & Advisors

Measure R Local Return Fund Audit Results For the Fiscal Years Ended June 30, 2025 (Package B)

Simpson & Simpson, LLP

Measure R Independent Taxpayers Oversight Committee Meeting
Date: March 9, 2026

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
2. CITY OF ARCADIA
3. CITY OF ARTESIA
4. CITY OF AVALON
5. CITY OF BELLFLOWER
6. CITY OF BRADBURY
7. CITY OF BURBANK
8. CITY OF CERRITOS
9. CITY OF CLAREMONT
10. CITY OF COVINA
11. CITY OF DIAMOND BAR
12. CITY OF DOWNEY
13. CITY OF DUARTE
14. CITY OF EL SEGUNDO
15. CITY OF GLENDALE
16. CITY OF GLENDORA
17. CITY OF HAWAIIAN GARDENS
18. CITY OF HERMOSA BEACH
19. CITY OF LA CANADA FLINTRIDGE
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
31. CITY OF PALMDALE
32. CITY OF PALOS VERDES ESTATES
33. CITY OF PARAMOUNT
34. CITY OF PASADENA
35. CITY OF RANCHO PALOS VERDES
36. CITY OF REDONDO BEACH
37. CITY OF ROLLING HILLS
38. CITY OF ROLLING HILLS ESTATES
39. CITY OF SAN DIMAS
40. CITY OF SAN GABRIEL
41. CITY OF SAN MARINO
42. CITY OF SANTA CLARITA
43. CITY OF SIERRA MADRE
44. CITY OF SIGNAL HILL
45. CITY OF SOUTH PASADENA
46. CITY OF TEMPLE CITY
47. CITY OF TORRANCE
48. CITY OF WEST COVINA
49. CITY OF WHITTIER

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: FY2025**

Audits were performed for all 49 jurisdictions in FY2025:

- Total dollar amounts associated with the findings are as follows:
  - **FY2025**: Increase from $1,832,895 in FY2024 to $2,157,320 in FY2025.

Summary of Audit Results (Cont.)

FY2025 Audit Summary:

- **Total Questioned Costs**: $2,157,320 (approximately 1.9% of the FY2025 Measure R allocations of $108,550,831 under Package B.

- **Resolution**: All questioned costs were resolved during the audits.

Types of Questioned Costs:

a) $369,577: Funds expended on Measure R eligible project prior to Metro's approval (resolved during the audits).

b) $1,522,484: Untimely use of funds (resolved during the audit).

c) $4,127: Administrative expenses exceed the 20% cap (resolved during the audit).

d) $261,132: Accounting procedures, record keeping and documentation are adequate (resolved during the audit).

Summary of Audit Results (Cont.)

During our audit, we identified a total of 9 instances of non-compliance. The following were categorized as Significant Deficiencies:

- Significant Deficiencies (4 instances)
  - City of Glendale (#2025-003)
  - City of Glendora (#2025-004)
  - City of Palos Verdes Estates (#2025-007)
  - City of Redondo Beach (#2025-008)

Further details about the specific conditions leading to these significant deficiencies in internal control over compliance will be explained as each finding is presented.

Summary of Audit Results (Cont.)

Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Downey (#2025-002) Palos Verdes Estates (#2025-006)	$ 137,503 232,074	$ 137,503 232,074
Timely use of funds.	1	Glendale (#2025-003)	1,522,484	1,522,484
Administrative expenses exceed the 20% cap.	1	Artesia (#2025-001)	4,127	4,172

Summary of Audit Results (Cont.)

Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation are adequate.	5	Glendora (#2025-004) Glendora (#2025-005) Palos Verdes Estates (#2025-007) Redondo Beach (#2025-008) West Covina (#2025-009)	None 212,403 None None 48,729	None 212,403 None None 48,729
Total Findings and Questioned Cost	**9**		**$ 2,157,320**	**$ 2,157,320**

Significant Deficiencies
In Internal Controls over Compliance

➢ **Significant Deficiency 1 of 4 :**

City of Glendora (Finding #2025-003):

- **Issue**: The City's Fiscal Year 2020 MRLRF ending fund balance of $1,522,484 was neither fully expended within five years as of June 30, 2025, nor reserved for capital projects, as required by the Measure R Local Return Guidelines.

- **Reason**: Oversight on the part of the City.

- **Repeat Finding**: Repeat finding from the fiscal year 2024.

- **Resolution**: On November 17, 2025, Metro granted the City an extension to use the lapsed funds until June 30, 2026. No further follow-up is required.

Significant Deficiencies In Internal Controls over Compliance (Cont.)

- **Significant Deficiency 2 of 4:**

City of Glendora (Finding #2025-004):

- **Issue**: The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024.

- **Reason:** The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.

- **Repeat Finding**: Repeat finding from the fiscal year 2024.

- **Management's response**: The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.

Significant Deficiencies In Internal Controls over Compliance (Cont.)

- **Significant Deficiency 3 of 4:**

City of Palos Verdes Estates (Finding #2025-007):

- **Issue**: During the FY 2025 beginning balance reconciliation, the City recorded $232,074 of FY 2024 Local Return Funds expenditures after completion of the FY 2024 audit (prior period adjustment), resulting in an overstatement of cash and understatement of MRLRF expenditures.

- **Reason**: Oversight resulted from recent administrative and management turnover, including the Public Works Director's departure in August 2024 and the Finance Director position remaining vacant since March 2023, further compounded by staff unfamiliarity with fund requirements and reliance on external accounting support, which contributed to delays in reconciliations, analyses, and year-end reporting.

- **Management's response**: The City has updated the projects and budgets and will implement procedures and provide staff training to ensure timely updates and compliance with Metro requirements going forward.

Significant Deficiencies In Internal Controls over Compliance (Cont.)

- **Significant Deficiency 4 of 4:**

City of Redondo Beach (Finding #2025-008):

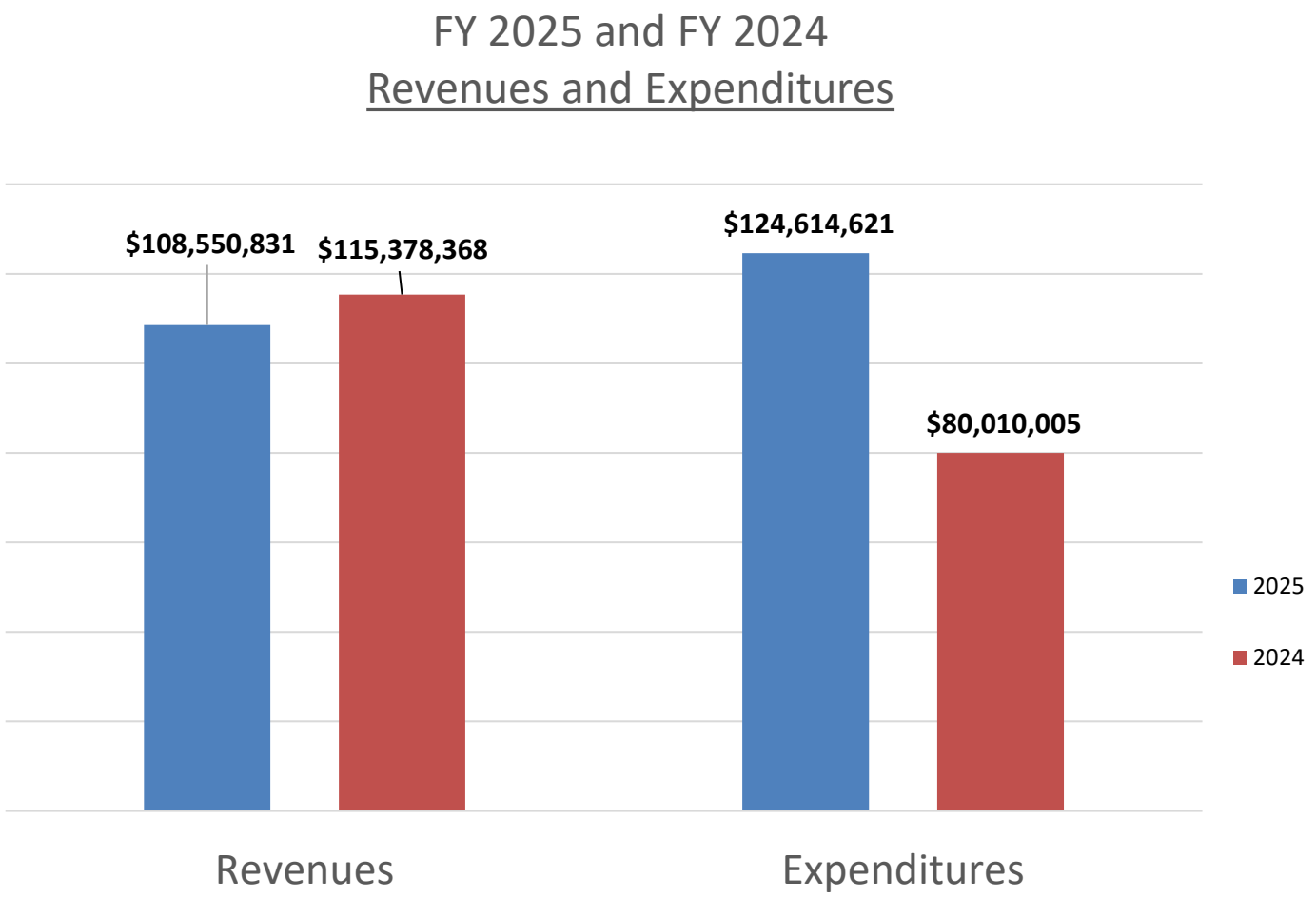
- **Issue**: As of the audit date of December 16, 2025, the City's year-end closing process was incomplete, with May and June 2025 bank reconciliations pending, interest income allocations and accruals not finalized, and unrealized investment gains and losses not recorded.

- **Reason**: The City's transition between permit and financial systems from August 2024 to April 2025, combined with Finance Department staffing shortages, caused reconciliation challenges and delays that prevented completion of the year-end closing process and related allocations before the audit.

- **Management's response**: Management will strengthen the year-end closing process through improved documentation, a structured checklist, and clear task assignments. Interest allocations and bank reconciliations will be completed monthly with supervisor review, responsibilities will be reassigned to ensure continuity, and progress will be regularly monitored to ensure timely and accurate financial reporting.

Analysis of Measure R Audit Results

Revenue and Expenditures of 49 Jurisdictions



S&S Contact information

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Questions

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

March 9, 2026

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/ Scope of the Audits

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

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/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized

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/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized

(1)

GAAS

Generally Accepted Auditing Standards

(2)

GAGAS

Generally Accepted Government Auditing Standards

(3)

Compliance Criteria Utilized in the Audits

- **Measure R Ordinance (Ordinance #08-01)**
- **Measure R Local Return Guidelines approved on October 22, 2009**
- **Measure R Local Return Assurances and Understanding**

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

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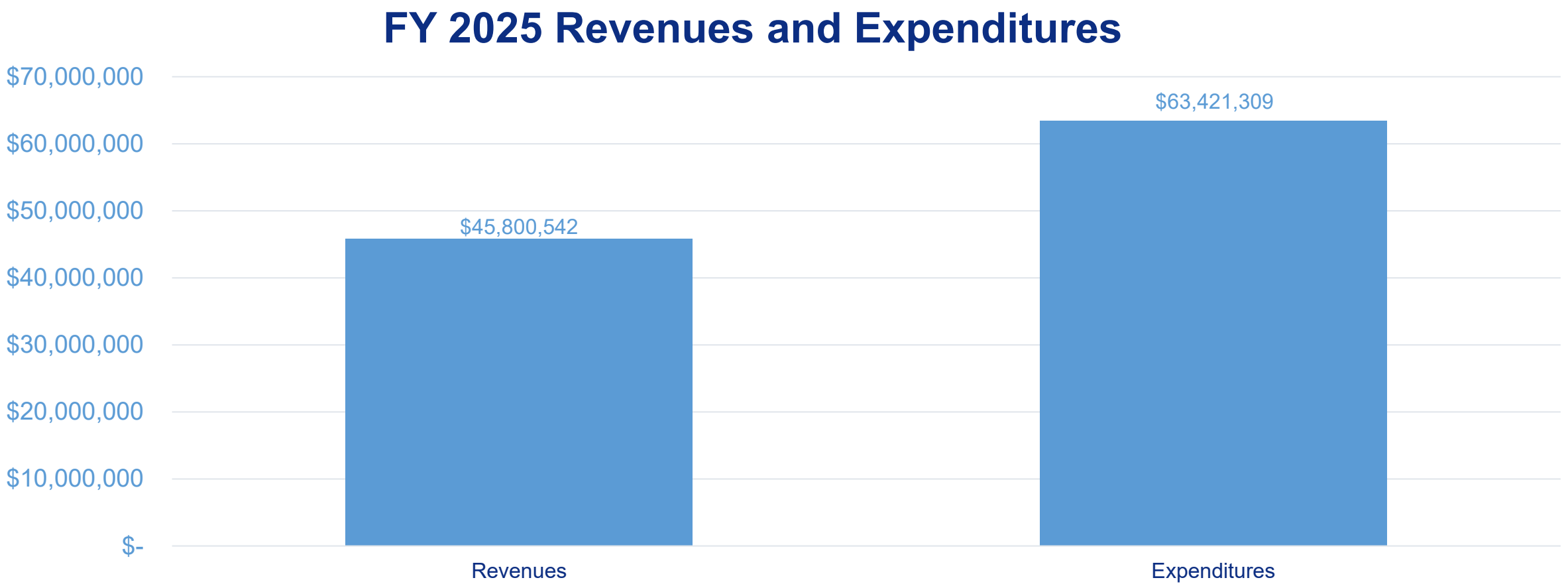
Revenue and Expenditures of the County of Los Angeles and 39 Cities



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/ Overview of the Audit Results

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/ Overview of the Audit Results

FY 2025 Summary of Audit Results

- Dollars associated with the findings have decreased from $2,662,109 in FY2024 to $818,372 in FY2025 audit.
- This represents about 1.79% of the total Measure R FY2025 allocations of $45,800,542 to the County of Los Angeles and 39 cities under Package A.

Questioned Costs

- The questioned cost of $804,532 relates to Measure R funds expended on eligible projects prior to Metro's approval.
- The questioned cost of $13,840 relates to administrative expenses more than the 20% cap.

All of these were resolved during the audit.

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/ Details of Audit Results

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/ 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 2025:

	Total Expenditures Claimed for 2025	Questioned	Resolved During the Audit	Report Reference
1. Cudahy	$ 95,755	$ 29,045	$ 29,045	Finding #2025-003, Page 11
2. Culver City	377,855	377,855	377,855	Finding #2025-005, Page 13
3. Huntington Park	727,954	300,000	300,000	Finding #2025-006, Page 15
4. San Fernando	491,233	97,632	97,632	Finding #2025-009, Page 19
	$ 1,692,797	$ 804,532	$ 804,532	

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/ Details of Audit Results, Continued

B. Administrative expenses were within the 20% cap.

- Compliance Reference: Section A II 8 Transportation and Administration of the Measure R Local Return Guidelines states that, “Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific LR project(s). Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures.”
- Number of cities involved: 1 of 39 cities
  - City of Cudahy (Finding #2025-004, Page 12)
- Questioned costs for 2025: $13,840

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/ Details of Audit Results, Continued

C. The Expenditure Plan (Form One or electronic equivalent) was submitted on time.

- Compliance Reference: Section II(B) Expenditure Plan (Form One) of the Measure R Local Return Guidelines states, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year”.
- Number of cities involved: 2 of 39 cities
  - City of Calabasas (Finding #2025-001, Page 8)
  - City of Huntington Park (Finding #2025-007, Page 16)
- Questioned costs for 2025: None

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/ Details of Audit Results, Continued

D. 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 #2025-002, Page 9)
  - City of Huntington Park (Finding #2025-008, Page 17)
- Questioned costs for 2025: None

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/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance

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/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance

(1) Material Weaknesses

City of Compton

Finding #2025-002

- During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2025 and prior years. As of December 30, 2025, accounting personnel and support staff are working toward closing the books and preparing 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, 2025.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, Continued

(2) Material Weaknesses

City of Huntington Park	Finding #2025-008

- During the fiscal years 2021 through 2025, 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 2025 and prior years. As of December 29, 2025, the accounting personnel and support staff are working toward closing the books and preparing 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, 2025.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, Continued

(4) Significant Deficiency (repeat finding)

City of Cudahy	Finding #2025-004

- The City claimed MRLRF administrative expenses in excess of the 20% cap, totaling $3,023.
- This is a repeat finding from prior year's audit relating to the MRLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 630, Fund Administration to $13,274, resulting in an excess of $10,817.

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/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, Continued

(3) Significant Deficiency (repeat finding)

City of Culver City	Finding #2025-005

- The City claimed expenditures totaling $377,855 with no prior approval from Metro.
- This is a repeat finding from prior year.

/ Required Communications to the Measure R Independent Taxpayers Oversight Committee

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/ 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.

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/ 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.

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/ 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.

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QUESTIONS

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/ Contact Information

Vasquez + Company LLP has over 55 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, and governmental entities.

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Thank you for your time and attention!