



Board Report

File #: 2026-0463, File Type: Informational Report

Agenda Number: 29.

FINANCE, BUDGET AND AUDIT COMMITTEE JULY 16, 2026

SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2025

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the fiscal year ended June 30, 2025 (FY25).

ISSUE

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

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

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure R Local Return
 - Measure M Local Return
 - Transportation Development Act (TDA) Article 3, and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Proposition A Discretionary Incentive Grant
 - Antelope Valley Transit Authority
 - Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, and Torrance
 - Transit System Funds
 - Measure M 20%

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

BACKGROUND

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

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

DISCUSSION

The consolidated audit process includes financial and compliance audits of Local Return programs. The County and Cities' financial statements were found to present fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP). Below is a more detailed summary of the consolidated audit results:

Propositions A and C

Vasquez and Simpson found that, except for the Cities of Compton, Glendora, Huntington Park, Redondo Beach, and Santa Fe Springs, the County and Cities complied, in all material respects, with the Ordinances and Guidelines requirements applicable to the Proposition A and Proposition C Local Return programs for FY25.

The auditors identified 37 instances of non-compliance for Propositions A and C, consisting of 24 findings that did not result in questioned costs. Thirteen findings with questioned costs totaling \$1.2 million for Proposition A and \$3.6 million for Proposition C represent less than 1% and less than 2%, respectively, of each total fund reviewed. There were 18 repeat findings across 11 cities that were repeats from FY24, except for the City of Huntington Park, whose findings repeated for three consecutive years. Those findings are as follows:

No	Fund	Jurisdiction	Finding
1	Prop A & C	Compton	Late closing process
2	Prop A & C	Cudahy	Exceeding the 20% admin cap
3	Prop A & C	Glendora	Late closing process
4	Prop A	Huntington Park	Late Recreational Transit Form
5	Prop A & C	Huntington Park	Late closing process
6	Prop C	Palos Verdes Estates	No prior approval of projects: Prop A: 1 project of \$313,956 Prop C: 1 project of \$158,459
7	Prop C	Palos Verdes Estates	Late closing process
8	Prop A & C	Redondo Beach	Late closing process
9	Prop C	San Dimas	Lapsed funds of \$9,994
10	Prop A & C	Santa Fe Springs	Late closing process
11	Prop A & C	South Gate	No prior approval of projects: Prop A: 1 project of \$8,115 Prop C: 1 project of \$55,239

To help the County and Cities comply with the requirements, the Consolidated Audit Workshop was conducted on May 13, 2026, and Local Return Program Managers are working closely with the Cities to address the findings. Auditors will verify implementation of the Cities' corrective actions during the FY26 audit.

As required by the Los Angeles County Metropolitan Transportation Authority (LACMTA) Reform and Accountability Act of 1998, the Proposition A and Proposition C Local Return audit results were presented to the Independent Citizens' Advisory and Oversight Committee (ICAOC) on March 4, 2026. A Public Hearing was also conducted on June 3, 2026, to receive public input. The Committee inquired whether penalties exist for non-compliance and noted that, while not wanting to be overly punitive, Cities should be informed that non-compliance is not acceptable.

The Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines for FY25 are included as Attachment A-B.

Measure R

Vasquez and Simpson found that, except for the Cities of Compton, Glendora, Huntington Park, and

Redondo Beach, the County and Cities complied, in all material respects, with the requirements in the Ordinance and Guidelines that are applicable to the Measure R Local Return program for FY25.

The auditors found 18 instances of non-compliance for Measure R, consisting of 7 findings that did not result in questioned costs. Eleven findings with questioned costs totaling \$3 million for Measure R represent less than 2% of the total amount reviewed. There were 8 repeat findings that were repeats from FY24, except for the City of Huntington Park, whose findings repeated for three consecutive years as follows:

No	Fund	Jurisdiction	Finding
1	Measure R	Compton	Late closing process
2	Measure R	Cudahy	Exceeding the 20% admin cap
3	Measure R	Culver City	No prior approval of projects: 2 projects of \$377,855
4	Measure R	Glendale	Lapsed funds of \$1,522,484
5	Measure R	Glendora	Late closing process
6	Measure R	Huntington Park	Late closing process
7	Measure R	Palos Verdes Estates	Late closing process
8	Measure R	Redondo Beach	Late closing process

To help the County and Cities comply with the requirements, the Consolidated Audit Workshop was conducted on May 13, 2026 and Local Return Program Managers are working closely with the Cities to address the findings. Auditors will verify implementation of the Cities' corrective actions during the FY26 audit.

As required by the Ordinance, the Measure R Local Return audit results were presented to the Measure R Independent Taxpayers Oversight Committee (MRITOC) on March 9, 2026. A Public Hearing for MRITOC was also conducted on July 8, 2026, to receive public input. The Committee inquired into the follow-up process for findings and expressed concern regarding repeat findings. The Committee also discussed encouraging compliance among Cities by having them attend future meetings to discuss their compliance action plan. The Ordinance also requires the MRITOC to prepare an annual report for the Metro Board, presenting the results of the annual audit process and any findings made (Attachment C).

Measure M

Vasquez and Simpson found that, except for the Cities of Compton, Glendora, Huntington Park, Redondo Beach, and Santa Fe Springs, the County and Cities complied, in all material respects, with

the requirements in the Ordinance and Guidelines that are applicable to the Measure M Local Return program for FY25.

The auditors found 18 instances of non-compliance for Measure M, consisting of 8 findings that did not result in questioned costs. Ten findings with questioned costs totaling \$3 million for Measure M represent less than 2% of the total amount reviewed. There were 10 repeat findings that were repeats from FY24, except for the City of Huntington Park, whose findings were repeated for three consecutive years as follows:

No	Fund	Jurisdiction	Finding
1	Measure M	Artesia	No prior approval of a project of \$28,885
2	Measure M	Compton	Late closing process
3	Measure M	Cudahy	Exceeding the 20% admin cap
4	Measure M	Culver City	No prior approval of a project of \$864,786
5	Measure M	Glendora	Late closing process
6	Measure M	Huntington Park	Late closing process
7	Measure M	Palos Verdes Estates	No prior approval of projects: 2 projects of \$630,885
8	Measure M	Palos Verdes Estates	Late closing process
9	Measure M	Redondo Beach	Late closing process
10	Measure M	Santa Fe Springs	Late closing process

To help the County and Cities comply with the requirements, the Consolidated Audit Workshop was conducted on May 13, 2026 and Local Return Program Managers are working closely with the Cities to address the findings. Auditors will verify implementation of the Cities' corrective actions during the FY26 audit.

As required by the Ordinance, the Measure M Local Return audit results were presented to the Measure M Independent Taxpayer Oversight Committee (MMITOC) on March 4, 2026. A Public Hearing was also conducted on June 3, 2026, to receive public input. The Committee raised questions regarding the decline in fund balances, the materiality and recurrence of findings, and strategies to best support the Cities going forward. The Ordinance also requires the MMITOC to prepare an annual report for the Metro Board, presenting the results of the annual audit process and

any findings made (Attachment D).

Non-Local Return

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

The auditors found that, except for the TDA Article 3 program of the Cities of Compton, Glendora, Huntington Park, and Redondo Beach, the schedules/financial statements for the various programs included in the Consolidated Audit presented fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. The auditors noted several compliance findings, including 19 for the TDA Article 3 program, 1 for invoice approval for the High Desert Corridor JPA, 1 for unsupported balancing entry of \$697,841 for Access Services, and 1 for late invoices for Metrolink. There were nine repeat findings for the TDA program from the prior fiscal year's audit related to lapsed or unencumbered fund balances and the timeliness of the closing process.

With the removal of the annual re-enrollment requirement in Spring 2023, Simpson was engaged to conduct semiannual Agreed-Upon Procedures (AUP) engagements for the LIFE program administrators, FAC and the International Institute of Los Angeles (IILA) to assess compliance with eligibility verification requirements for two periods: July-December 2024 and January-June 2025. The engagements are conducted to provide assurance of continued compliance with the program's eligibility criteria, ensuring that patrons continue to meet the eligibility. The engagement covering the period from July 1, 2024 through December 31, 2024 and January 1, 2025 through June 30, 2025, found that while all sampled documentation was properly maintained, only 52% of patrons confirmed eligibility across both periods, with 6% submitting incomplete information, and 42% unresponsive - often due to the transient lifestyle of some walk-in patrons, including those experiencing homelessness, which often leads to outdated or inaccurate contact details. To improve responsiveness, Simpson recommended strengthening outreach through periodic contact verification and multiple communication channels, while prioritizing accurate contact information throughout program participation.

Cities with repeat findings demonstrated accountability by appearing before the ITOCs to address their findings and mitigating action plans. Culver City failed to appear was sent a formal letter from the MRITOC Chair regarding its non-compliance. They subsequently attended the Measure R Public Hearing on July 8, 2026.

Metro Program Managers continue to work with fund recipients to resolve the remaining open findings. The independent auditors will validate the resolution of all findings within next year's annual Consolidated Audit Financial and Compliance Report process.

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

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

[<https://libraryarchives.metro.net/DB_Attachments/Vasquez%20FY25/>](https://libraryarchives.metro.net/DB_Attachments/Vasquez%20FY25/)

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

[<https://libraryarchives.metro.net/DB_Attachments/Simpson%20FY25/>](https://libraryarchives.metro.net/DB_Attachments/Simpson%20FY25/)

*In May 2024, FAC filed for Chapter 7 bankruptcy, resulting in the termination of its LIFE program contract by June of that year. Key staff transitioned to the remaining LIFE program administrator, IILA, to ensure continuity of services and program administration. Although IILA is the sole administrator, the audit period July-Dec 2024 includes patrons who were originally enrolled under both FAC and IILA.

EQUITY PLATFORM

The Consolidated Audit, Financial, and Compliance Reports in this report support compliance with applicable ordinances and guidelines, as well as assist 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 audit services conducted to complete the FY25 Consolidated Audit.

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 provides information on 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.

NEXT STEPS

Staff will continue to work with the respective jurisdictions to resolve the findings. As many of the findings relate to late-form submittals and process updates, the auditors will validate the resolution of the findings during next year's annual Consolidated Audit process. Findings that are not resolved will be identified as repeat findings and will escalate in terms of materiality.

ATTACHMENTS

Attachment A - FY25 Proposition A and Proposition C Local Return Reports (Vasquez)

Attachment B - FY25 Proposition A and Proposition C Local Return Reports (Simpson)

Attachment C - FY25 Measure R Annual Report

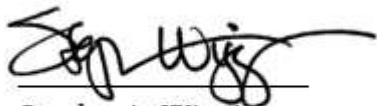
Attachment D - FY25 Measure M Annual Report

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

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

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

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



Stephanie Wiggins
Chief Executive Officer



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND PROPOSITION A AND PROPOSITON C LOCAL RETURN GUIDELINES	1
List of Package A Jurisdictions	5
Compliance Area Tested	6
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	7
Schedule 2 – Schedule of Findings and Questioned Costs	8



655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

LOS ANGELES
SAN DIEGO
IRVINE
SACRAMENTO
FRESNO
PHOENIX
LAS VEGAS
MANILA, PH

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 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 the Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 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 Proposition A Local Return program and Proposition C Local Return program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-018. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-005, #2025-011, #2025-012, and #2025-016 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 #2025-006 and #2025-017 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 compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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

Vasquez & Company LLP

Glendale, California
December 31, 2025

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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 LAWNSDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2025

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year ended June 30, 2025**

The audits of the County of Los Angeles and the 39 cities have resulted in 18 findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the
			PALRF	PCLRF	Audit
Funds were expended with Metro's approval and were not substituted for property tax.	2	Huntington Park (See Finding #2025-008)	\$ 10,945	\$ 285,310	\$ 296,255
		South Gate (See Finding #2025-017)	8,115	55,239	63,354
Timely use of funds.	2	Compton (See Finding #2025-004)	546,252	1,215,734	1,761,986
		Vernon (See Finding #2025-018)	2,276	198	2,474
Administrative expenses are within the 20% cap.	1	Cudahy (See Finding #2025-006)	36,989	69,184	106,173
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Bell Gardens (See Finding #2025-001)	None	-	None
		Huntington Park (See Finding #2025-009)	None	None	None
		Lynwood (See Finding #2025-014)	-	None	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	2	Calabasas (See Finding #2025-002)	None	None	None
		Huntington Park (See Finding #2025-010)	None	None	None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	4	Carson (See Finding #2025-003)	-	None	None
		Hawthorne (See Finding #2025-007)	-	None	None
		Lawndale (See Finding #2025-013)	-	None	None
		Montebello (See Finding #2025-015)	None	None	None
Recreational transit form was submitted on time.	1	Huntington Park (See Finding #2025-011)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	3	Compton (See Finding #2025-005)	None	None	None
		Huntington Park (See Finding #2025-012)	None	None	None
		Santa Fe Springs (See Finding #2025-016)	None	None	None
Total Findings and Questioned Costs	18		\$ 604,577	\$ 1,625,665	\$ 2,230,242

Details of the above findings are presented in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

PALRF Finding #2025-001	City of Bell Gardens
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via LRMS for the PALRF's Project Code 107, DART Services. The amount in excess of 25 percent of the approved budget was \$70,724. Projects with greater than 25 percent change from the approved project budget must be amended by submitting a Project Description Form (Form A) or a budget request via LRMS.
Cause	The condition was caused by staff oversight.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, resulting in the City's noncompliance with this requirement.
Recommendation	We recommend the City submit a revised Form A or submit a budget request via LRMS to obtain Metro's approval for changes to the project budget and implement internal controls to ensure ongoing compliance with this requirement.
Management's Response	The City submitted an updated Budget Request and obtained retroactive approval for the project on December 31, 2025.
Finding Corrected During the Audit	On December 31, 2025, the Metro Program Manager granted retroactive approval of the said project. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

PALRF and PCLRF Finding #2025-002	City of Calabasas
Compliance Reference	Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year".
Condition	The City missed the August 1, 2024 filing deadline for Form B, submitting the 8/1 Table late. The City submitted Form B 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 Form B 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 B via LRMS prior to the August 1 st 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 1 st 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-003	City of Carson
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840."
Condition	The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 28, 2022 has a January 2022 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025. A PMS Certification is required for PCLRF Project code 705, Citywide Street Repair project.
Cause	There was a turnover in permanent staff and a turnover in consultants.
Effect	The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-003 (Continued)	City of Carson
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The City is actively working to rectify this issue. A new PMS assessment has been initiated, and the updated certification is currently under internal review. The City anticipates presenting it to the City Council for formal approval within the next quarter. Once approved, the certification will be promptly submitted to Metro.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-004	City of Compton
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A and Proposition C funds amounting to \$546,252 and \$1,215,734, respectively, which lapsed as of June 30, 2025.
Cause	The City did not have sufficient expenditures related to the projects to cover the lapsing amounts.
Effect	The City was not in compliance with the Proposition A and Proposition C LR Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A and Proposition C funds are used in a timely manner.
Management's Response	On December 12, 2025, the City received Metro's approval for the extension of the use of funds until June 30, 2026.
Finding Corrected During the Audit	On December 12, 2025, Metro granted an extension for the use of the lapsed funds amounting to \$546,252 and \$1,215,734 from Proposition A and Proposition C funds, respectively, through June 30, 2026. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-005 (Material Weakness)	City of Compton
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-005 (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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-006 (Significant Deficiency)	City of Cudahy
Compliance Reference	Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges."
Condition	The City claimed PALRF administrative expenses in excess of the 20% cap, totaling \$9,893. This is a repeat finding from prior year's audit relating to the PALRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 610, Administrative Prop A to \$121,791, resulting in an excess of \$27,096. Additionally, the PCLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 620, Administration Prop C to \$77,180, resulted in an excess of \$69,184.
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 Accounts the amounts 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 Accounts the amounts over the 20% cap totaling \$36,989 and \$69,184, for PALRF and PCLRF, respectively.
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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-007	City of Hawthorne
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."
Condition	The City submitted its Pavement Management System (PMS) certification late during FY 2024/25. Although a PMS assessment and inventory is required to be conducted and maintained every 3 years, the certification submitted to Metro on October 15, 2025 references an October 2023 inventory update and pavement condition review. While the inventory itself is within the required 3-year window, the certification was not submitted in a timely manner during the fiscal year. A PMS Certification is required for PCLRF Project code 715, Street Improvement Projects and Bus Routes Street Lighting.
Cause	There was a turnover in permanent staff and a turnover in consultants.
Effect	The City was not in compliance with the criteria stipulated in the Local Return Guidelines.
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25.
Finding Corrected During the Audit	The City subsequently submitted the PMS Certification on October 15, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-008	City of Huntington Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under the following Proposition A projects prior to obtaining approval from Metro. a. Project Code 135, User Side Subsidy (Elderly/Handicapped), totaling \$2,044. b. Project Code 155, Special Event Transit, totaling \$8,901 Further, the City claimed an expenditure under the following Proposition C project prior to approval from Metro. c. Project Code 170, Bus Shelter Maintenance Program, totaling \$285,310 Although the expenditures were determined to be eligible for Local Return funding, these projects 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 Proposition A Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Proposition A and Proposition C in previous fiscal years. The City was not able to submit a budget request for Metro's approval until after June 30, 2025.
Effect	The City claimed expenditures totaling \$10,945 in Proposition A LR funds and \$285,310 in Proposition C LR funds prior to obtaining approval from Metro. As a result, the City did not comply with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-008 (Continued)	City of Huntington Park
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted Budget Requests via LRMS and obtained retroactive approval for the projects on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the projects was obtained through LRMS on December 11, 2025. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-009	City of Huntington Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request via LRMS for the PALRF's Project Code 105, Fuel for Fixed Route and Dial-A-Ride program and PCLRF's Project Code 107, Fuel for Fixed Route & Dial-A-Ride. The amounts exceeding 25 percent of the approved budgets were \$16,735 for each project. Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.
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 Proposition A Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Proposition A and Proposition C in previous fiscal years. The City was not able to submit revised budget requests for Metro's approval until after June 30, 2025.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval, resulting in the City's noncompliance with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-009 (Continued)	City of Huntington Park
Recommendation	We recommend the City submit a revised Form A or a Budget Request via LRMS to obtain Metro's approval for the change in the project budget and implement internal controls to ensure ongoing compliance with this requirement.
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request via LRMS and obtained retroactive approval of the budget for said projects on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the revised budgets of the projects was obtained via LRMS on December 11, 2025. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-010:	City of Huntington Park
Compliance Reference	Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year".
Condition	The City missed the August 1, 2024 deadline of Form B, submitting the 8/1 Table late. Form B was submitted on October 15, 2024.
Cause	This condition was caused by turnover of the City staff responsible for completing Form B, 8/1 Table. A City staff member who is currently assigned to submit Form B, 8/1 Table was unaware of the requirements to submit Form B, 8/1 Table by August 1st of each year.
Effect	The City submitted the Form B 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 B via LRMS prior to the August 1st 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF Finding #2025-011 (Material Weakness)	City of Huntington Park
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actuals Entry, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification for PALRF on November 17, 2025, which was 33 days after the October 15, 2025 due date. This is a repeat finding from the fiscal years 2023 and 2024.
Cause	This condition was caused by turnover in City staff responsible for completing the Recreation Transit Form. A City staff member who is currently assigned to monitor the Recreational Transit Expenditure Plan was unaware of the requirements to submit the Recreational Transit Form by October 15th of each year.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15th as required by the Guidelines.
Management's Response	The City will ensure that the Recreational Transit Certification is submitted in a timely manner by October 15th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification on November 17, 2025. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-012 (Material Weakness)	City of Huntington Park
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, state that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork, 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-012 (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 bank account for its local return funds. 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-013	City of Lawndale
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."
Condition	The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 15, 2022 has a June 2022 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025. A PMS Certification is required for PCLRF Project code 705, Street Improvements.
Cause	The PMS certification was missed as a result of staff turnover in the Public Works Department.
Effect	The City was not in compliance with the criteria stipulated in the Local Return Guidelines.
Recommendation	We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The Public Works Director is addressing this matter, with renewal underway to ensure compliance for FY 2025/26.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-014	City of Lynwood
Compliance Reference	Section I (C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request via LRMS for the PCLRF's Project Code 470, SCAG Dues. The amount in excess of 25 percent of the approved budget was \$12,456. Projects with more than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.
Cause	The City did not anticipate incurring eligible expenditures for this project. As a result, the City was not able to submit a revised budget request for Metro's approval until after June 30, 2025.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, resulting in noncompliance with the Guidelines.
Recommendation	We recommend the City submit a revised Form A or submit a Budget Request via LRMS to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-014 (Continued)	City of Lynwood
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on December 29, 2025.
Finding Corrected During the Audit	On December 29, 2025, the Metro Program Manager granted retroactive approval of the said project. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-015	City of Montebello
Compliance Reference	Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance "or "Bikeway projects". "Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria." "A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."
Condition	The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 13, 2022 has a July 2021 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025. A PMS Certification is required for PCLRF Project code 705, Nationwide Street Sweeping project.
Cause	There was a delay due to awaiting the final report from the City's consultant for the final inventory and pavement assessment, as well as the subsequent presentation to City Council.
Effect	The City was not in compliance with PMS certification as required by the Local Return Guidelines.
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-015 (Continued)	City of Montebello
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The City will closely coordinate with the consultant in providing the PMS information and establish a firm deadline for completion to ensure timely submission in the future.
Finding Corrected During the Audit	The City submitted the current PMS certification to Metro on August 27, 2025 with an August 2025 inventory update and review of pavement condition completion date. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-016 (Material Weakness)	City of Santa Fe Springs
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, 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 30, 2025, the City's year-end closing process was still ongoing. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.
Cause	During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. 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.
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 could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that financial statements are updated and provided to users on a timely basis.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-016 (Material Weakness) (Continued)	City of Santa Fe Springs
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 monthly and annual year-end closing processes are well documented and completed on time.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-017 (Significant Deficiency)	City of South Gate
Compliance Reference	Section I (C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under the following Proposition A project prior to approval from Metro. a. Project code 610, Traffic Development Impact Fee Study, totaling \$8,115 Further, the City claimed expenditures under the following Proposition C projects prior to approval from Metro. b. Project code 303, Tweedy Boulevard Traffic Signal Synchronization, totaling \$47,124; and c. Project code 620, Traffic Development Impact Fee Study, totaling \$8,115. 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 for PCLRF from prior year.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2025.
Effect	The City claimed expenditures totaling \$8,115 of Proposition A LR funds and \$55,239 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-017 (Significant Deficiency) (Continued)	City of South Gate
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted Budget Requests via LRMS and obtained retroactive approval of the budgets for said projects on October 13, 2025.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on October 13, 2025. No additional follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-018	City of Vernon
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A and Proposition C funds from FY22 allocations amounting to \$2,276 and \$198, respectively, which lapsed as of June 30, 2025.
Cause	This was caused by oversight of the City's personnel.
Effect	The City did not comply with Proposition A and Proposition C LR Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that Proposition A and Proposition C funds are used timely.
Management's Response	The City acknowledges the oversight. To prevent recurrence, the City will implement enhanced procedures and internal controls to ensure timely expenditure of Proposition A and Proposition C funds.
Finding Corrected During the Audit	On December 16, 2025, Metro granted an extension for the use of the funds remaining with the City through June 30, 2026. No follow-up is required.



www.vasquez.cpa

655 N Central Avenue, Suite 1550 • Glendale, California 91203-1437 • +1.213.873.1700



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES	1
List of Package B Jurisdictions	5
Compliance Areas Tested	6
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	7
Schedule 2 – Schedule of Findings and Questioned Costs	8



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

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

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

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

Report on Compliance

Opinion

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-019. 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 #2025-006, #2025-011, #2025-012, #2025-013, and #2025-014 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
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2025**

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Areas Tested
Fiscal Year Ended June 30, 2025

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

SUMMARY OF AUDIT RESULTS

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025

The audits of the 49 cities have resulted in nineteen (19) findings. The table below summarizes these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRf	
Funds were expended with Metro's approval and were not substituted for property tax.	4	Bradbury (#2025-002)	-	\$ 51,897	\$ 51,897
		Glendora (#2025-005)	\$ 81,525	-	81,525
		Palos Verdes Estates (#2025-011)	313,956	954,157	1,268,113
		Signal Hill (#2025-016)	-	94,940	94,940
Timely use of funds.	2	Lancaster (#2025-009)	-	708,927	708,927
		San Dimas (#2025-014)	-	9,994	9,994
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	El Segundo (#2025-004)	None	-	None
		La Verne (#2025-008)	None	-	None
Pavement Management System (PMS) is in place and used for Street Maintenance or Improvement Projects Expenditures.	3	Artesia (#2025-001)	-	None	None
		Palmdale (#2025-010)	-	None	None
		Signal Hill (#2025-017)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	8	Covina (#2025-003)	None	-	None
		Glendora (#2025-006)	None	None	None
		Glendora (#2025-007)	167,443	48,825	216,268
		Palos Verdes Estates (#2025-012)	-	None	None
		Redondo Beach (#2025-013)	None	None	None
		San Marino (#2025-015)	None	-	None
		Temple City (#2025-018)	None	-	None
		West Covina (#2025-019)	-	71,611	71,611
Total Findings and Questioned Cost	19		\$ 562,924	\$ 1,940,351	\$ 2,503,275

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

PCLRF Finding #2025-001	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects. PMS must include the following: • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria". A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.
Condition	A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, FY 2024-25 Pavement Management System. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in April 2025.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-001 (Continued)	City of Artesia
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City subsequently submitted the PMS Certification Form to Metro on December 15, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-002	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	During the fiscal year 2024-25, the City expended a total of \$51,897 for PCLRF Project Code 781 - Bradbury Road Project prior to receiving formal approval from Metro.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
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 adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City accepts the finding and will ensure to establish procedures to ensure that expenditures are approved by Metro prior to expending the funds and new personnel are made aware of the procedures.
Finding Corrected During the Audit	The City received retroactive approval from Metro on December 12, 2025 for the budget related to Project Code 781 – Bradbury Road Project in the amount of \$51,897. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-003	City of Covina
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	During our payroll testing, we noted that the City did not provide contemporaneous timesheets to support the hours charged to PALRF’s Transit Administration Project Code 610 for the payroll periods tested: a) September 6, 2024 b) November 29, 2024 c) April 4, 2025 Instead, the City provided supplemental after-the-fact allocation records to demonstrate the hours worked on the program. While the supplemental information appears to reasonably support and substantiate that the hours charged were eligible, the documentation was signed and dated by the employees and supervisors in October 2025, several months to as much as a year after the work was performed.
Cause	The City lacked a process to ensure that payroll allocation documentation was prepared and signed timely.
Effect	Because the supplemental after-the-fact allocation records were not prepared at or near the time of the payroll periods tested, they do not constitute contemporaneous support for the hours charged. Without contemporaneous documentation, there is an increased risk that the hours charged may not accurately reflect the work performed during the said payroll periods.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the supplemental documentation at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds’ projects.
Management’s Response	Starting fiscal year 2025-26, the City will complete a 30-day time study as a supplemental support to the employee’s timesheet in order to establish a reasonable basis for the payroll costs charged to PALRF.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-004	City of El Segundo
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget for the PALRF Project Code 107, Dial-A-Ride projects, by more than 25 percent, resulting in a combined overage of \$10,738.
Cause	This was an oversight by the City due to personnel turnover during the fiscal year.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro's approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro's approval for any budget change prior to expenditures of funds.
Management's Response	Due to City staff turnover, the City informed Metro after project expenditures exceeded the 25% threshold. City staff are now aware of updating the LRMS and moving forward, they will inform Metro when project expenditures are expected to deviate above or below the 25% threshold.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive approval to increase the project budget from \$119,282 to \$159,840 on December 11, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-005	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The expenditures for the PALRF's Special Event Transit Project Code 155, totaling \$81,525, were incurred prior to Metro's approval. However, the City subsequently received an approved budget from Metro in the amount of \$81,525 for the PALRF project on December 15, 2025.
Cause	The expenditures were incurred due to timing and communication gaps between project budget submission, approval status tracking, and operational execution. The City initiated the project expenditures before formal confirmation of Metro's approval. Additionally, internal controls did not sufficiently prevent expenditures from being processed while the approval was still pending.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
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 adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-005 (Continued)	City of Glendora
Management's Response	The City acknowledges the finding. Retroactive budget approval for PALRF's Special Event Transit Project Code 155 was received from Metro on December 15, 2025 in the amounts of \$81,525, fully covering the expenditures incurred. No unallowable costs remain outstanding. To ensure this issue does not recur, the City will implement the following measures: Formal Budget Approval Verification • Project expenditures will not commence until written confirmation of Metro budget approval is received and documented. • Finance Department will maintain approval documentation within the project file. Internal Approval Controls • Finance Department staff will verify Metro approval status prior to setting up or activating project codes in the financial system. • Project codes will remain restricted from posting charges until approval is confirmed. Enhanced Communication Protocol • A formal notification process will be established between Finance Department and program staff confirming when Metro approval has been received and the expenditures may begin. • Program Managers will be reminded that "budget submitted" does not equate to "budget approved." Tracking and Monitoring • A centralized tracking log will be maintained to monitor submission dates, approval status, and authorized expenditure start dates for all of the Metro-funded projects. • Periodic reviews will be conducted to ensure compliance prior to cost incurrence.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$81,525 for the said PALRF project on December 15, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-006 (Significant Deficiency)	City of Glendora
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-007	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...” 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-007 (Continued)	City of Glendora
Condition	During our payroll testing, we noted that the payroll costs allocated to the Proposition A Local Return Fund's (PALRF) Transportation Planning Project Code 180 and Administration Proposition A Project Code 610, and Proposition C Local Return Fund's (PCLRF) Transportation Planning Project Code 180 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 As a result, we were unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible PALRF and PCLRF activities for total amounts of \$167,443 and \$48,825, respectively.
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 PALRF and PCLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively.
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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-007 (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.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-007 (Continued)	City of Glendora
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively, 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-008	City of La Verne
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on the following projects: a. PALRF's Get About Pass Subsidy Project Code 135 in the amount of \$875. b. PALRF's Senior Bus Pass Subsidy Project Code 135 in the amount of \$555. c. PALRF's Administration Project Code 610 in the amount of \$2,584. However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$9,000 for the PALRF's Get About Pass Subsidy Project Code 135, in the amount of \$1,000 for the PALRF's Senior Bus Pass Subsidy Project Code 135, and in the amount of \$109,000 for the PALRF's Administration Project Code 610 on October 6, 2025.
Cause	On June 24, 2025, the Program Administrator requested a budget increase on the three PALRF projects but mistakenly entered the revised budgets as actual expenditures in the LRMS. As a result, the Metro budgets for these three projects were unchanged.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval, and the City did not comply with the Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro's approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro's approval for any budget change prior to expenditures of funds.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-008 (Continued)	City of La Verne
Management's Response	The Program Administrator was given the proper training on entering any future budget modifications in the LRMS. When the Metro budget adjustment is required, the Finance department will contact Metro directly or create a new budget request by following Metro's updated guidance. Also, the Finance department will perform a final year-end review of all LRMS entries to ensure that the proper Metro budgets and actual expenditures were entered correctly.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approvals for the said projects on October 6, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-009	City of Lancaster
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2022 PCLRF ending fund balance in the amount of \$708,927 was not fully expended within the required three-year period as of June 30, 2025, nor was it reserved for capital projects in accordance with the Proposition A and Proposition C Local Return Guidelines.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City 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 establish procedures to ensure that all funds are appropriately expended or reserved in accordance with the Proposition A and Proposition C Local Return Guidelines.
Finding Corrected During the Audit	On December 10, 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-010	City of Palmdale
Compliance Reference	A According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects. PMS must include the following: • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria". A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.
Condition	A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management Program. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired during the fiscal year 2025.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-010 (Continued)	City of Palmdale
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026, and Metro granted the extension on December 11, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-011 (Significant Deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	During the fiscal year ended June 30, 2025, the City incurred expenditures prior to receiving Metro approval. The expenditures incurred prior to approval were as follows: • \$313,956 for Project Code 490 — JPA Transit Contribution (PALRF); and • \$158,459 for Project Code 705 — Annual Resurfacing Project (PCLRF). In addition, the City incurred expenditures related to the fiscal year 2024 prior to receiving Metro approval. These amounts were subsequently recorded as prior period adjustments in the fiscal year 2025. The prior-year expenditures totaled \$795,698, all of which pertain to PCLRF projects, and consisted of: • \$319,306 for Project Code 705 — FY 23/24 Annual Resurfacing Project; and • \$476,392 for Project Code 705 — FY 23/24 Annual Slurry Seal Project. This is a repeat finding from the fiscal year 2024.
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 Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
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 adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PALRF and PCLRF Finding #2025-011 (Significant Deficiency) (Continued)	City of Palos Verdes Estates
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 10 and December 11, 2025, the City received retroactive approval from Metro for the budget related to Project Code 490 – JPA Transit Contribution to the Palos Verdes Peninsula Transit Authority Project (PALRF) in the amount of \$314,000, and Project Code 705 – Annual Resurfacing Project (PCLRF) in the amount of \$782,000, respectively. On December 18, 2025, the City additionally received retroactive approval from Metro in the amounts of \$319,400 for the FY 23/24 Annual Resurfacing Project and in the amount of \$476,400 for the FY 23/24 Annual Slurry Seal Project. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-012 (Significant Deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section V, 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, for PCLRF, 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: • PCLRF: \$795,698 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-012 (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 requested, 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-013 (Significant Deficiency)	City of Redondo Beach
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "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 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF and PCLRF Finding #2025-013 (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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-014 (Significant Deficiency)	City of San Dimas
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2022 ending fund balance in the amount of \$9,994 was not expended within 3 years as of June 30, 2025 and was not reserved for capital projects as required by Local Return guidelines. The City subsequently received an extension from Metro to spend the lapsed funds until June 30, 2026 on October 27, 2025. This is a repeat finding from the fiscal year 2024.
Cause	Major projects to be funded by PCLRF have been delayed as the City waits for necessary approvals from outside agencies that need to be completed prior to the bid award. The City believed that these major projects will be able to move forward in the fiscal year 2025-26, which will utilize majority of the available funds.
Effect	The City was not in compliance with Proposition A and Proposition C 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	If the City determines that the budgeted projects will not move forward prior to the end of the fiscal year, Administration will work with Public Works to identify projects that can be completed and submit amendments to the City Council in order to expend the lapsing funds in a timely manner.
Finding Corrected During the Audit	On October 27, 2025, the Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2026. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-015	City of San Marino
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to PALRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to San Marino Unified School District were allowable and properly supported by invoices and cancelled checks, the expenditures in the total amount of \$150,000 paid to San Marino Unified School District were charged to PALRF’s Project Code 155, Recreational Transit Athletic Trips, without a properly executed contract.
Cause	Due to a change in the City’s personnel, the extension amendment to the contract was overlooked.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	On November 12, 2025, the City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. As an internal control, management added a purchase order starting in the fiscal year 2025-26 to help ensure that all contracts are up to date.
Finding Corrected During the Audit	The City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-016	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City incurred expenditures totaling \$94,940 for Proposition C Local Return Fund (PCLRF) Project Code 765, Pavement Management prior to receiving budget approval from Metro. Subsequently, on September 30, 2025, Metro approved a budget allocation of \$94,940 for this project.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
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 adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City will establish procedures to review and ensure that the City obtains prior Metro's approval before expenditures are incurred.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on September 30, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-017	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects. PMS must include the following: • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria". A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.
Condition	A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management. However, the City did not submit PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in January 2025.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-017 (Continued)	City of Signal Hill
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026 and Metro granted the extension on November 19, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PALRF Finding #2025-018	City of Temple City
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc. were allowable and were properly supported by invoices and cancelled checks, the expenditures were not supported by current and valid contracts. No amendments to the contracts were issued since their expiration dates of June 30, 2018 for both Elite School Transit and Inland Empire Stages, LTD, and June 30, 2020 for ShelterClean Services, Inc. The amounts of \$22,025 paid to Elite School Transit and \$37,981 paid to Inland Empire Stages, LTD were charged to PALRF’s Project Code 155, Recreational Transit. Likewise, the total amount of \$10,439 paid to ShelterClean Services, Inc. was charged to PALRF’s Project Code 205, Bus Shelter Maintenance.
Cause	Certain expired contracts were inadvertently overlooked and not renewed in a timely manner.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	The City is currently working on extending the contract agreements with Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-019	City of West Covina
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...” 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
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-019 (Continued)	City of West Covina
Condition	During our payroll testing, we noted that the payroll costs allocated to the Proposition C Local Return Fund (PCLRF) Administration Project Code 620 (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) November 8, 2024 (c) December 6, 2024 (d) March 14, 2025 (e) 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 PCLRF activities for a total amount of \$71,611.
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 PCLRF.
Effect	The payroll costs and employee benefits claimed under the PCLRF projects may include disallowed Proposition C project expenditures. This resulted in questioned costs of \$71,611 for PCLRF.
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 times spent on each project.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

PCLRF Finding #2025-019 (Continued)	City of West Covina
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$71,611 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.



Metro®

**MANAGEMENT
AUDIT SERVICES**

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FY25 MEASURE R AUDITS

INTRODUCTION

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

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

THE AUDITS

The Independent Auditor's reports on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the fiscal year ending June 30, 2025.

The audits of compliance with the Measure R Local Return Guidelines of the County and 88 Cities found 18 instances of non-compliance within 13 jurisdictions. Audit findings were in five basic categories as follows:

- **Failure to Obtain Approval Before Incurring Expenses:** Six Cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting the project name, amount of Measure R Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure R Local Return eligibility per the Local Return Guidelines. The findings have been resolved as the Cities subsequently submitted the required forms and obtained retroactive approvals from Metro.
- **Timely Use of Funds:** One city had not spent funds within the five-year period allotted. The finding has been resolved as the City was granted an extension to utilize the lapsed funds.
- **Administrative expenses exceeded the 20% cap:** Two Cities expended more than 20% of their total expenditures for administration. One City has returned the money to the account, and the Metro Project Manager waived the other City's \$4,127, as it was necessary for the program.

- Late submission of the annual expenditure plan: Two Cities failed to submit their expenditure plan by the due date. The findings have been resolved as the Cities subsequently submitted the forms.
- Inadequate accounting procedures, record keeping, and/or documentation: Five Cities failed to complete year-end accounting closing processes. Two Cities failed to adequately document payroll costs. Cities are required to maintain proper accounting records and documentation. The Cities are in the process of correcting their procedures and the auditors will verify whether corrective actions have been properly implemented by the Cities during the fiscal year 2026 audit.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the audit reports in February 2026. Each member of the Committee reviewed the reports, and the Committee met on March 9, 2026, during which the Committee received a formal presentation from the three contracted auditor firms on their respective audit reports.

The Committee inquired about repeated findings and their consequences, including the inability of certain Cities to complete the year-end financial closing process. The Committee received satisfactory responses from staff and city representatives to these concerns and expressed satisfaction with the audit reports.

MEASURE R OVERSIGHT COMMITTEE FINDINGS

- 1) The audits were performed in accordance with the Ordinance that the voters approved in 2008;
- 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the fiscal year ending June 30, 2025; and
- 3) The County and Cities complied, in all material respects, with the Measure R Ordinance and guidelines that are applicable to the Measure R Local Return program for the fiscal year ending June 30, 2025.

The audits identified 18 instances of noncompliance across 13 local jurisdictions, including two material weaknesses and six significant deficiencies in internal controls over compliance.

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

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

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

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

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

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

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

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

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ending June 30, 2025; and

The County and Cities complied with the Ordinance requirements applicable to the Measure R Local Return program for the fiscal year ending June 30, 2025; however, the audits identified two material weaknesses and 6 significant deficiencies in internal control over compliance. All compliance issues have been resolved or are currently being addressed. Metro staff is working with the jurisdictions to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:

Collette Langston, Metro Board Clerk

Adopted this ____ day of May, 2026.

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)**



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

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

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Schedule of Revenues and Expenditures:	
Measure R Special Revenue Fund Schedule of Revenues and Expenditures	4
Notes to the Schedule of Revenues and Expenditures for Measure R Special Revenue Fund	5
Required Supplemental Information (Unaudited):	
Schedule of Revenues and Expenditures - Budget and Actual For the fiscal year ended June 30, 2025	11
Other Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
Independent Auditor's Report on Compliance with Requirements Applicable to Measure R Revenues and Expenditures in Accordance with the <i>Traffic Relief and Rail Expansion Ordinance</i>	14
Summary of Current Year Audit Findings	17
Status of Prior Year Audit Findings	18



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

Independent Auditor's Report

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

Report on the Audit of 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

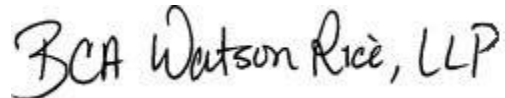
Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental 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.

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

Torrance, CA
December 2, 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)

	<u>2025</u>	<u>2024</u>
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	<u>1,234,087</u>	<u>1,207,919</u>
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	<u>650,022</u>	<u>735,419</u>
Excess of revenues over expenditures	<u>584,065</u>	<u>472,500</u>
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)	<u>(1,006,080)</u>	<u>(496,698)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (422,015)</u>	<u>\$ (24,198)</u>

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

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

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

1. Organization

General

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

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator for one of the country's largest and most populous counties. More than 10 million people, about one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure R

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

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

2. Summary of Significant Accounting Policies (Continued)

The most significant of LACMTA's accounting policies regarding the special revenue fund type are described below:

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

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.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

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.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 14,981</u>	<u>\$ 5,234</u>	<u>\$ 20,215</u>

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).

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

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	<u>1,288,721</u>	<u>1,284,167</u>	<u>1,234,087</u>	<u>(50,080)</u>
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	<u>1,087,132</u>	<u>1,027,628</u>	<u>650,022</u>	<u>377,606</u>
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)	<u>(717,106)</u>	<u>(775,354)</u>	<u>(1,006,080)</u>	<u>(230,726)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (515,517)</u>	<u>\$ (518,815)</u>	<u>\$ (422,015)</u>	<u>\$ 96,800</u>



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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.

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

Torrance, California
December 2, 2025



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

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

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

Report on Compliance

Opinion on Measure R Revenues and Expenditures

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

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

Torrance, California
December 2, 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

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

TABLE OF CONTENTS

	<u>PAGE</u>
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	1
List of Package A Jurisdictions	5
Compliance Area Tested	6
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	7
Schedule 2 – Schedule of Findings and Questioned Costs	8



655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

LOS ANGELES
SAN DIEGO
IRVINE
SACRAMENTO
FRESNO
PHOENIX
LAS VEGAS
MANILA, PH

**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

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 1 st 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 1 st 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 1 st 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.



www.vasquez.cpa

655 N Central Avenue, Suite 1550 • Glendale, California 91203-1437 • +1.213.873.1700



**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**

TABLE OF CONTENTS

	<u>Page</u>
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	1
List of Package B Jurisdictions	5
Compliance Areas Tested	6
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	7
Schedule 2 - Schedule of Findings and Questioned Costs	8



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

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

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

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

Report on Compliance

Opinion

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



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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance 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 of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (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.



Metro[®]

**MANAGEMENT
AUDIT SERVICES**



Metro[®]

**MANAGEMENT
AUDIT SERVICES**

MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FISCAL YEAR 2025 MEASURE M AUDITS

INTRODUCTION

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

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

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

THE AUDITS

The Independent Auditors' reports on the Measure M Special Revenue Fund found that Metro, the County, and the Cities complied in all material respects with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025.

The audits of compliance with the Measure M Local Return Guidelines of the County and 88 Cities found 18 instances of non-compliance within 13 jurisdictions. Audit findings were in 4 basic categories as follows:

- **Failure to Obtain Approval Before Incurring Expenses:** Eight Cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting a Form M-One, which lists the project name, amount of Measure M Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure M Local Return eligibility per the Local Return Guidelines. The findings have been resolved as the Cities subsequently submitted the required forms and obtained retroactive approvals from Metro.
- **Inadequate accounting procedures, record keeping, and/or documentation:** Six Cities failed to complete year-end accounting closing processes and a timely bank reconciliation process. One City failed to adequately document payroll costs. Cities are required to maintain proper accounting records and documentation. The Cities are in the process of correcting their procedures, and the auditors will verify whether the Cities have properly implemented corrective actions during the fiscal year 2026 audit.

- **Untimely Submittal of Forms:** Two Cities did not submit a Form M-One, budget form, on time. Form M-One and Form M-Two are required to be submitted by Cities to Metro identifying the budget and expenditures of their Measure M Local Return funded projects. The findings have been resolved as the Cities subsequently submitted the required forms.
- **Administrative Expenses in excess of 20% Cap.** One City exceeded the allowable limit on administrative expenditures. The City returned the amount over the cap to their Local Return Account.

MEASURE M OVERSIGHT COMMITTEE REVIEW

The Measure M Oversight Committee received the three audit reports in February 2026. The Committee reviewed the reports and met on March 4, 2026. At that meeting, the Committee received a formal presentation of the audit reports from each of the three audit firms.

The Committee asked about and received satisfactory responses regarding declining fund balances, the materiality and recurrence of findings, and strategies to best support the Cities. The Committee was satisfied with the audit reports.

MEASURE M OVERSIGHT COMMITTEE FINDINGS

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

(2) Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025; and

(3) The County and Cities complied in all material respects with the Measure M Ordinance and guidelines that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2025.

The audits found 18 instances of non-compliance within 13 local jurisdictions, which have been resolved or are in the process of being addressed.

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

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

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

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

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

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

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

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

Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025;

The County and Cities complied with the Ordinance requirements that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2025. The audits found 18 instances of non-compliance in 13 local jurisdictions, including three material weaknesses and seven significant deficiencies in internal controls over compliance. All compliance issues have been resolved or are currently being addressed. Metro staff is working with the jurisdictions to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:

Collette Langston, Metro Board Clerk

Adopted this ____ day of June 2026.

Los Angeles County
Metropolitan Transportation Authority

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

**For the Fiscal Year Ended June 30, 2025
(With Comparative Totals For 2024)**



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

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

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Schedule of Revenues and Expenditures:	
Measure M Special Revenue Fund Schedule of Revenues and Expenditures	4
Notes to the Schedule of Revenues and Expenditures for Measure M Special Revenue Fund.....	5
Required Supplemental Information (Unaudited):	
Schedule of Revenues and Expenditures - Budget and Actual For the fiscal year ended June 30, 2025	9
Other Information (Unaudited):	
Schedule of Expenditures by Subfund and Programs - Budget and Actual For the fiscal year ended June 30, 2025	10
Schedule of Fund Balances by Subfund and Programs For the fiscal year ended June 30, 2025	11
Other Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
Independent Auditor's Report on Compliance with Requirements Applicable to Measure M Revenues and Expenditures in Accordance with the <i>Los Angeles County Traffic Improvement Plan</i>	14
Summary of Current Year Audit Findings.....	17
Status of Prior Year Audit Findings.....	18



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

Independent Auditor's Report

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

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

Opinion

We have audited the accompanying Schedule of Measure M Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 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 M 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

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

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic Schedule as a whole. The schedule of expenditures by subfund and programs - budget to actual and the schedule of fund balances by subfund and programs for the fiscal year ended and as of June 30, 2025, on pages 10 and 11 are presented for purposes of additional analyses and are not a required part of the basic Schedule. Such information has not been subjected to the auditing procedures applied in the audit of the basic Schedule, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure M Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated 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.

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

Torrance, California

December 2, 2025

Los Angeles County Metropolitan Transportation Authority
Measure M 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	\$ 1,080,142	\$ 1,091,069
Intergovernmental	85,437	586
Investment income	46,727	44,748
Net appreciation in fair value of investments	8,339	11,077
Total revenues	<u>1,220,645</u>	<u>1,147,480</u>
Expenditures		
Administration and other transportation projects	197,271	60,985
Transportation subsidies	368,817	412,446
Debt and interest expenditures		
Principal	-	1,500
Total expenditures	<u>566,088</u>	<u>474,931</u>
Excess of revenues over expenditures	<u>654,557</u>	<u>672,549</u>
Other financing sources (uses)		
Transfers in	75,754	32,524
Transfers out	(1,329,830)	(685,259)
Total other financing sources (uses)	<u>(1,254,076)</u>	<u>(652,735)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (599,519)</u>	<u>\$ 19,814</u>

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

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

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

1. **Organization**

General

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

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator for one of the country's largest and most populous counties. More than 10 million people, about one-third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure M

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

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

2. **Summary of Significant Accounting Policies**

The Schedule of Revenues and Expenditures for the Measure M Special Revenue Fund was prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

2. Summary of Significant Accounting Policies (Continued)

The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact on the total appropriations at the fund level. Budget amendments are made when needed.

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

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 M fund had an investment income of \$46,727 and a net appreciation in the fair value of investments of \$8,339. The net appreciation in 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/>.

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 in the United States of America.

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

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

4. Intergovernmental Transactions

Any transaction conducted with any federal, state, and local governmental agencies outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025

5. Operating Transfers

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

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

The Measure M fund at June 30, 2025 had a deficiency of revenues over expenditures and other financing uses of \$599,519 primarily due to more funding for major capital projects in FY 2025 than in FY 2024 totaling \$542,286. The foregoing factors contributed to the decrease in Measure M Fund balance from \$1,170,769 to \$571,250 at June 30, 2025.

8. Audited Financial Statements

The financial statements for the Measure M 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 M 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 M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 1,156,000	\$ 1,156,000	\$ 1,080,142	\$ (75,858)
Intergovernmental	199,307	15,540	85,437	69,897
Investment income	-	-	46,727	46,727
Net appreciation in fair value of investments	-	-	8,339	8,339
Total revenues	1,355,307	1,171,540	1,220,645	49,105
Expenditures				
Administration and other transportation projects	205,863	248,770	197,271	51,499
Transportation subsidies	442,237	477,047	368,817	108,230
Total expenditures	648,100	725,817	566,088	159,729
Excess of revenues over expenditures	707,207	445,723	654,557	208,834
Other financing sources (uses)				
Transfers in	4,978	103,939	75,754	(28,185)
Transfers out	(688,827)	(1,339,987)	(1,329,830)	10,157
Total other financing sources (uses)	(683,849)	(1,236,048)	(1,254,076)	(18,028)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 23,358</u>	<u>\$ (790,325)</u>	<u>\$ (599,519)</u>	<u>\$ 190,806</u>

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Expenditures by Subfund and Programs – Budget and Actual
For the Fiscal Year Ended June 30, 2025
(Amounts expressed in thousands)

Subfund	Programs	Final Budget	Actual	Variance with Final Budget
	<u>Program:</u>			
<i>Transit Operating and Maintenance</i>	Metro Rail Operations	\$ 56,934	\$ 52,612	\$ 4,322
	Transit Operations	281,307	308,699	(27,392)
	ADA Paratransit	32,736	21,424	11,312
<i>Transit/First/ Last Mile (Capital)</i>	Transit Construction	948,297	962,519	(14,222)
	Metro State of Good Repair	74,262	35,312	38,950
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway Construction	330,637	235,933	94,704
	Active Transportation Program	24,719	5,863	18,856
<i>Local Return/ Regional Rail</i>	Local Return	182,012	180,870	1,142
	Regional Rail - Metrolink	11,347	12,399	(1,052)
	Total program	<u>1,942,251</u>	<u>1,815,631</u>	<u>126,620</u>
<i>Administration</i>	Administration	19,614	4,533	15,081
	Total	<u>\$ 1,961,865</u>	<u>\$ 1,820,164</u>	<u>\$ 141,701</u>

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Fund Balances by Subfund and Programs
For the Fiscal Year Ended June 30, 2025
(Amounts expressed in thousands)

Subfund	Programs	Beginning Balance, July 1, 2024	Revenues			Expenditures/Uses of Funds				Fund Balance
			Revenue Allocations	Other Revenues	Total Revenues	Admin	Local Return/ Transportation Subsidies	Transfers-out/ Capital Projects	Transfers-in/ Capital Projects	
<i>Transit Operating & Maintenance</i>	Program:									
	Metro Rail Operations	\$ -	\$ 53,197	\$ (345)	\$ 52,852	\$ -	\$ -	\$ (52,612)	\$ -	\$ 240
	Transit Operations	376,424	212,788	17,632	230,420	-	(74,044)	(234,655)	-	298,145
	ADA Paratransit	9,963	21,279	1,327	22,606	-	-	(20,843)	-	11,726
<i>Subtotal</i>		386,387	287,264	18,614	305,878	-	(74,044)	(308,110)	-	310,111
<i>Transit/First/ Last Mile (Capital)</i>	Transit Construction	21,607	375,464	(14,379)	361,085	(41,584)	(14,520)	(908,688)	2,273	(579,827)
	Metro State of Good Repair	56,579	21,279	3,710	24,989	-	-	(35,312)	-	46,256
<i>Subtotal</i>		78,186	396,743	(10,669)	386,074	(41,584)	(14,520)	(944,000)	2,273	(533,571)
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway Construction	607,872	263,222	41,841	305,063	(148,214)	(93,266)	(64,355)	73,481	680,581
	Active Transportation Program	88,842	21,278	6,462	27,740	(2,982)	(1,743)	(5,299)	-	106,558
<i>Subtotal</i>		696,714	284,500	48,303	332,803	(151,196)	(95,009)	(69,654)	73,481	787,139
<i>Local Return/ Regional Rail</i>	Local Return	-	180,870	-	180,870	-	(180,870)	-	-	-
	Regional Rail - Metrolink	(38)	10,639	(1,808)	8,831	(147)	(4,374)	(7,878)	-	(3,606)
<i>Subtotal</i>		(38)	191,509	(1,808)	189,701	(147)	(185,244)	(7,878)	-	(3,606)
<i>Administration</i>	Total program	1,161,249	1,160,016	54,440	1,214,456	(192,927)	(368,817)	(1,329,642)	75,754	560,073
		9,520	5,563	626	6,189	(4,344)	-	(188)	-	11,177
	Grand Total	<u>\$ 1,170,769</u>	<u>\$ 1,165,579</u>	<u>\$ 55,066</u>	<u>\$ 1,220,645</u>	<u>\$ (197,271)</u>	<u>\$ (368,817)</u>	<u>\$ (1,329,830)</u>	<u>\$ 75,754</u>	<u>\$ 571,250</u>



2355 Crenshaw Blvd. Suite 150
Torrance, CA 90501

Telephone: 310.792.4640
Facsimile: 310.792.4331
www.bcawr.com

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 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 the LACMTA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Torrance, California
December 2, 2025

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

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

Report on Compliance

Opinion on Measure M Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the *Los Angeles County Traffic Improvement Plan Ordinance No. 16-01* (the Ordinance) applicable to LACMTA's Measure M revenues and expenditures for the fiscal year ended June 30, 2025.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2025.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

Torrance, California
December 2, 2025

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

None noted.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES	1
List of Package A Jurisdictions	4
Compliance Area Tested	5
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	6
Schedule 2 – Schedule of Findings and Questioned Costs	7



655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
OFFICE

LOS ANGELES
SAN DIEGO
IRVINE
SACRAMENTO
FRESNO
PHOENIX
LAS VEGAS
MANILA, PH

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 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 County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 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 M Local Return program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-010. Our opinion is not modified with respect to these matters.



Government Auditing Standards require the auditor to perform limited procedures on the responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The 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 were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. 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, #2025-007 and #2025-010 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 deficiency 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.

**Glendale, California
December 31, 2025**

**Los Angeles County Metropolitan Transportation Authority
Measure M 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 LAWNSDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

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

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

SUMMARY OF AUDIT RESULTS

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

The audits of the County of Los Angeles and 39 cities have resulted in ten (10) 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)	\$ 8,850	\$ 8,850
		Culver City (Finding #2025-005)	864,786	864,786
		Lynwood (Finding #2025-008)	26,368	26,368
		San Fernando (Finding #2025-009)	442,413	442,413
Administrative expenses are within the 20% cap.	1	Cudahy (Finding #2025-004)	112,964	112,964
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Calabasas (Finding #2025-001)	None	None
		Huntington Park (Finding #2025-006)	None	None
Accounting procedures, record keeping and documentation are adequate.	3	Compton (Finding #2025-002)	None	None
		Huntington Park (Finding #2025-007)	None	None
		Santa Fe Springs (Finding #2025-010)	None	None
Total Findings and Questioned Costs	10		\$ 1,455,381	\$ 1,455,381

Details of the above findings are presented in Schedule 2.

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

Finding #2025-001	City of Calabasas
Compliance Reference	Administrative Section Expenditure Plan (Form M-One) of the Measure M Local Return Guidelines states, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One) annually by August 1 of each year".
Condition	The City missed the August 1, 2024 filing deadline for Form M-One, submitting the 8/1 Table late. The City submitted Form M-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 M-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 M-One via LRMS prior to the August 1 st 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 1 st 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-002 (Material Weakness)	City of Compton
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is each Jurisdiction's 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 M 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 that 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-003	City of Cudahy
Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures prior to receiving approval from Metro under Project Code 730, Atlantic Ave Complete Streets Improvement Project, totaling \$8,850. 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 submitted budget request for FY2024/25.
Effect	By claiming \$8,850 of Measure M funds prior to Metro's approval, the City did not comply with the Guidelines.
Recommendation	We recommend that 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 the 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-004 (Significant Deficiency)	City of Cudahy
Compliance Reference	Section XXV 9 Transportation Administration of the Measure R Local Return Guidelines states that, "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, 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 MMLRF administrative expenses in excess of the 20% cap, totaling \$19,277. This is a repeat finding from prior year's audit relating to the MMLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 640, Fund Administration (20% cap) to \$101,341, resulting in an excess of \$93,687.
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 \$112,964.
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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-005 (Significant Deficiency)	City of Culver City
Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures under Measure M Project code 840, MOVE Culver City, totaling \$864,786, prior to approval from Metro. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro. This is a repeat finding from the prior year.
Cause	The project was 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 \$864,786 of Measure M 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 M-funded projects.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 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 project was obtained via LRMS on December 16, 2025. No additional follow-up is required.

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

Finding #2025-006	City of Huntington Park
Compliance Reference	Administrative Section Expenditure Plan (Form M-One) of the Measure M Local Return Guidelines states, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year".
Condition	The City missed the August 1, 2024 deadline of Form M-One, submitting the 8/1 Table late. Form M-One was submitted on October 15, 2024.
Cause	This condition was caused by turnover of the City staff responsible for completing Form M-One, 8/1 Table. City staff who is currently assigned to submit Form M-One, 8/1 Table was unaware of the requirements to submit Form M-One, 8/1 Table by August 1 of each year.
Effect	The City submitted the Form M-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 M-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 1 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-007 (Material Weakness)	City of Huntington Park
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is each Jurisdiction's 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-007 (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 bank account for its local return funds. 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-008	City of Lynwood
Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures prior to approval from Metro under Project Code 640, Administration and Monitoring, totaling \$26,368. Although the expenditures were eligible for Local Return funding, the project did not have prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditures for this project and was unable to submit a budget request for Metro's approval until after June 30, 2025.
Effect	The City claimed expenditures totaling \$26,368 of Measure M funds prior to Metro's approval. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on December 29, 2025.
Finding Corrected During the Audit	On December 29, 2025, the Metro Program Manager granted retroactive approval of the said project. No additional follow-up is required.

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

Finding #2025-009	City of San Fernando
Compliance Reference	Section B (II)(1) Expenditure Plan (Form One) of Measure M 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 M 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, City Parking Lot Maintenance Project, totaling \$442,413. 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 \$442,413 of Measure M 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 M 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.

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

Finding #2025-010 (Material Weakness)	City of Santa Fe Springs
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork on December 30, 2025, the City's year-end closing process was still ongoing. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.
Cause	During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. Currently, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	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 could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that financial statements are updated and provided to users on a timely basis.
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 monthly and annual year-end closing processes are well documented and completed on time.



www.vasquez.cpa

655 N Central Avenue, Suite 1550 • Glendale, California 91203-1437 • +1.213.873.1700



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



Simpson & Simpson, LLP
Certified Public Accountants

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

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES	1
List of Package B Jurisdictions	5
Compliance Areas Tested	6
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	7
Schedule 2 - Schedule of Findings and Questioned Costs	8



SIMPSON & SIMPSON

CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS

BRAINARD C. SIMPSON, CPA

MELBA W. SIMPSON, CPA

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

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

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

Report on Compliance

Opinion

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



The CPA. Never Underestimate The Value.™



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 M Local Return program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2025-001 through #2025-008. 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. 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, 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 #2025-001, #2025-004, #2025-006, #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 M Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2025**

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

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

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

SUMMARY OF AUDIT RESULTS

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

The audits of the 49 cities have resulted in eight (8) 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.	4	Artesia (#2025-001)	\$ 28,885	\$ 28,885
		Downey (#2025-002)	688,825	688,825
		Glendora (#2025-003)	3,099	3,099
		Palos Verdes Estates (#2025-006)	848,899	848,899
Accounting procedures, record keeping and documentation are adequate.	4	Glendora (#2025-004)	None	None
		Glendora (#2025-005)	23,838	23,838
		Palos Verdes Estates (#2025-007)	None	None
		Redondo Beach (#2025-008)	None	None
Total Findings and Questioned Costs	8		\$ 1,593,546	\$ 1,593,546

Details of the findings can be found in Schedule 2

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

Finding #2025-001 (Significant deficiency)	City of Artesia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	Expenditures totaling \$28,885 for Measure M Local Return Funds (MMLRF) Project Code 705, Traffic Control/Curb and Approach Improvements at Various Sites, were incurred prior to receiving Metro’s approval. The City subsequently received budget approval from Metro for the same amount on December 12, 2025. This is a repeat finding from the fiscal year 2024.
Cause	This condition was the result of an oversight by the City due to understaffing.
Effect	The City did not comply with the Measure M Local Return Guidelines as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.
Management’s Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditure is incurred.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive budget approval for the project on December 12, 2025. No follow-up is required.

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

Finding #2025-002	City of Downey
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for the MMLRF’s Woodruff Pavement Rehabilitation (Imperial Boulevard to Stewart & Gray Road) Project Code 705, in the total amount of \$688,825, were incurred prior to Metro’s approval. However, the City subsequently received an approved budget from Metro in the total amount of \$688,825 on October 10, 2025 for the same amount of the expenditure incurred on the project above.
Cause	The request for Metro’s approval on the project’s budget was overlooked.
Effect	The City did not comply with the Measure M Local Return Guidelines as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.
Management’s Response	The 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-003	City of Glendora
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for the MMLRF Cumberland Street Project Code 715, in a total amount of \$3,099, were incurred prior to Metro’s approval. However, the City subsequently received an approved budget from Metro in the amount of \$3,099 for the MMLRF project on December 15, 2025.
Cause	The expenditures were incurred due to timing and communication gaps between project budget submission, approval status tracking, and operational execution. The City initiated the project expenditures before formal confirmation of Metro’s approval. Additionally, internal controls did not sufficiently prevent expenditures from being processed while the approval was still pending.
Effect	The City did not comply with the Measure M Local Return Guidelines, as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.

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

Finding #2025-003 (Continued)	City of Glendora
Management's Response	The City acknowledges the finding. Retroactive budget approval for MMLRF's Cumberland Street Project Code 715 was received from Metro on December 15, 2025 in the amount of \$3,099, fully covering the expenditures incurred. No unallowable costs remain outstanding. To ensure this issue does not recur, the City will implement the following measures: Formal Budget Approval Verification • Project expenditures will not commence until written confirmation of Metro budget approval is received and documented. • Finance Department will maintain approval documentation within the project file. Internal Approval Controls • Finance Department staff will verify Metro approval status prior to setting up or activating project codes in the financial system. • Project codes will remain restricted from posting charges until approval is confirmed. Enhanced Communication Protocol • A formal notification process will be established between Finance Department and program staff confirming when Metro approval has been received and the expenditures may begin. • Program Managers will be reminded that "budget submitted" does not equate to "budget approved." Tracking and Monitoring • A centralized tracking log will be maintained to monitor submission dates, approval status, and authorized expenditure start dates for all of the Metro-funded projects. • Periodic reviews will be conducted to ensure compliance prior to cost incurrence.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$3,099 for the said MMLRF project on December 15, 2025. No follow-up is required.

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

Finding #2025-004 (Significant deficiency)	City of Glendora
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, "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 M 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 the Measure M Local Return Guidelines, Section XXV: Program Objective, states, “The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to cities and County of Los Angeles (Jurisdictions) may be used for purposes other than transportation purposes.” and Audit Requirements, “It is each Jurisdiction’s responsibility to maintain proper accounting records and documentation...” 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 of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: : (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 M 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 M Local Return Fund's (MMLRF) Maintenance Project Code 806 and Transportation Coordinator Project Code 880 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 MMLRF activities for a total amount of \$23,838.
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 MMLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$23,838.
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 M 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 \$23,838 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 M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-006 (Significant deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	During the fiscal year ended June 30, 2025, the City incurred expenditures prior to receiving Metro approval. The expenditures incurred prior to approval were as follows: • \$71,324 for Project Code 705 — FY 24/25 Annual Slurry Seal Project; and • \$559,561 for Project Code 705 — FY 24/25 Annual Resurfacing Project. In addition, the City incurred expenditures totaling \$218,014 for Project Code 705 – FY23/24 Annual Resurfacing Project prior to receiving Metro approval. These expenditures related to the fiscal year 2024 and were subsequently recorded as prior period adjustments in the fiscal year 2025. This is a repeat finding from the fiscal year 2024.
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 M Local Return Guidelines, as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish and implement procedures to ensure that approval from Metro is obtained prior to implementing any Measure M Local Return projects. In addition, the City should properly enter the budgeted amount for each project into the Local Return Management System (LRMS) and submit the budget information by the required due date so that expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Measure M Local Return Guidelines.

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

Finding #2025-006 (Significant deficiency) (Continued)	City of Palos Verdes Estates
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 budgets associated with Project Code 705 — FY 24/25 Annual Slurry Seal Project and FY 24/25 Annual Resurfacing Project, in the amounts of \$71,400 and \$559,600, respectively. On December 18, 2025, the City also received retroactive approval from Metro for the budget associated with Project Code 705 — FY 23/24 Annual Resurfacing Project, in the amount of \$218,100. No follow-up is required.

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

Finding #2025-007 (Significant deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Measure M Final Guidelines, Section XXV, Audit Requirements, “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: • MMLRF: \$218,014 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. In addition, during the same reconciliation procedures, we noted that the City recorded \$59,007 of Measure M MSP grant revenue received in the fiscal year 2024 as part of the beginning balance of the fiscal year 2025, which resulted in an understatement of cash and investments and Measure M MSP grant revenue in MMLRF as of June 30, 2024.

Los Angeles County Metropolitan Transportation Authority
Measure M 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
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.
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 M 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 M Local Return Guidelines, Section XXV, "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 M 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.



Metro[®]

**MANAGEMENT
AUDIT SERVICES**

Fiscal Year 2025 Consolidated Audit

Finance, Budget and Audit Committee

July 16, 2026

Kimberly Houston, Deputy Chief Auditor

Lauren Choi, Senior Director, Audit



MANAGEMENT AUDIT SERVICES

Issue



Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company and Simpson and Simpson, certified public accountants, for FY25



Metro must provide assurance that recipients of funds are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source

Highlights of Requirements

Guidelines for Propositions A&C and Measures R&M Local Return Funds

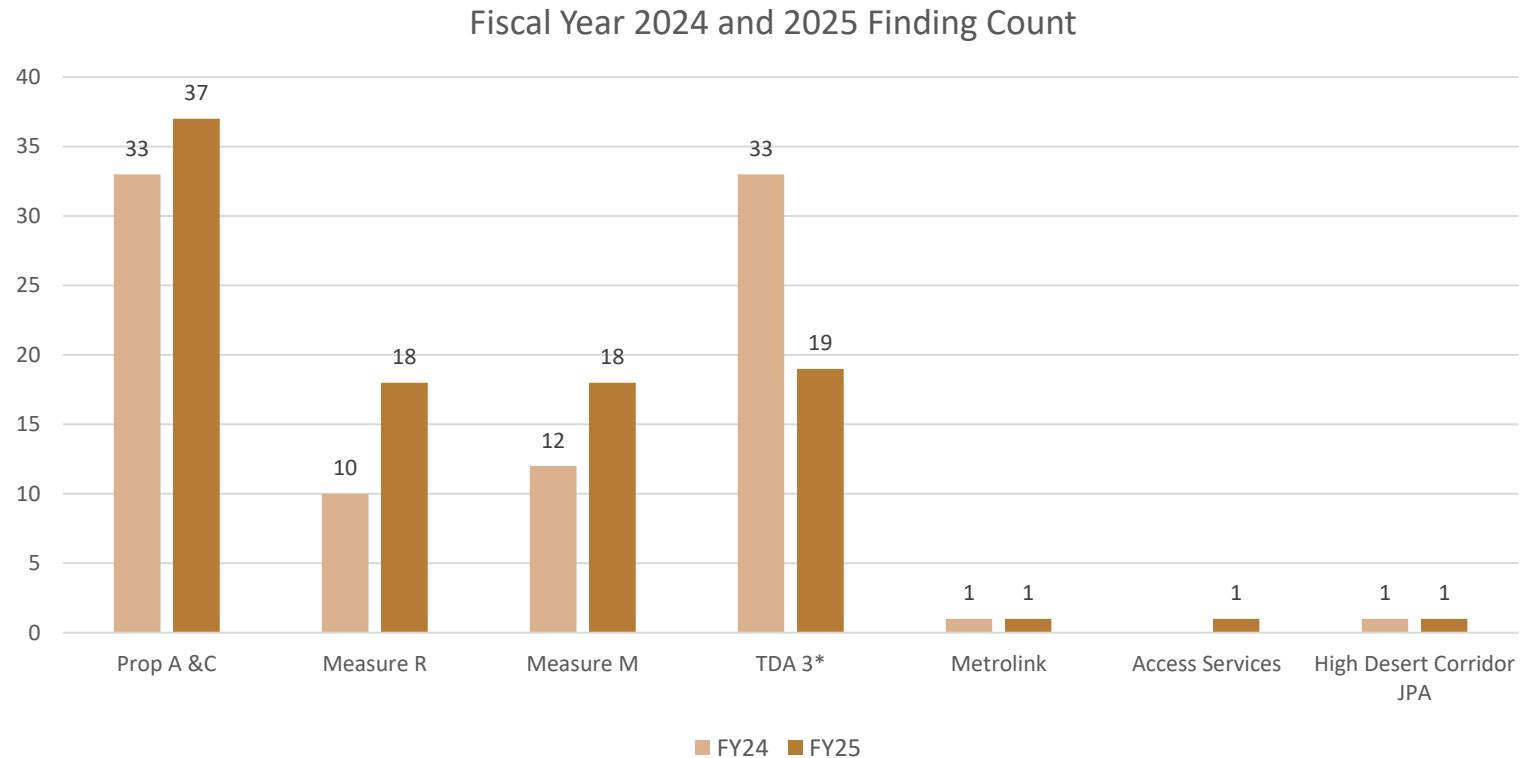
1. Determine if funds expended with Metro Project Manager's approval.
2. Confirm expenditure Plan/Budget Form submitted by August 1st of the fiscal year.
3. Confirm Annual Expenditure Report submitted by October 15th following the past fiscal year.
4. Evaluate jurisdictions are maintaining proper accounting procedures and records.

General Assessment

With the exceptions of the Cities* of Compton, Glendora, Huntington Park, Redondo Beach, and Santa Fe Springs, the auditors concluded that the County, Cities, transit operators, and other agencies complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for FY25.

*The Cities were late in completing their Comprehensive Financial Audit Reports, which delayed the closing process for the Local Return programs.

Findings



*Local Programming in collaboration with MAS conducted the Consolidated Audit Workshop on 5/13/2026 to train and help jurisdictions to comply with the guidelines/requirements.

Questions
