



Board Report

File #: 2026-0191, File Type: Contract

Agenda Number: 22.

FINANCE, BUDGET AND AUDIT COMMITTEE APRIL 16, 2026

SUBJECT: FY2026-FY2030 CONSOLIDATED AUDIT

ACTION: AWARD CONTRACTS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to:

- A. AWARD a five-year, firm fixed unit rate Contract No. PS135819000 to Vasquez & Company LLP to perform Consolidated Financial and Compliance Audit of the programs, jurisdictions, and agencies listed in Attachment A (Package A) for fiscal years (FY) 2026-2030 in the Not-To-Exceed (NTE) amount of \$2,715,634, effective May 1, 2026, subject to the resolution of any properly submitted protest(s) if any; and
- B. AWARD a five-year, firm fixed unit rate Contract No. PS135819001 to Simpson and Simpson LLP to perform Consolidated Financial and Compliance Audit of the programs, jurisdictions, and agencies listed in Attachment B (Package B) for FY2026-2030 in the Not-To-Exceed (NTE) amount of \$3,121,225, effective May 1, 2026, subject to the resolution of any properly submitted protest(s), if any.

ISSUE

Metro is required to have an independent auditor perform financial and compliance audits to provide reasonable assurance to management that recipients of subsidies included in the Consolidated Audit are in compliance with the statutes of each applicable funding source. These audits will be conducted in accordance with generally accepted government auditing standards and will meet the American Institute of Certified Public Accountants' Standards. In performing these audits, the auditors will report on internal control deficiencies when noted and on findings that may result in funds being returned to Metro, including trades or exchanges of funds, unused and lapsed funds, and disallowable expenditures. The current contracts expire June 30, 2026.

BACKGROUND

As the Regional Transportation Planner for Los Angeles County, Metro is responsible for planning, programming, and allocating transportation funding to Los Angeles County jurisdictions, transit operators, and other transportation programs. Metro has the fiduciary responsibility to provide

assurance that recipients of funds included in the Consolidated Audit adhere to the statutes, program guidelines, and/or agreements with each applicable funding source and that operations data used to allocate funds are fair and are in accordance with Federal Transit Administration (FTA) guidelines.

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

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

1. Local Funding Program to the 88 cities and Unincorporated Los Angeles County.
 - a) Proposition A Local Return
 - b) Proposition C Local Return
 - c) Measure R Local Return
 - d) Measure M Local Return
 - e) Transit Development Act (TDA) Article 3
 - f) Transit Development Act (TDA) Article 8
 - g) Proposition A Discretionary Incentive Program
2. Transit System Funds to Commerce, Redondo Beach, and Torrance
 - a) Transit Development Act (TDA) Article 4
 - b) State Transit Assistance (STA)
 - c) Proposition A 95% of 40% Discretionary
 - d) Proposition C 5% Security
 - e) Proposition C 40% Discretionary
 - f) Measure R 20% Bus Operations
 - g) Measure M 20% Transit Operations
3. Proposition A Growth Over Inflation (GOI) Funds to the transit operators of LADOT, Glendale, Pasadena, and Burbank
4. EZ Transit Pass Program
5. SB125 Zero Emission Transit Capital Program (ZETCP)
6. LADOT Operating Data (Proposition A Incentive Programs)
7. Low Income Fare is Easy (LIFE) - LIFE Administrator
8. SCRRA Metrolink Program
9. Access Services

DISCUSSION

The consolidated audit contracts are divided into two geographically based packages, with the award limited to one package per firm to preserve auditor independence and ensure adequate coverage. The firms will conduct financial and compliance audits of agencies that receive Metro-administered funds at the program level. Deliverables will vary by program but generally include audited financial statements or fund reports, compliance reports, schedules of findings and questioned costs, expenditure comparison schedules, and financial summaries to support Metro's monitoring and lapsed fund determinations.

In accordance with Assembly Bill 1345 (Government Code §12410.6 (b)), a local agency may not employ a public accounting firm whose lead audit partner has performed audit services for that local agency for six consecutive fiscal years. Consistent with this requirement and to further maintain independence, MAS has implemented a 5-year rotation rule for engagement partners for all external auditors. This requirement is noted in the statement of work.

Approval of these contracts will ensure the continuation of independent oversight necessary to support Metro's administration and monitoring of these funding programs.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding of \$1,154,549 for these audit services was requested in Management Audit Services' FY2027 budget in cost center 2510 under project numbers 100055, 100058, and 405510. Management Audit Services will be accountable for budgeting the costs in future years, recognizing that these are multi-year contracts.

Impact to Budget

The source of funds for Project 100055 is Measure R administration. The fund is not eligible for bus/rail operating or capital expense. The source of funds for Project 100058 is Measure M administration. The fund is not eligible for bus/rail operating or capital expense. The source of funds for Project 405510 is Proposition A, C & TDA administration. The fund is not eligible for bus/rail operating or capital expense.

EQUITY PLATFORM

The Consolidated Audit supports compliance with applicable ordinances and guidelines, as well as assists program managers in effectively managing and administering programs that serve all communities throughout the County. There are no known equity impacts or concerns associated with the Consolidated Audit services contracts.

The Diversity and Economic Opportunity Department (DEOD) established a 33% Disadvantaged

Business Enterprise (DBE) goal for this procurement. However, the U.S. Department of Transportation (USDOT) has issued an Interim Final Rule (IFR) that makes changes to the DBE Program, including suspension of goals and enforcement, effective October 3, 2025. Metro is currently reviewing the Interim Final Rule (IFR) to identify necessary program and procedural changes to ensure full compliance. While the DBE commitment is not a factor in the staff recommendation, Vasquez & Company LLP, under Package A, listed one certified small business as a subcontractor.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it will provide audits in support of Metro's various projects and programs. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

ALTERNATIVES CONSIDERED

One alternative is that the Board not approve the contracts. This is not recommended, as state laws, federal provisions and sales tax revenue ordinances require that audits be conducted on the allocated funds. The Consolidated Audit process addresses the requirements and plays a major role in the continued implementation, management, and administration of the funding programs.

NEXT STEPS

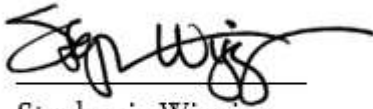
Upon Board approval, staff will execute Contract No. PS135819000 with Vasquez & Company LLP, and Contract No. PS135819001 with Simpson and Simpson LLP, for the Consolidated Financial and Compliance Audits for FY2026 - 2030, effective May 1, 2026.

ATTACHMENTS

Attachment A - Package A
Attachment B - Package B
Attachment C - Procurement Summary
Attachment D - DEOD Summary

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Stephanie Wiggins
Chief Executive Officer

**FY2026 - FY2030 Consolidated Audit
List of Jurisdictions and Agencies
Funded Programs and Projects to Audit**

Jurisdictions/Agencies	Local Funding							EZ Pass		SB 125 ZETCP	LADOT Operating Data	LIFE	Metrolink Program	Access Services
	Prop A Local Return	Prop C Local Return	Measure R Local Return	Measure M Local Return	Article 3	Article 8	Prop A Incentive	Transit System Funds	Proposition A GOI Funds					
City of Agoura Hills							
City of Alhambra							
City of Azusa							
City of Baldwin Park							
City of Bell							
City of Bell Gardens							
City of Beverly Hills							
City of Calabasas							
City of Carson				
City of Commerce			
City of Compton						
City of Cudahy							
City of Culver City		
City of El Monte							
City of Gardena		
City of Hawthorne							
City of Hidden Hills							
City of Huntington Park							
City of Industry							
City of Inglewood							
City of Irwindale							
City of La Puente							
City of Lawndale							
City of Lynwood							
City of Malibu							
City of Maywood							
City of Montebello		
City of Monterey Park			
City of Pico Rivera							
City of Pomona							
City of Rosemead							
City of San Fernando							
City of San Gabriel							
City of San Marino							
City of Santa Fe Springs							
City of Santa Monica			
City of South El Monte							
City of South Gate							
City of South Pasadena							
City of Temple City							
City of Vernon							
City of Walnut							
City of West Hollywood							
City of Westlake Village							
County of Los Angeles				
Antelope Valley Transit Authority								
Pomona Valley Transportation Authority							.							
Los Angeles World Airports										.				
SCRRA - Metrolink Program													.	

FY2026 - FY2030 Consolidated Audit
List of Jurisdictions and Agencies
Funded Programs and Projects to Audit

Jurisdictions/Agencies Package B	Local Funding							EZ Pass			SB 125 ZETCP	LADOT Operating Data	LIFE	Metrolink Program	Access Services	
	Prop A Local Return	Prop C Local Return	Measure R Local Return	Measure M Local Return	Article 3	Article 8	Prop A Incentive	Transit System Funds	Proposition A GOI Funds	EZ Transit Pass Regular						EZ Pass (Metrolink)
City of Arcadia				
City of Artesia									
City of Avalon									
City of Bellflower									
City of Bradbury									
City of Burbank					
City of Cerritos									
City of Claremont				
City of Covina									
City of Diamond Bar									
City of Downey									
City of Duarte									
City of El Segundo									
City of Glendale					
City of Glendora									
City of Hawaiian Gardens									
City of Hermosa Beach									
City of La Canada Flintridge									
City of La Habra Heights									
City of La Mirada				
City of La Verne									
City of Lakewood									
City of Lancaster									
City of Lomita									
City of Long Beach				
City of Los Angeles									
City of Manhattan Beach									
City of Monrovia									
City of Norwalk				
City of Palmdale									
City of Palos Verdes Estates									
City of Paramount									
City of Pasadena					
City of Rancho Palos Verdes									
City of Redondo Beach				
City of Rolling Hills									
City of Rolling Hills Estates									
City of San Dimas									
City of Santa Clarita				
City of Sierra Madre									
City of Signal Hill									
City of Torrance				
City of West Covina									
City of Whittier									
LADOT											
Foothill Transit												
Int'l Institute of LA														.		
Access Services																.
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DEOD SUMMARY**FY2026-FY2030 CONSOLIDATED AUDIT
PS135819000 / PS135819001****A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) established a 33% Disadvantaged Business Enterprise (DBE) goal for this procurement. However, the U.S. Department of Transportation (USDOT) has issued an Interim Final Rule (IFR) that makes changes to the DBE Program, including suspension of goals and enforcement, effective October 3, 2025. Metro is currently reviewing the Interim Final Rule (IFR) to identify necessary program and procedural changes to ensure full compliance. While the DBE commitment is not a factor in the staff recommendation, Vasquez & Company LLP, under Package A, listed one certified small business as a subcontractor.

B. Local Small Business Enterprise (LSBE) Preference Program

The LSBE preference is not applicable to federally funded procurements. Federal law (49 CFR § 661.21) prohibits the use of local procurement preferences on FTA-funded projects.

C. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

D. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

E. Project Labor Agreement/Construction Careers Policy (PLA/CCP)

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.

F. Manufacturing Careers Policy

The Manufacturing Careers Policy (MCP) does not apply to this contract. The MCP is required on Metro's Rolling Stock RFPs, with an Independent Cost Estimate of at least \$50 million.