One Gateway Plaza, Los Angeles, CA 90012,
3rd Floor, Metro Board Room

Agenda - Final

Thursday, July 18, 2024

10:00 AM

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Finance, Budget and Audit Committee

Tim Sandoval, Chair
Lindsey Horvath, Vice Chair
Kathryn Barger
James Butts
Paul Krekorian
Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the general public comment period, which will be held at the beginning and /or end of each meeting. Each person will be allowed to speak for one (1) minute during this General Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

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a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
d. Any other unlawful interference with the due and orderly course of said meeting.

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The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than $250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars ($10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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Requests can also be sent to boardclerk@metro.net.

323.466.3876
x2 *Español (Spanish)*
x3 中文 *(Chinese)*
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x5 Tiếng Việt *(Vietnamese)*
x6 日本語 *(Japanese)*
x7 русский *(Russian)*
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Live public comment can be given by telephone or in-person.

The Committee Meeting begins at 10:00 AM Pacific Time on July 18, 2024; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 202-735-3323 and enter
English Access Code: 5647249#
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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

Instrucciones para comentarios publicos en vivo:

Los comentarios publicos en vivo se pueden dar por telefono o en persona.

La Reunion de la Junta comienza a las 10:00 AM, hora del Pacifico, el 18 de Julio de 2024. Puedes unirte a la llamada 5 minutos antes del comienso de la junta.

Marque: 202-735-3323 y ingrese el codigo
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Los comentarios del público se tomaran cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.
Please include the Item # in your comment and your position of “FOR,” “AGAINST,” "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
Post Office Mail:
Board Administration
One Gateway Plaza
MS: 99-3-1
Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

19. SUBJECT: LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SUPPORT SERVICES 2024-0405

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 6 to Contract No. PS60564000B with International Institute of Los Angeles (IILA) for Low Income Fare is Easy (LIFE) Program Administrator Services to include the Southwest, Southeast and Northwest service regions of Los Angeles County, in the amount of $984,603, increasing the total contract value from $ 2,792,333 to $3,776,936 and extending the period of performance from September 30, 2024 to December 31, 2024.

Attachments: Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

20. SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2023, TO JUNE 30, 2023 2024-0396

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2023 to June 30, 2023.

Attachments: Attachment A - Final Audit of Misc. Exp. Apr 1-June 30, 2023
Presentation

21. SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2023 TO SEPTEMBER 30, 2023 2024-0402

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2023, to September 30, 2023.

Attachments: Attachment A - Final Audit of Misc. Exp. July 1-Sept 30, 2023
Presentation

22. SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEARS 2022 AND 2023 2024-0433

RECOMMENDATION

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

Attachments:
Attachment A - FY22 Prop A & C Consolidated Audit Vasquez
Attachment B - FY22 Prop A & C Consolidated Audit Simpson
Attachment C - FY23 Prop A & C Consolidated Audit Vasquez
Attachment D - FY23 Prop A & C Consolidated Audit Simpson
Attachment E - FY22 and FY23 Measure R Annual Report
Attachment F - FY22 Measure M Annual Report
Attachment G - FY23 Measure M Annual Report
Presentation

23. SUBJECT: CUSTODIAL BANKING SERVICES 2024-0408

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 3 to Contract No. PS133590000 with U.S. Bank N.A. in the amount of $500,000 to continue to provide custodial banking services, increasing the contract value from $1,100,370 to $1,600,370 and extending the period of performance from December 31, 2024 to March 31, 2025.

Attachments:
Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

24. SUBJECT: FIRST AMENDMENT TO LEASE AGREEMENT WITH DWF V WILSHIRE/ VERMONT LP 2024-0246

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute the First Amendment to the Lease Agreement (First Amendment) or any other documents with DWF V Wilshire/ Vermont LP, (Lessor), to extend the lease by five years (First Option) commencing September 1, 2024, for the Metro Customer Center located at 3183 Wilshire Boulevard, Suite 174 (Site) in Los Angeles consisting of 2,469 square feet at a rate of approximately $10,001.93 per month for a total of $600,115.80 over the First Option term.

Attachments: Attachment A - Location Map
Attachment B - Deal Points
Presentation

25. SUBJECT: CYBERSECURITY LIABILITY INSURANCE PROGRAM 2024-0245

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to $50 million in limits at a cost not to exceed $3.850 million for the 12-month period effective September 1, 2024, to September 1, 2025.

Attachments: Attachment A - Coverage Options and Premiums
Attachment B - Coverage Description

26. SUBJECT: SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS' LOCAL CONTRIBUTION AND DIRECT LOAN TO ALAMEDA CORRIDOR EAST AND I-605/VALLEY BOULEVARD INTERCHANGE IMPROVEMENTS PROJECTS 2024-0407

RECOMMENDATION

CONSIDER:

A. AUTHORIZING AND DELEGATING authority to the Chief Executive Officer (CEO) or their designee to negotiate and execute all necessary agreements and amendments to enter into a direct loan for a not to exceed disbursement amount of $160,950,000 to be repaid with interest between the Los Angeles County Metropolitan Transportation Authority (Metro) and the San Gabriel Valley Council of Governments (SGVCOG) to fund the Alameda Corridor-East (ACE) Project and the I-605/Valley Boulevard Interchange Improvements (I-605/Valley) Project (the Projects). This direct loan advances partial funding on future anticipated, available funding from the Measure M Multiyear Subregional Programs (MSP) for the Projects. This direct loan will replace the $61.1 million direct loan approved at the August 2022 meeting; and

B. AUTHORIZING the CEO to amend the FY25 Budget by $31,310,000 to accommodate the cashflow requirements of FY25 for the estimated first-year annual not-to-exceed advance of the direct-loan.

Attachments: Attachment A - Motion 44
Attachment B - SGVCOG Request Letter
Presentation

SUBJECT: GENERAL PUBLIC COMMENT 2024-0459

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S SUBJECT MATTER JURISDICTION

Adjournment

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

File #: 2024-0405, **File Type:** Contract **Agenda Number:** 19.

FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SUPPORT SERVICES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 6 to Contract No. PS60564000B with International Institute of Los Angeles (IILA) for Low Income Fare is Easy (LIFE) Program Administrator Services to include the Southwest, Southeast and Northwest service regions of Los Angeles County, in the amount of $984,603, increasing the total contract value from $ 2,792,333 to $3,776,936 and extending the period of performance from September 30, 2024 to December 31, 2024.

ISSUE

On May 6, 2024, Metro was informed by FAME Assistance Corporation (FAC), Metro's LIFE Program Administrator for the Southwest and Northwest service regions, that it has filed for Chapter 7 Bankruptcy proceedings. FAC informed Metro that they would complete their contractual responsibilities for the LIFE program through the contract term ending on June 30, 2024.

Upon notification, staff has worked closely with FAC and IILA to develop a plan to mitigate any disruption to program services for LIFE Program participants. As part of this plan, IILA agreed to manage the geographical regions and administrator duties currently assigned to FAC. In addition, IILA has agreed to hire some of the FAC staff to maintain program continuity. This modification remains within the scope of services of IILA's existing LIFE Program Administrator contract. However the hiring of FAC's staff and other resources requires allocating additional funding to their contract. This modification will also allow for the payment of administrator services fees, printing of taxi vouchers, and reimbursement for taxi service providers during the extension period.

BACKGROUND

On September 25, 2019, the Metro Board of Directors approved the award of competitively procured Contract Nos. PS6056400A and PS6056400B, effective January 1, 2020, with FAME Assistance Corporation (FAC and International Institute of Los Angeles (IILA)), respectively, to provide program administration and oversight activities of the countywide LIFE program. For the last five years, each

organization has been responsible for program management with different Metro designated geographic regions within the county. This includes screening patrons for program eligibility, maintaining administrative accountability, conducting community outreach, developing partnerships with over 150 community-based organizations each, and implementing the taxi voucher program that provides transportation subsidy services to individuals with short-term and immediate needs, which is distributed to riders through approved agencies such as hospitals and shelters.

DISCUSSION

LIFE program administrators, including IILA, play a key role in supporting and leading many of Metro's efforts to enhance and expand the program to support riders throughout Los Angeles County, especially in Equity Focus Communities (EFCs). Their expanded services have helped drive the largest increase in enrollment in the program's history. These services include:

- 14 full time and 3 part time staff
- 267 agencies assisting with enrollments
- 104 agencies distributing taxi program services.
- 12 taxi company partnerships
- 91 agencies providing 4-ride tickets
- 18 DPSS offices assisting with enrollment
- 30 pop-up events each month
- Over 250 daily applications (online portal, customer centers, DPSS, mail, events)

Combined, the efforts above have led to:

- An increase of over 255,458 enrollees in the program since September 2021, representing 280.5% towards attainment of the Board's goal of doubling enrollment and bringing the total LIFE program participants to 345,271.
- An average of 2,000 LIFE enrollments per week
- 38% of new enrollments are submitted through the new online application/portal
- 37% of applications are submitted via self-certification; and
- More than 48% of new applicants have been issued a TAP card.
- In 2023, LIFE customers saved over $8 million riding Metro.

Considerations

The contract modification will increase the staffing level at IILA by eight additional staff. The new full-time staff will collectively work to assist in delivering expanded services, reviewing, evaluating, and processing applications through in-person enrollment and online portal applications that require the same level of processing support as paper applications. Staff will also be attending more outreach events, providing bilingual (Spanish) support while partnering with agencies who provide multi-lingual services (Korean, Chinese, Japanese, Vietnamese, Armenian, Russian) to assist with enrollments, as well as responding to an increase in community inquiries. On average, administrators receive 100 - 150 phone or email inquiries per day. Staff expects the recent increases in the program enrollment to continue as program awareness expands, and riders seek to take advantage of the incentives of

program enrollment.

DETERMINATION OF SAFETY IMPACT

Metro Board adoption of staff recommendation would have no adverse impact on Metro or the regional transit system's safety.

FINANCIAL IMPACT

The funding of $984,603 for this contract is included in the FY25 Budget in Cost Center Number 2315, LIFE Program, under Project Number 410021, LIFE Program.
There is sufficient funding within the FY25 LIFE Program budget to implement this modification based on funding allocation for two administrators, which is now being turned over to one administrator and extend the contract through December 31, 2024. Approval of this recommendation authorizes Metro to disburse these funds to the LIFE Program Administrator.

Impact to Budget
The sources of funding are Proposition C 40% and Measure M 2% Americans with Disabilities Act (ADA) Paratransit/Metro Discounts. Proposition C 40% is eligible for bus and rail operating or capital expenses while Measure M 2% ADA Paratransit/Metro Discounts is earmarked for ADA paratransit for people with disabilities and Metro discounts for seniors and students.

EQUITY PLATFORM

Reduced-fare transit programs, like LIFE, are an investment in social mobility and an important tool to assist in the fight against income and health inequality. These programs, which include enrollments, outreach, partnerships with Community Based Organizations (CBOs) and taxi vouchers for individuals with short-term/immediate transit needs, make Metro more accessible to riders facing financial and other barriers while providing financial relief from the ever-rising cost of living.

The contract modification will ensure the program continues to maintain the level of services to reach and enroll marginalized riders across Los Angeles County in the LIFE Program, especially in Equity Focus Communities. It also aligns with Metro's Equity Platform Framework, Pillar 3 "Focus and Deliver", by removing barriers and increasing access to opportunity for all. Not proceeding with this change will greatly impact equitable services to a large geographical region of LA County, thus reducing enrollments, outreach, partnerships with CBOs, and LIFE boardings.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Adoption of staff recommendation supports Strategic Plan Goal 3 to: Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to approve increased resources for IILA for LIFE program

administration. Staff does not recommend such an action as it would negatively impact LIFE Program participants in Southwest, Southeast and Northwest service regions of Los Angeles County. In order to achieve Board directed goals to continue to enhance and expand services as well providing a level of services for all of Los Angeles County regions, the program administrator is a key community partner in the achievement of this goal. As a non-profit CBO, IILA does not have the capital resources to sustain this increased level of effort without appropriate commitment from Metro.

NEXT STEPS

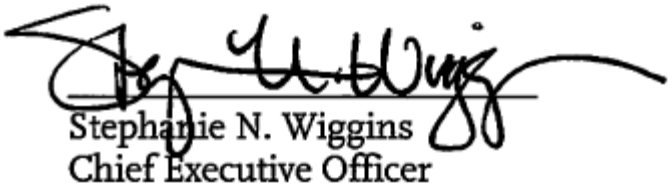
Upon Board approval, staff will execute Modification No. 6 to Contract No. PS60564000B with IILA to ensure program services continue in all service regions throughout Los Angeles County.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

Prepared by: Michael Cortez, Director LIFE Program, (213) 418-3423
Devon Deming, Deputy Executive Officer, Fare Programs, (213) 922-7957
Monica Bouldin, Deputy Chief Customer Experience Officer, (213) 922-4081
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer (Interim), (213) 922-4471
Nicole Englund, Chief of Staff, (213) 922-7950
Nalini Ahuja, Chief Financial Officer, (213) 922-3088

Reviewed by:
Jennifer Vides, Chief Customer Experience Officer, (213) 922-4060



Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A

PROCUREMENT SUMMARY

LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SUPPORT SERVICES / PS60564000B

1.	**Contract Number**: PS60564000B			
2.	**Contractor**: International Institute of Los Angeles			
3.	**Mod. Work Description**: Low Income Fare is Easy (LIFE) Program Administrator Services for the Southeast, Southwest, and Northwest Regions.			
4.	**Contract Work Description**: LIFE Program Administrator Services			
5.	**The following data is current as of**: 06/21/2024			
6.	**Contract Completion Status**		**Financial Status**	
	Contract Awarded:	09/26/19	**Contract Award Amount:**	$1,605,248
	Notice to Proceed (NTP):	09/26/19	**Total of Modifications Approved:**	$1,187,085
	Original Complete Date:	06/30/22	**Pending Modifications (including this action):**	$984,603
	Current Est. Complete Date:	12/31/24	**Current Contract Value (with this action):**	$3,776,936
7.	**Contract Administrator**: Ernesto N. De Guzman		**Telephone Number**: (213) 922-7267	
8.	**Project Manager**: Michael Cortez		**Telephone Numbers**: (213) 418-3423	

A. Procurement Background

This Board Action is to execute Modification No. 6 to Contract No. PS60564000B for Low Income Fare is Easy (LIFE) Program Administrator Services for the Southeast, Southwest, and Northwest Regions and to extend the period of performance from September 30, 2024 to December 31, 2024. This Modification will allow for the payment of administrator services fees, printing of taxi vouchers, and reimbursement for taxi service providers during the extension period.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy.

A total of 5 modifications have been issued to date for this contract.

Refer to Attachment B – Contract Modification/Change Order Log.

B. Price Analysis

The recommended amount is determined to be fair and reasonable based upon price analysis, technical evaluation, and an Independent Cost Estimate (ICE).

Proposal Amount	Metro ICE	Recommended Amount
$984,603	$1,274,064	$984,603

ATTACHMENT B

CONTRACT MODIFICATION / CHANGE ORDER LOG

LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SUPPORT SERVICES / PS60564000B

Mod. No.	Description	Status (approved or pending)	Date	Amount
1	Additional level of effort.	Approved	04/29/22	$467,085
2	Reimbursements for the FY23 Taxi Voucher component of the LIFE Program.	Approved	06/23/22	$420,000
3	Reimbursements for the FY24 Taxi Voucher component of the LIFE Program.	Approved	07/27/23	$300,000
4	Addition of Taxi Subsidy Programs	Approved	05/24/24	$0
5	Period of performance (POP) extension through 9/30/24.	Approved	06/03/24	$0
6	LIFE Program Administrator Services for the southeast, southwest, and northwest regions and POP extension through 12/31/24.	**Pending**	**Pending**	**$984,603**
	Modification Total:			**$2,171,688**
	Original Contract:		**09/26/19**	**$1,605,248**
	Total:			**$3,776,936**

DEOD SUMMARY

LOW INCOME FARE IS EASY (LIFE) PROGRAM ADMINISTRATOR SUPPORT SERVICES / PS60564000B

A. Small Business Participation

The Diversity & Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise/Disabled Verteran Business Enterprise (SBE/DVBE) goal for this project due to the lack of subcontracting opportunities. It is expected that International Institute of Los Angeles (IILA) will continue to perform the services of this contract with its own workforce.

B. Living Wage and Service Contract Worker Retention Policy Applicability

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

C. Prevailing Wage Applicability

Prevailing Wage is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

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

Low Income Fare is Easy (LIFE) Program Administrator Contract Modification

July 2024

Metro

Background

- Since 2019, The Low Income Fare is Easy (LIFE) Program has contracted with two community-based organizations, FAME Assistance Corporation (FAC) and International Institute of Los Angeles (IILA).
- FAC and IILA provide program administration and oversight activities for the countywide LIFE program.
- On May 6, FAC informed Metro that it filed Chapter 7 Bankruptcy proceedings.
- IILA agreed to manage the geographical regions and administrator duties assigned to FAC.





Metro

Administrator Services

Services:

- 14 full time and 3 part time staff
- 267 agencies assisting with enrollments
- 104 agencies distributing taxi program services.
- 12 taxi company partnerships
- 91 agencies providing 4-ride tickets
- 18 DPSS offices assisting with enrollment
- 30 pop-up events each month
- Over 250 daily applications (online portal, customer centers, DPSS, mail, events)

Results:

- 255,458 LIFE enrollments since September 2021 (280% Double enrollment goal).
- Total LIFE program participants 345,271.

Metro

Procurement Summary

- Execute Modification No. 6 to Contract No. PS60564000B for Low Income Fare is Easy (LIFE) Program Administrator Services for the Southeast, Southwest, and Northwest Regions
- Extend administrator performance from September 30, 2024, to December 31, 2024.
- This modification allows payment of administrator services fees, hiring of FAC staff, printing of taxi vouchers, and reimbursement for taxi service providers during the extension period.
- This contract modification will be processed in accordance with Metro's Acquisition Policy.
- The recommended amount is determined to be fair and reasonable based upon price analysis, technical evaluation, and an Independent Cost Estimate (ICE).
- There is sufficient funding within the FY25 LIFE Program Budget to implement this modification .

Proposal Amount	Metro Independent Cost Estimate	Recommended Amount
$984,603	$1,274,064	$984,603

Metro

Next Steps

- Work with IILA to ensure the program continues to deliver expanded services, as well as review, evaluate, and process applications through in-person enrollment and online portal applications.
- Work with IILA to conduct robust outreach that includes providing bilingual (Spanish) support while partnering with agencies who provide multi-lingual services (Korean, Chinese, Japanese, Vietnamese, Armenian, Russian) to assist with enrollments.



Metro

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

Metro

Board Report

File #: 2024-0396, **File Type:** Informational Report **Agenda Number:** 20.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2023, TO JUNE 30, 2023

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2023 to June 30, 2023.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2023 to June 30, 2023. This audit was performed pursuant to Public Utilities Code Section 130051.28(b), which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

This audit covered a review of Metro's miscellaneous expenses for the period of April 1, 2023 to June 30, 2023. For this period, miscellaneous expenses totaled $3,087,015 with 1,292 transactions. We selected 58 expense transactions totaling $1,149,825 for testing.

DISCUSSION

FINDINGS

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The miscellaneous expenses we reviewed for the quarter of April 1 to June 30, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of non-compliance with Metro policy.

The findings include (a) missing required support documentation such as justification memos (b) mileage and ground transportation claimed twice, and (c) late submission of TBE report. We also noted that the cost of meals included in registration fees when travelling were not deducted or accounted for when completing Travel Authorization/Request forms.

Employees should be reminded to review invoices and TBE reports thoroughly, and adhere to all Metro policies and procedures.

RECOMMENDATIONS

We recommend the following:

Chief People Office

1. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy, including required justification memos and authorized travel expenses/costs.

Operations (Rail Vehicle Acquisition)

2. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy, including required justification memos and authorized travel expenses/costs.

3. Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.

4. Consider reimbursement to Metro for the overpayment of mileage.

5. Require staff to submit TBE Reports in a timely manner.

Office of the Chief of Staff

6. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy, including required justification memos and authorized travel expenses/costs.

7. Require travelers to submit a justification memo if claiming the full Per Diem rate when meals are included in event registration fees.

8. Review all TBE Reports thoroughly and verify that all charges are accurate and properly

supported

FINANCIAL IMPACT

There is no financial or budgetary impact by accepting the report, but compliance with the recommendations would contribute to cost savings, efficiency, and better internal controls.

EQUITY PLATFORM

It is OIG's opinion that there is no equity considerations or impacts resulting from this audit.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2023 to June 30, 2023. (Report No. 24-AUD-05)

Prepared by: Anthony Alvarez, Senior Auditor, (213) 244-7331
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Senior Director, Special Projects, (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Statutorily Mandated Audit of
Miscellaneous Expenses
April 1, 2023 to June 30, 2023

Report No. 24-AUD-05 **June 25, 2024**

Metro

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DATE: June 25, 2024

TO: Metro Board of Directors
Metro Chief Executive Officer

FROM: Yvonne Zheng, Senior Manager, Audit
Office of the Inspector General

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 2023 to June 30, 2023 (Report No. 24-AUD-05)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2023 to June 30, 2023. This audit was performed pursuant to Public Utilities Code Section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies, were reasonable, and were adequately supported by required documents. However, we noted non-compliance with the Travel and Business Expense Policy (FIN 14, now GEN 65) on five of the sampled expenses reviewed.

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;

- Interviewed Metro personnel including staff in Accounting, Human Capital and Development, Operations, Program Management, System Security and Law Enforcement, and Vendor/Contract Management; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro's miscellaneous expenses for the period of April 1, 2023 to June 30, 2023. For this period, miscellaneous expenses totaled $3,087,016[1] with 1,292 transactions. We selected 58 expense transactions totaling $1,149,825 for testing. Thirty-one (31) of the expense transactions were randomly selected, six (6) were selected due to their large dollar amounts, and twenty-one (21) were selected to add more samples for business travel and to sample other accounts. See Attachment A for a summary of the sampled expenses that were audited.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

RESULTS OF AUDIT

1. No Justification Memo for Use of a Personal Vehicle and Excess Tip Reimbursement

The Deputy Chief People Officer (DCPO) of Communications traveled to attend the Workhuman Live event in San Diego, CA from April 17 to 20, 2023. The traveler submitted their Travel and Business Expense (TBE) Report for $2,630.21 with reimbursable expenses of $466.82, which included additional expenses for personal vehicle mileage and tips.

[1] This total does not include transactions that were less than $200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

We noted that the traveler used their personal vehicle; however, no justification memo was submitted, as required by the Travel and Business Expense Policy (FIN 14).

> Section 1.1.3 of FIN 14 states, "*LACMTA reserves the right to pay the lower of either mileage reimbursement or a common carrier such as Amtrak, Metrolink, or commercial airline. Travelers must submit a separate justification memo when requesting the use of their personal vehicle for non-local travel. The Travel Program Administrator will establish the amount of equivalent common carrier fare (air or rail) to be used as the limitation of reimbursable expenses, when an employee requests to use a personal vehicle for travel. The Travel Program Administrator will indicate limitations on the TA Form."*

At the time of review, the traveler was no longer employed by Metro, so we asked the traveler's former supervisor and the Travel Program Administrator (TPA) if the traveler received prior approval to use their personal vehicle for the event. The TPA responded *"No, employee was asked by travel office to submit request when the employee asked to be reimbursed at time of TBE submittal.*" The TPA further explained that the traveler planned to use Amtrak to travel to the event, but Amtrak direct service was not available at the time of travel and the Travel Office was aware of the service interruption.

It is important that the traveler and the Travel Program Administrator comply with the said provisions of the policy to show that Metro pays for the most reasonable form of transportation. In the most recently updated Metro Business Travel Guidelines (GEN 65), Section 2.0 also addresses the use of a personal vehicle and states, "*Travelers must justify that other forms of transportation are not available, and may not use a personal vehicle without preapproval from their manager*."

Although the policy was not strictly followed due to the absence of a justification memo requesting the use of a personal vehicle with the Travel Request/Authorization (TA) Form, we acknowledge the unexpected changes in travel arrangements due to the interruption of Amtrak rail service. However, the TA was submitted on December 19, 2022, with estimated costs for both Amtrak rail fare and roundtrip mileage to the conference without a request to use a personal vehicle. A separate justification memo requesting an exception for the lodging expense was submitted the next day, December 20, 2022, but it did not request or mention the use of a personal vehicle.

We also noted that reimbursable expenses included both Per Diem amounts for meals and incidental expenses (M&IE) and additional expenses for tips, which violates FIN 14 policy.

> Section 1.2.3.2 of FIN 14 states "*Per Diem amount listed in the IRS Publication includes meals and incidental expenses (M&IE); therefore, tips and gratuities during meals shall not be claimed separately on the TBE Report*." The IRS Publication states, "*the term*

'incidental expenses' means fees and tips given to porters, baggage carriers, hotel staff, and staff on ships."

We asked why tips were claimed for reimbursement in addition to the Per Diem allowance that includes incidental expenses and received a response from the TPA that, "*additional tip request was submitted in a justification memo and the exception was approved by the acting Chief of the department*."

It is important that the approving officials review the Travel and Business Expense (TBE) Report thoroughly and address any issues that may be found in the report.

Recommendation:

Chief People Office

- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

2. Mileage Claimed Twice and No Justification Memo when Claiming Full Per Diem

The Senior Manager of Project Control, Vehicle Technology and ZEB Infrastructure traveled to attend the 2023 American Public Transportation Association (APTA) Mobility Conference in Minneapolis, MN from April 23 to 26, 2023. The traveler submitted his Travel and Business Expense (TBE) Report with reimbursable expenses of $774.26, which included mileage claimed twice and unsupported travel expenses with no justification memo.

We noted that the Senior Manager used his personal vehicle for transportation to and from the airport on the travel days, April 22 and April 27, 2023; however, the TBE also erroneously includes mileage in Los Angeles claimed on a day the traveler was in Minneapolis, April 26, 2023, resulting in an overpayment of $9.16.

We asked the traveler why duplicate mileage was claimed on April 26 and 27. He responded, *"It was an error when completing the form by copying some of the daily expenses*." The traveler acknowledged this error and reimbursed Metro on May 23, 2024 for this overpayment. It is important for Metro employees and approving officials to review the TBE Report and the supporting documents to ensure the accuracy of the expenses claimed by the travelers.

We also noted that the TBE report included the full Per Diem rate without a justification memo and EO approval when meals were included in the conference registration fees. Section 1.2.3.2 of FIN 14 states, "*If the traveler is claiming the full per diem rate on the TBE Report when meals*

were included in the conference registration fees, the traveler must prepare a justification memo and obtain Department Chief approval."

We noted the claimed amounts for daily meal reimbursements were reduced by the dollar amount indicated for meals that were included in the conference registration fees for April 24 but not for April 25 or 26, and no justification memo was attached to the TBE. The traveler explained that he "did not eat the meals provided on April 25" and "Didn't eat the (April 26) breakfast, I wanted to ride on their electric buses and see charging infrastructure in action."

It is important that the traveler comply with policy FIN 14, which includes the requirement to submit a justification memo and obtain EO approval when not reducing Per Diem amounts for meals included in conference registration fees; the TA and TBE Reports are also required to be submitted with all supporting trip documentation including detailed travel justification memo.

Recommendations:

Operations (Rail Vehicle Acquisition)

- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

- Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.

3. Late Submission of TBE Report

The Senior Manager/Project Manager of Rail Vehicle Acquisition traveled to a vendor's manufacturing facilities from February 14 to 25, 2023. The traveler submitted the Travel and Business Expense (TBE) Report with a reimbursable amount of $2,271.69 on April 12, 2023, which was not within 30 days after returning from travel.

We noted that the TBE Report was approved by the Department Head and Chief on April 17, 2023, and by the Chief Executive Officer on April 19, 2023.

We asked the traveler why the TBE Report was not submitted within 30 days after returning from travel and the traveler explained, "*This is my fault as I put this aside and did not address it immediately as I should have.*"

It is important that TBE reports are submitted in a timely manner for the expense to be recorded in the proper accounting period and for their department's budget balances to be updated. Moreover, submitting the expense report on time will avoid the probability of losing receipts or

documents which may otherwise occur if there is a long gap between the travel date and submission date.

Recommendation:

Operations (Rail Vehicle Acquisition)

- Require staff to submit TBE Reports in a timely manner.

4. No Justification Memo for Claiming Full Per Diem When Meals Were Included

The Executive Officer (EO) traveled to attend the 2023 Access D.C. event in Washington D.C. from March 27 to 30, 2023. The Officer submitted their Travel and Business Expense (TBE) Report with a total reimbursable amount of $209.47, which included the full per diem rate when meals were included in the event registration fees without submitting a justification memo and obtaining Department Chief approval as required in Metro Policy FIN 14.

> Section 1.2.3.2 of FIN 14 states, "*Meals included in conference registration fees occurring while on travel status will reduce the total daily meal reimbursement by the current dollar amount indicated for each meal when purchased separately under the receipt reimbursement method or by the current prorated amount for meals under the per diem method… If the traveler is claiming the full per diem rate on the TBE Report when meals were included in the conference registration fees, the traveler must prepare a justification memo and obtain Department Chief approval*."

We noted the claimed amounts for daily meal reimbursements were not reduced by the dollar amount indicated for meals that were included in the event registration fees for March 29 and 30, and no justification memo was attached to the TBE. The traveler explained that "*we did not attend the ACCESS DC scheduled breakfast or lunch" on March 29, and on March 30, "I moderated a panel in the morning and didn't eat breakfast. During lunch, I met with*" D.C. officials and representatives.

It is important that the traveler and the Travel Program Administrator comply with the said provisions of the policy, which includes the requirement to submit a justification memo when not reducing Per Diem amounts for meals included in event registration fees.

Recommendations:

Office of the Chief of Staff

- Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs

- Require travelers to submit a justification memo when claiming the full Per Diem rate if meals are included in event registration fees

5. Ground Transportation Claimed Twice

The Deputy Executive Officer (DEO) of Communications traveled to attend the Access D.C. event in Washington, D.C. from March 27 to 30, 2023. The traveler submitted their Travel and Business Expense (TBE) Report for $3,563.23 with reimbursable expenses of $2,747.49, which included fare for ground transportation that was claimed twice.

We noted the traveler was reimbursed $16.57 for an Uber ride on March 28, 2023; however, the total amount reimbursed also included an additional $13.57 for the same Uber ride.
The traveler explained the error was the result of an oversight when compiling expense receipts that were received during the trip. The expense in question was for an Uber ride from 11:32 to 11:44 AM on March 28, 2023. An email from Uber Receipts was sent to the traveler at the completion of the ride with a detailed trip summary showing a total cost of $13.57. Later that same day at 6:55 PM, a similar email was sent as notice that the payment was processed and included an updated trip receipt for the processed payment of $16.57, which included a $3.00 tip for the driver. The traveler explained that the oversight was due to receiving separate receipts at different times for different amounts, and noted they will check receipts more closely to avoid submitting more than one receipt for a reimbursable expense.

It is important that expenses incurred while on authorized travel are accurately reported and reconciled on the TBE Report in order for the total expense to be properly recorded and the reimbursable expense to be made correctly.

All TBE Reports should be reviewed thoroughly and checked for accuracy of amount and completeness of receipts to ensure total travel expenses due to the employee or to Metro are accurate.

Recommendations:

Office of the Chief of Staff (Government Relations)

- Review all TBE Reports thoroughly and verify that all charges are accurate and properly supported

- Consider instructing the employee to reimburse Metro for the overpayment of ground transportation expenses.

OBSERVATION

No adjustment on TA for meals included in conference registration fees. We noted that Travel Request/Authorization (TA) forms did not note any meals that were included in conference registration fees as instructed on the TA form and required by FIN 14 and GEN 65.

> The Travel and Business Expense policy (GEN 65, and the former FIN 14) states, "*Meals included in conference registration fees occurring while on travel status will reduce the total daily meal reimbursement by the current dollar amount indicated for each meal when purchased separately under the receipt reimbursement method or by the current prorated amount for meals under the per diem method."* GEN 65 also includes a Travel Authorization Checklist with instructions, "*Please check and attach the following required documentation, with the estimate of trip expenses.*" The required items include "*Conference Schedule/Program/Agenda*" with instructions to "*Obtain from conference and/or provide a detailed business itinerary. Also required to determine the meal per diem allowance."*

We noted that sampled transactions included nine that involved travel to a conference with meals included in the registration fees; however, all nine TA forms failed to disclose the included meals and did not reduce the total estimated cost for meals on the approved TA form.

COMPARISONS WITH PRIOR PERIODS

In the course of our audit, we noted the following when comparing the miscellaneous expenses for this quarter with the prior period. (Note: All amounts were based on audit population.)

a. Reviewed Quarter (FY23 Q4) versus Prior Quarter (FY23 Q3) Miscellaneous Expenses

Miscellaneous expenses this quarter increased by $691,859 or 29% as compared to the prior quarter. See Table 1. This overall increase was mainly due to the increase in Business Travel of $673,411.

Table 1: Reviewed Quarter versus Prior Quarter

Account	Apr-Jun 2023	Jan-Mar 2023	Increase (Decrease)
Advertising	$ 938,669	$ 766,359	$ 172,310
Business Meals	174,507	65,915	108,592
Business Travel	724,574	51,163	673,411
Corporate Membership	126,676	152,273	(25,597)
Professional Membership	25,343	18,381	6,962
Seminar and Conference Fee	181,484	124,062	57,422
Miscellaneous (50999) *	876,208	1,188,434	(312,226)
Others (Mileage and Parking, etc.)	39,555	28,570	10,985
Total	$ 3,087,016	$ 2,395,157	$ 691,859
Increase/(Decrease) from Prior Quarter			29%

*Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditure of fines and penalties incurred by Metro, books, and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)

b. Reviewed Quarter (FY23 Q4) versus Same Quarter of Prior Year (FY22 Q4) Miscellaneous Expenses

Miscellaneous expenses for the current quarter posted a decrease of about $1.07 million or 26% as compared to the same quarter of FY 22. This was mainly due to the decrease of almost $2.1 million in advertising (Account #50918). See Table 2.

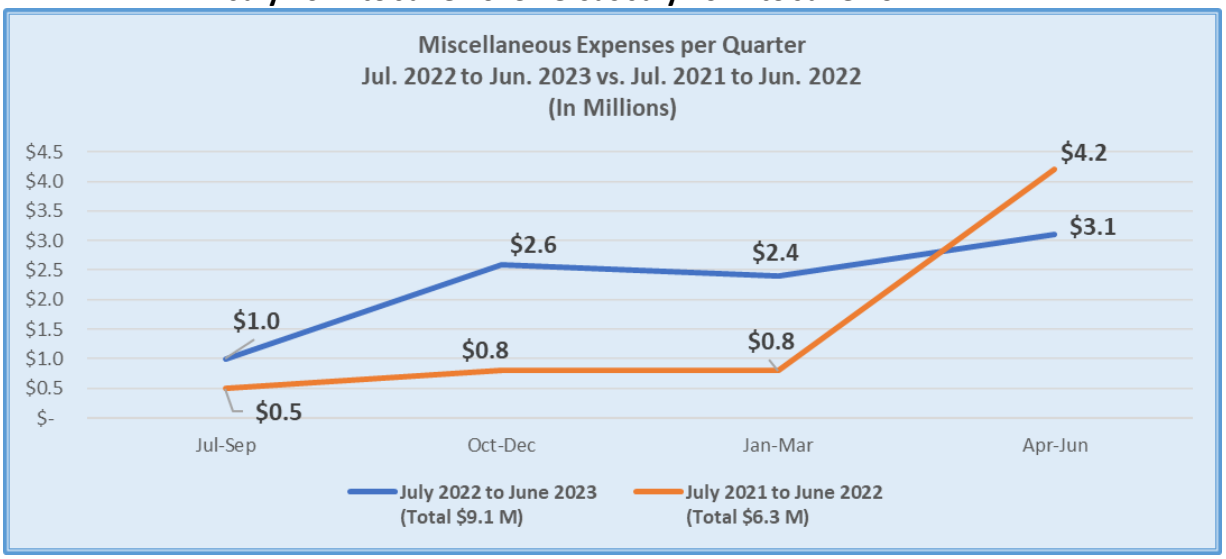
Table 2: Reviewed Current Quarter versus Same Quarter of Prior Year

Account	Apr-Jun 2023	Apr-Jun 2022	Increase (Decrease)
Advertising	$ 938,669	$ 3,014,383	$ (2,075,714)
Business Meals	174,507	53,894	120,613
Business Travel	724,574	183,540	541,034
Corporate Membership	126,676	184,048	(57,372)
Professional Membership	25,343	14,673	10,670
Seminar and Conference Fee	181,484	133,625	47,859
Miscellaneous (50999) *	876,208	537,924	338,284
Others (Mileage & Parking, etc.)	39,555	32,307	7,248
Total	**$ 3,087,016**	**$ 4,154,394**	**$ (1,067,378)**
Increase/(Decrease) from Same Quarter of Prior Year			**-26%**

c. July 2022 to June 2023 versus July 2021 to June 2022

Miscellaneous expenses of $9.1 million for the reviewed four quarters ending June 2023 posted an increase of $2.8 million or 44% as compared with $6.3 million in the prior four quarters ending June 2022. See Figure 1.

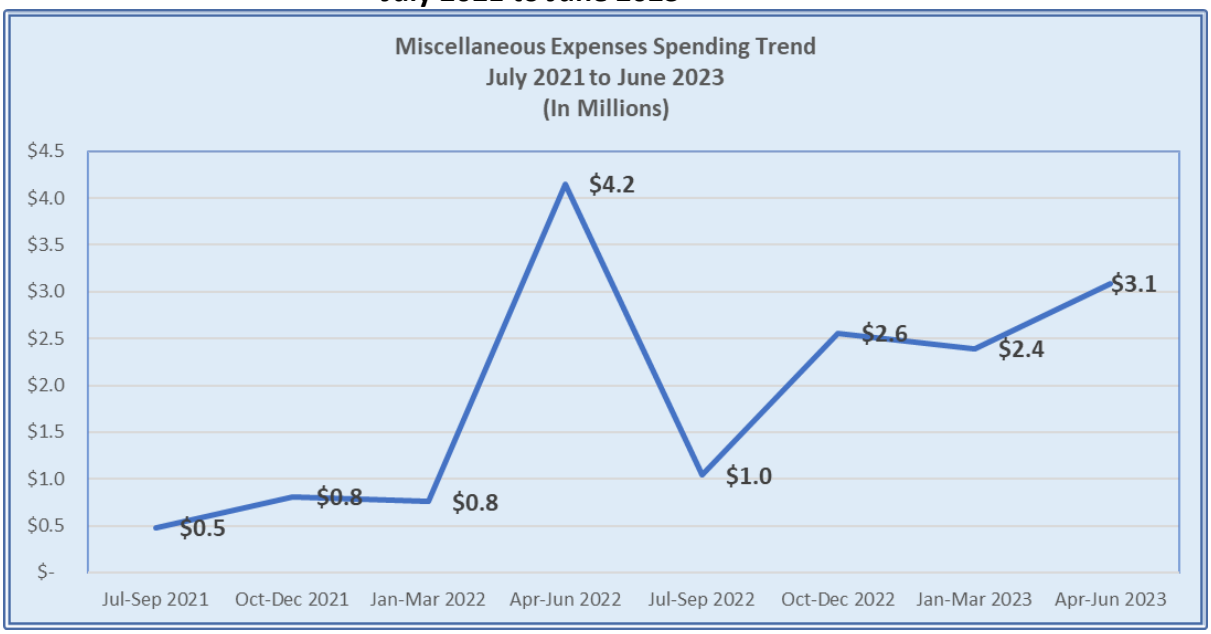
Figure 1: Miscellaneous Expenses per Quarter
July 2022 to June 2023 versus July 2021 to June 2022



As shown below, miscellaneous expenses increased at the end of each fiscal year due to accruals made in June to record expenses budgeted in the respective years.

Figure 2 below shows the quarterly spending trend for miscellaneous expenses for the last two years:

Figure 2: Miscellaneous Expenses Spending Trend
July 2021 to June 2023



CONCLUSION

The miscellaneous expenses we reviewed for the quarter of April 1 to June 30, 2023 generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of non-compliance with the Travel and Business Expense (FIN 14, now GEN 65) policy.

The Office of the Inspector General provided recommendations below to address the aforementioned issues.

RECOMMENDATIONS

We recommend the following:

Chief People Office

1. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

Operations (Rail Vehicle Acquisition)

2. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

3. Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.

4. Require staff to submit TBE Reports in a timely manner.

Office of the Chief of Staff

5. Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

6. Require travelers to submit a justification memo if claiming the full Per Diem rate when meals were included in event registration fees.

7. Review all TBE Reports thoroughly and verify that all charges are accurate and properly supported.

8. Consider instructing the employee to reimburse Metro for the overpayment of ground transportation expenses.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On May 31, 2024, we provided Metro Management our draft report. By June 17, 2024, we received Metro Management responses summarizing their corrective actions. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

Attachment A

Summary of Sampled Expenses Audited
April 1, 2023 to June 30, 2023

Account	*Account Description*	*Audit Population*		*Sample Amount*
50213	Training Program	$ 19,418		$ 2,254
50903	Business Meals	174,507		41,637
50905	Corporate Membership	126,676		100,000
50908	Employee Relocation <a>	0		0
50910	Mileage and Parking	6,265		2,050
50912	Professional Membership	25,343		6,163
50914	Schedule Checkers Travel <a>	0		0
50915	Seminar and Conference Fee	181,484		15,134
50917	Business Travel	724,574		64,413
50918	Advertising	938,669		661,573
50930	Employee Activities & Recreation	13,872		12,668
50999	Other Miscellaneous Expenses	876,208		243,933
	Total	**$3,087,016**	<b>	**$1,149,825**

<a> No expenses incurred for this quarter.

<b>The Audit Population total does not include transactions that were less than $200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

Chief People Office

Metro Interoffice Memo

Date	June 17, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Ilyssa DeCasperis Chief People Officer Ilyssa DeCasperis Digitally signed by Ilyssa DeCasperis Date: 2024.06.17 15:25:25 -07'00'
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 2023 to June 30, 2023 (Report No. 24-AUD-05)

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that this audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see our response below to the recommendation pertaining to the Chief People Office.

Recommendation

#1. Chief People Office: Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs. Additionally, we will remind business travelers and the Travel Program Administrator of requirements to comply with the said provisions of the policy to show that Metro pays for the most reasonable form of transportation.

Response: Staff concurs with the recommendation and will ensure that all approvers review the Travel and Business Expense Policy (FIN 14) and prepare TBE reports thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

Completion Date: A reminder to all CPO staff to ensure that they are familiar with and understand the Travel and Business Expense Policy (FIN 14). This will be completed by FY25 Q1 (September 30th, 2024).

Operations (Rail Vehicle Acquisition)

Metro Interoffice Memo

Date	June 13, 2024
To	Yvonne Guan Zheng, Senior Manager, Audit Office of the Inspector General (OIG)
From	Conan Cheung Chief Operations Officer Conan Cheung
Subject	24-AUD-05 Management Response to Audit of Metro Misc. Expenses April 2023 – June 2023

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from April 2023 – June 2023. Although OIG found that the sampled transactions generally complied with Metro policies, three issues were identified. Therefore, the actions below will be taken by Operations Rail Vehicle Acquisition to comply with the recommendations from the audit:

Operations (Rail Vehicle Acquisition)

Recommendation #2
Approvers should review the Travel and Business Expense Report thoroughly to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

Management Response: Agree; Business Travel Guidelines were sent via email informing approvers to thoroughly review the TBE Report to ensure compliance with the policy including required justification memos and authorized travel expenses/costs.

Completion Date: Completed on March 13, 2024

Recommendation #3
Require travelers to submit a justification memo if claiming the full per diem rate when meals are included in the event registration fees.

Management Response: Agree; Business Travel Guidelines were sent via email informing staff to submit a duly approved justification memo when meals are included in the event registration fees. Management also performed thorough audits of justification memos on an as-needed basis.

Completion Date: Completed on March 13, 2024

Recommendation #4
Page | 1

Require staff to submit TBE Reports in a timely manner.

Management Response: Agree; A memo and Business Travel Guidelines were sent via email informing staff to submit TBE Reports in a timely manner. Management also performed thorough audits of TBE Reports on an as-needed basis.

Completion Date: Completed on March 13, 2024

CC: Conan Cheung
Diane Corral-Lopez
Chris Reyes
Matt Dake
Jesus Montes

Office of the Chief of Staff

Metro Interoffice Memo

Date	June 12, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nicole Englund Chief of Staff
Subject	Metro Business Travel Guidelines

I have thoroughly reviewed the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 2023, to June 30, 2023 (Report 24-AUD-05) which was distributed on May 31, 2024. In response, please note the following:

For Item 4. "No Justification Memo for Claiming Full Per Diem When Meals Were Included", the **department concurs** that approvers will review TBE reports thoroughly and will require travelers to submit a justification memo when claiming full Per Diem rate if meals are included in event registrations. Please see the attached memo reaffirming the policy for all staff in the Offices of the Chief of Staff and the Chief Executive Officer. The memo served to remind them of the expectations and guidelines they must comply with when on business travel.

The department recognizes that often Metro staff have competing priorities and demands on their time which may not allow them to attend all scheduled conference events/meals and therefore staff may need to purchase meals while traveling. This will be documented and included in all TBEs moving forward effective immediately.

For Item 5, "Ground Transportation Claimed Twice," the department agrees that all TBE reports will be reviewed thoroughly, effective immediately. Further, the traveler has reimbursed the agency for the overpayment of ground transportation on June 7, 2024.

Metro Interoffice Memo

Date	June 14, 2024
To	All staff within the Chief of Staff and Chief Executive Officer Cabinets
From	Nicole Englund Chief of Staff
Subject	Metro Business Travel Guidelines

This memo is to be circulated amongst all staff in the Chief of Staff cabinet – Chief of Staff and Board Relations, Homeless Outreach, Government Relations and OCRREI departments.

As a reminder, Travel Expense reimbursements should be detailed and accurate. When a conference schedule includes meals, travelers are not eligible for full per diem reimbursements.

Traveler should make efforts to attend scheduled meals when attending conferences. When submitting Travel Authorization requests, the estimates for meals should reflect any meals that are programmed to be provided as that is an expense incurred when registration fees are paid. When circumstances are such that an employee is unable to attend, a detailed justification memo explaining why a scheduled meal was consumed and why per diem needs to be adjusted. It is the traveler's responsibility to be detailed, accurate and timely in submitting expense reports. It is also the responsibility of approving officials to confirm the accuracy when signing off and submitting to the Travel Administrator/AP.

Attached, for review are included: GEN 65 effective August 2023 and the latest Travel Authorization checklist updated February 2024.

Final Report Distribution

Board of Directors

Kathryn Barger
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Metro

Chief Executive Officer
Chief of Staff
Inspector General
Chief Financial Officer
Chief Operations Officer
Chief People Officer
Deputy Chief Vendor/Contract Management Officer
Deputy Chief Auditor

Audit of Miscellaneous Expenses April 1 to June 30, 2023

OIG Report No. 24-AUD-05
Karen Gorman, Inspector General

July 18, 2024

Metro

Objectives

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures are adequate to ensure that expenses are documented and accounted for properly.

Metro

Results of Audit

- Staff generally complied with Metro policies and procedures; but OIG found the following issues:

  - Missing Required Support Documentation (i.e. Justification Memo)
  - Mileage and Ground Transportation claimed twice
  - Late submission of Travel and Business Expense Report

- OIG provided **8** recommendations.

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

Metro

Board Report

File #: 2024-0402, **File Type:** Informational Report **Agenda Number:** 21.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF JULY 1, 2023 TO SEPTEMBER 30, 2023

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2023, to September 30, 2023.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1, 2023 to September 30, 2023. This audit was performed pursuant to Public Utilities Code Section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its own policies, procedures, or guidelines.

The Accounting Department's Accounts Payable Section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

This audit covered a review of Metro miscellaneous expenses for the period of July 1, 2023 to September 30, 2023. For this period, miscellaneous expenses totaled $1,743,653 with 436 transactions. We selected 69 expense transactions totaling $1,218,890 for detail testing.

DISCUSSION

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FINDINGS

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of overbilling by two vendors. We also found higher cost of airfare because the request to travel was made too close to the event.

Other findings include (a) late submission of Travel and Business Expense Report, (b) 2021 corporate membership paid in Fiscal Year 2024, (c) delinquency fee on professional license reimbursed to the employee, and (d) no written pre-approval for a payment made through a Purchase Card. We also noted that the cost of meals at the annual workshop was higher than the per diem for Los Angeles.

Employees should be reminded to review the invoices thoroughly, plan early for their business travel, and adhere to all Metro policies and procedures.

RECOMMENDATIONS

We recommend the following:

Marketing

1. We reiterate our previous recommendation for the department to review the invoices thoroughly and verify that the charges are accurate according to the contract. Metro may want to ask the vendor to have a supervisor review and sign off on invoices to Metro.

Office of Board Administration

2. Review the invoices thoroughly and verify that all charges are proper and accurate.

3. Require the vendor to submit the invoice promptly, as orders are delivered.

System Security and Law Enforcement

4. Management should plan and obtain approval for travel as early as possible to avoid costly travel expenses.

5. Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

Program Management (Alternative Delivery/Construction Management)

6. Management should monitor the submission of the Travel and Business Expense Reports of their staff.

7. Require staff to submit Travel and Business Expense Reports in a timely manner, according

to policy

8. Direct travelers to read, review, and comply with all the provisions of Metro's Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.
9. Management should plan and identify conference attendees early to obtain early bird registration discounts.

Workforce Services

10. Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

Program Management, Construction & Engineering

11. Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payment. Late fees should not be reimbursable.

Accounting

12. Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, should be disallowed or not.

13. Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 - Prohibited Expenses

Talent Development

14. Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

Operations

15. Consider establishing standard rates for business meals that are aligned with the GSA rates.

16. Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

Executive Office Countywide Planning and Development

17. Monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.

18. Consider posting the membership date and organization in each employee's training log as well as posting the corporate memberships without having to request it from the department maintaining the database.

Office of the Chief of Staff

19. Update the HR 6 policy to allow other cost centers to pay for corporate membership fees, when applicable.

Customer Programs and Services

20. Remind the P-Cardholder and approver about the policy of securing a written pre-approval prior to purchases.

21. The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

EQUITY PLATFORM

It is OIG's opinion that there is no equity considerations or impacts resulting from this audit.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendations support strategic plan goal no. 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

NEXT STEPS

Metro management will implement corrective action plans.

ATTACHMENTS

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period of July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

Prepared by: Asuncion Dimaculangan, Senior Auditor, (213) 244-7311
Yvonne Zheng, Senior Manager, Audit, (213) 244-7301
George Maycott, Senior Director, Special Projects, (213) 244-7310

Reviewed by: Karen Gorman, Inspector General, (213) 922-2975

Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General

Statutorily Mandated Audit of
Miscellaneous Expenses
July 1, 2023 to September 30, 2023 (Revised)

Report No. 24-AUD-07

July 3, 2024

Metro

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Los Angeles County
Metropolitan Transportation Authority

Metro

Office of the Inspector General
818 West 7th Street, Suite 500
Los Angeles, CA 90017

213.244.7300 Tel
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DATE: July 3, 2024

TO: Metro Board of Directors
Metro Chief Executive Officer

FROM: Yvonne Zheng, Senior Manager, Audit
Office of the Inspector General

E-SIGNED by George Maycott
on 2024-07-03 17:24:20 PDT

SUBJECT: Final Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)**(Revised)**

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from July 1 to September 30, 2023. This audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro) for miscellaneous expenses such as travel, meals, refreshments, and membership fees.

We found that the transactions reviewed generally complied with Metro policies were reasonable, and were adequately supported by required documents. However, we noted the following issues on eleven of the sampled expenses reviewed:

1. Payment of overbilled invoices for advertising
2. Payment of a duplicate bill for business meals
3. Higher cost of airfare due to travel requests made less than a week before the travel date
4. Late submission of Travel and Business Expense (TBE) Report
5. Reimbursement of delinquency fee on employee's professional license
6. The cost of meals at the annual workshop was higher than the per diem for Los Angeles
7. A 2021 Corporate membership fee paid in Fiscal Year 2024 and non-compliance with the Corporate Membership Policy
8. No written pre-approval of P-Card purchase

OBJECTIVES, METHODOLOGY AND SCOPE OF AUDIT

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures were adequate and followed to ensure that expenses were documented and accounted for properly.

To achieve the audit objectives, we performed the following procedures:

- Obtained and reviewed applicable policies and procedures;
- Interviewed Metro personnel including staff in Accounting, Countywide Planning and Development, Customer Programs and Services, Marketing, Office of Board Administration, Operations, Program Management, Talent Development, and Transit Security; and
- Reviewed invoices, receipts, justification memos, and other supporting documents.

This audit covered a review of Metro's miscellaneous expenses for the period of July 1, 2023, to September 30, 2023. For this period, miscellaneous expenses totaled $1,743,653[1] with 436 transactions. We selected 69 expense transactions totaling $1,218,890 for detail testing. Thirty (30) of the expense transactions were randomly selected, nine (9) were selected due to their large dollar amounts, and thirty (30) were selected to add more samples for business meals and to sample other accounts. See Attachment A for details.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

BACKGROUND

All Metro expenditures are categorized into various expense accounts and recorded in Metro's Financial Information System (FIS). Metro employees have several options for seeking payment for miscellaneous expenses incurred, such as check requests, purchase cards, purchase orders, and travel & business expense reports. Each option has its policies, procedures, or guidelines.

[1] This total does not include transactions that were less than $200, offsetting debits/credits, and transactions from the OIG and Transit Court Departments.

The Accounting Department's Accounts Payable section is responsible for the accurate and timely processing of payment for miscellaneous expenses.

RESULTS OF AUDIT

The audit found that the transactions reviewed generally complied with policies were reasonable, and adequately supported by required documents. However, we noted issues with the following transactions:

1. Payment of Overbilled Invoices for Advertising

Metro has a contract with Civilian for advertising and communication services, which includes the following tasks: media strategy and planning, analytics and insights, digital creative development, and administration and billing services. Civilian bills Metro at various rates based on labor categories.

Our review disclosed overbilling in four invoices for a total amount of $85.63. We informed the Director of Social Media who reached out to Civilian. The vendor explained that the errors were "*due to new staffing or high turnover rate*." A credit for $85.63 was issued to Metro on April 3, 2024.

In our previous audit report dated January 8, 2024, "Audit of Miscellaneous Expenses, January 1 to March 31, 2023 (24-AUD-04)," we found that Metro was overbilled by Civilian for $68.44 in one invoice. Civilian explained that their new Billing staff inadvertently used the incorrect rate. The vendor issued a credit to Metro.

The amounts involved may not be material, but Metro staff should ensure that all invoices are reviewed for accuracy prior to payment.

Recommendation:

<u>Marketing</u>

- We reiterate our previous recommendation for the department to review the invoices thoroughly and verify that the charges are accurate according to the contract. Metro may want to ask the vendor to have a supervisor review and sign off on invoices to Metro.

2. Payment of a Duplicate Bill for Business Meals

The Purchase Card (P-Card) statement for July 2023 of the Office of Board Administration included charges of $1,574.50 for meals provided to Board members and staff working through lunch during Board and committee meetings.

Our review disclosed that Trimana, the vendor, billed Metro twice for the meals delivered during the committee meeting on June 15, 2023. Invoice number 671 for $155.76 was dated June 15, 2023, and paid on June 22, 2023. Invoice number 672 for $160.64 was also dated June 15, 2023, and paid on July 20, 2023. Both invoices had the same invoice date, delivery date, time, and delivery place. The amount in the second invoice was different because it incorrectly included one additional food item.

The P-Cardholder stated, "*Trimana's billings vary - sometimes they send me the invoices right after the catering and other times, they send them to me weeks later*." Invoice number 672 was received after several weeks, and the P-Cardholder explained that she "*made the mistake of assuming that a different invoice number meant billing for another date.*" Upon our inquiry, she disputed the second invoice, and the vendor issued a credit of $160.64 to Metro on March 28, 2024.

The P-Cardholder should instruct the vendor to submit the invoices promptly, as they deliver the meals. All invoices should be reviewed thoroughly and checked for repeated or duplicate invoicing, accuracy of amount, and completeness of order to ensure that Metro pays for goods or services that were actually received.

Recommendations:

Office of Board Administration

- Review the invoices thoroughly and verify that all charges are proper and accurate.
- Require the vendor to submit the invoice promptly, as orders are delivered.

3. Higher Cost of Airfare Due to Travel Requests Made Less than a Week Before the Travel Date

Three personnel from System Security and Law Enforcement (SSLE) traveled to New York and New Jersey for the Transit Peer Exchange from June 11 to 15, 2023. However, the request to travel/justification memo was dated June 5, 2023 – six days before their departure. This resulted in costly airfare, as shown below:

Title	Date of Travel Authorization (TA)	TA Approved	Airfare
Transit Security Lt.	6/7/2023	6/8/2023	$ 743.09
Senior Manager	6/5/2023	6/5/2023	771.88
Deputy Exec. Officer	6/5/2023	6/5/2023	526.80
Total Airfare for Three Employees			**$ 2,041.77**

Based on our research, the cost of a round-trip ticket to New York or New Jersey ranges from $300.00 to 400.00 if booked at least 30 days before the travel date.

The Deputy Executive Officer of SSLE explained, "*The initial planning and coordination of the combined Fact Finding visit to New York MTA and New Jersey Transit began May 9, 2023. Though New York MTA planning was confirmed, New Jersey Transit took a longer duration to confirm visit and participation logistics (May 30th). All activities were not finalized until June 8th.* "

Section 1.1.7 of the Travel and Business Expense policy, (FIN 14, now GEN 65), states, "Travelers should make arrangements with the Travel Program Administrator as far in advance as possible, preferably at least 30 days in advance, to take advantage of lowest possible airfares.

Notwithstanding the circumstances mentioned above, management should plan early on and make allowances for unforeseen events to ensure that travel arrangements can be made as early as possible and obtain the most favorable and reasonable travel rates. This will avoid costly travel expenses when travel is booked close to the event.

Staff should comply with the new Travel and Business Expense policy (GEN 65), effective August 2023, which states, *"The traveler must electronically submit a completed and approved TA Request as far in advance of travel as possible. If a request is made less than thirty (30) days in advance of the intended travel, the employee must explain in their business justification memo, detailing why the request was submitted less than 30 days prior to the travel date."*

Recommendations:

<u>System Security and Law Enforcement</u>

- Management should plan and obtain approval for travel as early as possible to avoid costly travel expenses.

- Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

4. Late Submission of Travel and Business Expense (TBE) Report

The Deputy Executive Officer of Project Management attended the APTA Transform Conference in Seattle, Washington from October 9 to 12, 2022. He submitted his TBE Report for $2,715.63 on March 2, 2023 – almost five months later. It was approved by his Department Head, Department Chief, and the CEO in July 2023.

The Travel and Business Expense policy (GEN 65, formerly FIN 14) requires that the "*TBE Report must be completed, approved and delivered to the Travel Program Administrator within 30 calendar days of the date of returning from travel, or from date of credit card statement.*"

The employee explained that he electronically submitted his TBE Report on time on November 1, 2022 but was rejected on November 14, 2022. He then asked for the assistance of the Travel Program Administrator (TPA) and made several follow-ups but did not hear from her. He added that staff from his department helped him "*figure out what was being done incorrectly*" and he finally submitted his TBE Report on March 2, 2023. This request for reimbursement remained in the queue for approval although his supervisor did not see it in the system. It was not until July 2023 that the employee and the supervisor were informed about the pending TBE report.

The expenses for the said trip were recorded in Fiscal Year 2024 instead of Fiscal Year 2023 as it would have been if the TBE Report was submitted and approved on time. In our prior audit report dated January 4, 2024, (Audit of Miscellaneous Expenses, January to March 2023), we noted that an employee from the same department attended the same APTA conference and submitted her TBE report more than two months after the event. We reiterate the recommendations we provided to the Program Management Department to instruct employees to file the TBE report promptly.

TBE reports must be submitted on time for the expense to be recorded in the proper accounting period and for their department's budget balances to be updated. Moreover, submitting expense reports on time will avoid the probability of losing receipts or documents over time.

Early Bird Registration Not Done

We also noted that Metro paid $1,100.00 for the registration fee to the APTA event and failed to obtain the discounted rate of $975.00 because the payment was made on September 22, 2022, which was past the early bird deadline of August 31, 2022. Metro could have saved $125.00 per attendee, a saving of 11% if registration was made within the discount period. Since the APTA Conference is held annually, management should plan early to save on registration fees.

Recommendations:

Program Management (Alternative Delivery/Construction Management)

- Management should monitor the submission of the Travel and Business Expense Reports of their staff.

- Require staff to submit Travel and Business Expense Reports in a timely manner, according to policy

- Direct travelers to read, review, and comply with all the provisions of Metro's Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.

- Management should plan and identify conference attendees early to realize early bird registration discounts.

Workforce Services

- Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

5. Reimbursement of Delinquency Fee on Employee's Professional License

In July 2023, the Executive Officer of Projects Engineering was reimbursed $450.00 for her license as a Professional Engineer - $270.00 from July 1, 2021, to June 30, 2023, and $180.00 from July 1, 2023, to June 30, 2025). The license renewal fee of $270.00 for the two-year period ended June 30, 2023, includes a $90.00 delinquency fee for late payment since the employee paid for it in November 2021, past the 60-day grace period. When asked about the late request for reimbursement, the employee explained, *"It wasn't until I was preparing my reimbursement request for the 7/1/23 - 6/30/25 license fee that I realized that I had not submitted a reimbursement request for 7/1/21 - 6/30/23."*

While Metro allows reimbursement for employees' licenses, Metro's policy is silent and does not address allowing reimbursement for delinquency or late fees made by employees for their licenses or any other type of expenses. Metro should have a clear policy on whether it will allow reimbursement of fines and late fees that the employees incurred. As an example, the Purchase Card policy specifically prohibits employees from using Metro funds to pay for ExpressLanes violation which is essentially of the same nature as delinquency fees and fines.

Employees must keep track of their license renewal dates to avoid late fees and for the transactions to be recorded in the correct accounting period. In this case, the renewal fee of

$270.00 was recorded in Fiscal Year 2024, instead of Fiscal Year 2022 had it been submitted in July 2021.

Recommendations:

Program Management, Construction & Engineering

- Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payment. Late fees should not be reimbursable.

Accounting

- Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, are allowed or not.

- Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 – Prohibited Expenses.

Talent Development

- Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

6. The Cost of Meals at the Annual Workshop Was Higher than the Per Diem for Los Angeles

On August 9, 2023, Operations held their annual workshop at the California Endowment in Los Angeles from 8:00 am to 3:30 pm, with Director-level and higher, as well as support staff, in attendance.

Breakfast and lunch were provided at the workshop by Wolfgang Puck, the exclusive caterer for the venue. The cost of meals for 120 attendees amounted to $5,239.58 - this is equivalent to $43.66 per head. In comparison, the allowable per diem set by GSA for traveling employees in Los Angeles is $17.00 for breakfast and $18.00 for lunch – or a combined per diem rate of $35.00 per person.

The Executive Officer of Operations Administration stated that "*the venue is free of charge but you are required to use their vendor for food services.*" She added, " *This overall cost is the most cost-effective and is less than renting a venue and ordering food for a group of this size. It is the sole reason so many departments use this venue.*"

Currently, there is no existing policy on business meals for events like this. We recommend that management consider establishing standard rates for business meals that are aligned with the

GSA rates. Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

In our prior audit report dated January 4, 2024 (Audit of Miscellaneous Expenses, January to March 2023), we noted costly meals at a Metro event. One of our recommendations was to consider adopting standard rates for meals to be served during the events, to which the management concurred. They developed an SOP for meals served at Metro events. The SOP includes *"setting a standard of using GSA per diem rates as the standard for cost per person for any events with food/beverage."*

Recommendation:

Operations

- Consider establishing standard rates for business meals that are aligned with the GSA rates.

- Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

7. 2021 Corporate Membership Fee Paid in 2023 and Non-Compliance with Corporate Membership Policy

In July 2023, Metro paid the corporate membership fees to the American Association of State Highways and Transportation Officials (AASHTO) for calendar years 2021 and 2023 for a total of $7,000.

When we inquired why the corporate membership fee for the calendar year 2021 was paid two years later in 2023, the Deputy Executive Officer of the Countywide and Planning Department stated that *"it was an oversight by AASHTO, possibly due to the pandemic."*

The corporate membership fee of $3,500.00 for calendar year 2021 was recorded in Fiscal Year 2024 which should have been paid in Fiscal Year 2021.

Expenses must be paid and recorded in the correct accounting period. Management can obtain a list of memberships from Human Capital and Development as HR 6 (Professional and Corporate Membership policy) states, *"Each fiscal year, Talent Development will make the list of current corporate and individual professional memberships available upon request."*

We also noted non-compliance with Section 2.1 of the HR 6 policy (Professional and Corporate Membership policy) which states that *"Funds for corporate memberships will be budgeted and*

paid for by the Chief of Staff office." However, the corporate membership fees were charged to Cost Center 4010 – Executive Office Countywide Planning and Development.

The DEO explained, "*As requested by the OCEO, the corporate memberships were paid out of our cost center 4010. Since both memberships are aligned with primarily Countywide Planning & Development programs, it made sense that our Cabinet would be paying for both corporate memberships."*

Recommendations:

Executive Office Countywide Planning and Development

- Monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.

- Consider posting the membership date and organization in each employee's training log as well as posting the corporate memberships without having to request it from the department maintaining the database.

Office of the Chief of Staff

- Update the HR 6 policy to allow other cost centers to pay for corporate membership fees, when appropriate.

8. No Written Pre-Approval of P-Card Purchase

On July 6, 2023, the P-Cardholder of Customer Programs and Services paid the Conference of Minority Transportation Officials (COMTO) $870.00 for the registration fee of the department's Sr. Director of Special Projects. The Approving Official stated that the attendance at the conference was verbally approved.

However, the Purchase Card policy requires that "*The Approving Official must explicitly pre-approve all purchases made by Cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) allowed, etc."*

It is important to obtain a written pre-approval to ensure that all P-Card purchases are authorized and valid. A verbal directive should immediately be followed by written approval.

Recommendations:

Customer Programs and Services

- Remind the P-Cardholder about the policy of securing a written pre-approval prior to purchases.

- The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

OBSERVATION

International Travels

Out of 79 business travels during the audit period, three were international, as follows:

Traveler/Employee	Travel Period	Destination	Purpose	Total Travel Expense
Director, Systems Engineering	6/18 to 6/30/2023	Colchester, UK	PLE 2 Emergency Ventilation Fans Factory Acceptance Testing	$ 6,288.59
Board Member	6/03 to 6/08/2023	Barcelona, Spain	UITP Global Public Transport Summit	5,025.54
Exec. Officer, Communications	6/01 to 6/08/2023	Barcelona, Spain	UITP Global Public Transport Summit	4,359.70
Total				**$ 15,673.83**

The total cost of international travel accounted for about 19% of the business travel expense.

The Office of the Chief of Staff explained the significance and benefits of Metro's participation in the International Association of Public Transport (UITP) Global Public Transport Summit such as leadership and governance insights, technological advancement, and exposure to best practices, among others. Please see pages 34 to 35.

Incorrect Accounts

We noted a few transactions that were charged to incorrect accounts by the Purchase Cardholder, check requester, or other staff such as promotional materials erroneously recorded as advertising, training expense charged to professional membership instead of seminars, and others. We advised the staff involved and Accounting corrected/reclassified the erroneous entries.

COMPARISONS WITH PRIOR PERIODS

In the course of our audit, we noted the following when comparing the miscellaneous expenses for prior quarters and fiscal years. Note: All amounts were based on the audit population.

a. Reviewed Quarter (FY24 Q1) versus Prior Quarter (FY23 Q4) Miscellaneous Expenses

Miscellaneous expenses in the reviewed quarter posted a decrease of $1.3 million or 44% compared to the fourth quarter of Fiscal Year 23. This was because expenses in the last quarter of any fiscal year are normally higher than any other quarter since expenses are accrued at the end of the fiscal year. During the first quarter of the current fiscal year, all expenses were lower, especially business travel and miscellaneous (account # 50999) which had a combined decrease of $886,879.

Table 1: Reviewed Quarter versus Prior Quarter

Account	Jul-Sep 2023	Apr-Jun 2023	Increase (Decrease)
Advertising	$ 753,702	$ 938,669	$ (184,967)
Business Meals	90,606	174,507	(83,901)
Business Travel	84,113	724,574	(640,461)
Corporate Membership	77,200	126,676	(49,476)
Professional Membership	11,875	25,343	(13,468)
Seminar and Conference Fee	85,386	181,484	(96,098)
Miscellaneous (50999) *	629,790	876,208	(246,418)
Others (Mileage and Parking, etc.)	10,981	39,555	(28,574)
Total	**$ 1,743,653**	**$ 3,087,016**	**$ (1,343,363)**
Decrease			**-44%**

** Miscellaneous (account number 50999) is used for miscellaneous expenses incurred that cannot be classified under accounts 50901 to 50940, including payments made to cover the expenditures for fines and penalties incurred by Metro, books, and periodicals used in the normal operation of Metro's business, recruitment expenses, community outreach, postage, and others. (Source: Metro's Descriptive Chart of Accounts)*

b. Reviewed Quarter (FY24 Q1) versus Same Quarter of Prior Year (FY23 Q1) Miscellaneous Expenses

Miscellaneous expenses for the reviewed quarter significantly increased by almost $700,000 or 67% as compared to the same quarter of FY23. This was mainly due to advertising expenses of $753,702 for the reviewed quarter compared with only $46,212 for the same quarter of FY23. For the quarter under audit, Metro paid for various advertising for Regional Connector

Opening, Transit Watch, LIFE, BAM, Go Pass, Brand Perceptions, Content Partnership, SoCal 511, Fare Capping, and others. See Table 2.

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Jul-Sep 2023	Jul-Sep 2022	Increase (Decrease)
Advertising	$ 753,702	$ 46,212	$ 707,490
Business Meals	90,606	122,051	(31,445)
Business Travel	84,113	35,353	48,760
Corporate Membership	77,200	284,317	(207,117)
Employee Relocation	0	27,758	(27,758)
Professional Membership	11,875	8,528	3,347
Seminar and Conference Fee	85,386	53,816	31,570
Miscellaneous (50999) *	629,790	450,459	179,331
Others (Mileage and Parking, etc.)	10,981	15,263	(4,282)
Total	**$ 1,743,653**	**$ 1,043,757**	**$ 699,896**
Increase Over Same Quarter of Prior Year			**67%**

c. October 2022 to September 2023 versus October 2021 to September 2022

Miscellaneous expenses of $9.8 million from October 2022 to September 2023 were $3 million higher compared with $6.8 million from October 2021 to September 2022. All expense accounts increased, especially advertising, business travel, and other miscellaneous expenses (account # 50999). See Figure 1.

Figure 1: Miscellaneous Expenses per Quarter
October 2022 to September 2023 versus October 2021 to September 2022

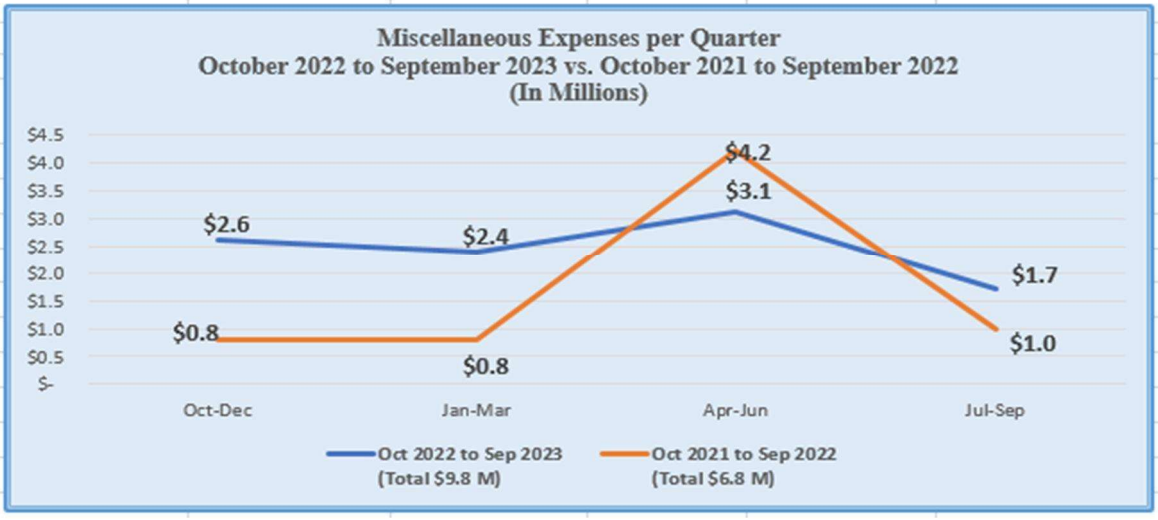
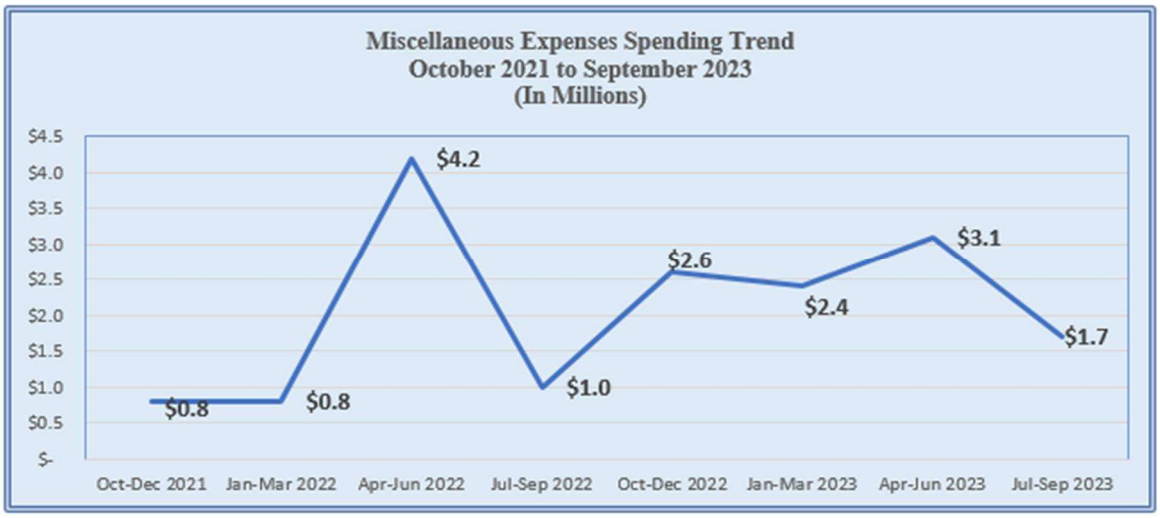


Figure 2 shows the spending trend for miscellaneous expenses for the last two years:

Figure 2: Miscellaneous Expenses Spending Trend
October 2021 to September 2023



As shown in the above chart, miscellaneous expenses were highest during the last quarter of each fiscal year. This was due to accrual of expenses in June of each fiscal year which was charged to the respective years' budget. It is common to exhaust any remaining budgeted funds in the 4th quarter of a fiscal year to avoid trailing expenses to the following fiscal period.

As shown in Figure 2, miscellaneous expenses in every quarter were higher during the last four quarters (October 2022 to September 2023) than the miscellaneous expenses for the previous quarters (October 2021 to September 2022, except for April to June 2022). This is an indication that Metro operations are starting to normalize.

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of July 1 to September 30, 2023, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found five instances of overbilling by two vendors. We also found higher cost of airfare because the request to travel was made too close to the event.

Other findings include (a) late submission of Travel and Business Expense Report, (b) 2021 corporate membership paid in Fiscal Year 2024, (c) delinquency fee on professional license reimbursed to the employee, and (d) no written pre-approval for a payment made through a Purchase Card. We also noted that the cost of meals at the annual workshop was higher than the per diem for Los Angeles.

Employees should be reminded to review the invoices thoroughly, plan early for their business travel, and adhere to all Metro policies and procedures.

RECOMMENDATIONS

We recommend the following:

Marketing

1. We reiterate our previous recommendation for the department to review the invoices thoroughly and verify that the charges are accurate according to the contract. Metro may want to ask the vendor to have a supervisor review and sign off on invoices to Metro.

Office of Board Administration

2. Review the invoices thoroughly and verify that all charges are proper and accurate.

3. Require the vendor to submit the invoice promptly, as orders are delivered.

System Security and Law Enforcement

4. Management should plan and obtain approval for travel as early as possible to avoid costly travel expenses.

5. Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

Program Management (Alternative Delivery/Construction Management)

6. Management should monitor the submission of the Travel and Business Expense Reports of their staff.

7. Require staff to submit Travel and Business Expense Reports in a timely manner, according to policy

8. Direct travelers to read, review, and comply with all the provisions of Metro's Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.

9. Management should plan and identify conference attendees early to obtain early bird registration discounts.

Workforce Services

10. Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

Program Management, Construction & Engineering

11. Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payment. Late fees should not be reimbursable.

Accounting

12. Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, should be disallowed or not.

13. Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 – Prohibited Expenses

Talent Development

14. Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

Operations

15. Consider establishing standard rates for business meals that are aligned with the GSA rates.

16. Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

Executive Office Countywide Planning and Development

17. Monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.

18. Consider posting the membership date and organization in each employee's training log as well as posting the corporate memberships without having to request it from the department maintaining the database.

Office of the Chief of Staff

19. Update the HR 6 policy to allow other cost centers to pay for corporate membership fees, when applicable.

Customer Programs and Services

20. Remind the P-Cardholder and approver about the policy of securing a written pre-approval prior to purchases.

21. The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On May 31, 2024, we provided Metro Management our draft report. By July 3, 2024, Metro Management submitted their responses summarizing their corrective actions. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSE

Metro Management's responses and corrective actions taken are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations resolved and closed based on the corrective actions taken.

Attachment A

Summary of Sampled Expenses Audited

Account	Account Description	Audit Population		Sample Amount
50213	Training Program	$ 7,555		$2,758
50903	Business Meals	90,606		22,410
50905	Corporate Membership	77,200		74,200
50908	Employee Relocation <a>	0		0
50910	Mileage and Parking	3,426		940
50912	Professional Membership	11,875		3,921
50914	Schedule Checkers Travel <a>	0		0
50915	Seminar and Conference Fee	85,386		20,486
50917	Business Travel	84,113		21,197
50918	Advertising	753,702		684,834
50930	Employee Activities & Recreation <a>	0		0
50999	Other Miscellaneous Expenses	629,790		388,144
	Total	**$1,743,653**	<b>	**$1,218,890**

<a> No expenses incurred for this quarter.

<b> This total does not include transactions that were less than $200, offsetting debits and credits, and transactions from the OIG and Transit Court Departments.

Marketing

Metro Interoffice Memo

Date: June 14, 2024

To: Yvonne Zheng
Senior Manager, Audit Office of the Inspector General

Through: Jennifer Vides
Chief Customer Experience Officer

From: Monica Bouldin MB
Deputy Chief Customer Experience Officer

Subject: Response to Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses, July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

The Marketing department has received and reviewed the audit findings and recommendations regarding item 1: "Payment for Overbilled Invoices for Advertising." We followed up with staff to discuss the findings that have put together our response below for your review.

Item 1: Payment for Overbilled Invoices for Advertising

The audit disclosed overbilling in four invoices for a total amount of $85.63. The Director of Social Media reached out to Civilian and the agency explained that the errors were "due to new staffing or high turnover rate." A credit for $85.63 was issued to Metro on April 3, 2024.

To prevent future overbilling issues with our vendor Civilian, we will implement a new structured verification process that involves both Civilian and our internal team. This process ensures thorough checks at multiple stages before final approval, thereby minimizing errors and discrepancies.

Step-by-Step Process Invoice Review Process will be as follows:

- **Initial Discussion with Civilian:**
  - Schedule a meeting with Civilian to discuss the overbilling incident.
  - Ensure Civilian agrees to double/triple check their invoices before submission in Asana, the marketing department's project management tool.

Marketing – Cont.

- **Vendor Invoice Preparation:**
  - Civilian will implement an internal review process to verify all invoices are accurate before uploading it in Asana.
  - Civilian will provide a detailed breakdown of the charges with the correct hourly rates for each labor invoice.
- **Internal Review:**
  - Assign a dedicated team member to receive and initially review the invoice from Civilian which will be the campaign lead or key decision maker (KDM).
    - e.g., A Communications Manager will be reviewing invoices for the Civic Mobility Publication campaign.
  - The Communications Manager will cross-check the invoice details against the contract terms and previously approved media costs.
- **Final Managerial Review and Approval:**
  - The invoice will be shared with their direct supervisor for a secondary, thorough managerial review.
  - This review includes verifying quantities, rates, and ensuring no duplicate charges or discrepancies exist.
  - The manager will sign off only after confirming all details are accurate and the review steps have been followed.
- **Ongoing Monitoring and Feedback:**
  - Establish a feedback loop with Civilian to address any issues promptly and refine the process as needed.
  - Conduct quarterly reviews of the process and set reminders to ensure it remains effective and adjust as necessary.

Office of Board Administration

Metro Interoffice Memo

Date	June 3, 2024
To	Yvonne Zheng Sr. Manager, Audit
From	Collette Langston Board Clerk
Subject	Response to OIG Audit No. 24-AUD-07

This memo is in response to the Office of the Inspector General audit, 24-AUD-07, which found that Board Administration had been billed twice for meals delivered during the committee meeting on June 15, 2023.

Board Administration agrees with the Office of the Inspector General (OIG) that it is important that the invoices are submitted promptly, as meals are delivered. Additionally, Board Administration agrees that the invoices should be reviewed thoroughly and checked for repeated or duplicate invoicing, accuracy of amount, and completeness of order to ensure that Metro pays for goods or services that were actually received.

The vendor has been asked and has committed to submitting the invoice the same day the food is delivered. Staff have been reminded to immediately review invoices for accuracy.

Please contact me at 213.364.6681 if you would like to discuss or require additional information.

System Security and Law Enforcement

Metropolitan Transportation Authority

Metro Interoffice Memo

Date	June 12, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Kenneth Hernandez Chief Safety Officer (Interim)
Subject	24-AUD-07 Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 - SSLE Responses to OIG Recomendations and Proposed Actions

The purpose of this memorandum is to acknowledge the review and corrective actions taken by staff within System Security and Law Enforcement (SSLE).

The recommendations were provided to SSLE on May 31, 2024. The original recommendations are in the "Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023, to September 30, 2023 (Report 24-AUD-07)" document on page 8.

The SSLE leadership team is fully committed to ensuring that all employees are thoroughly educated in the new policy for Travel and Business Expense (GEN 65).

Finding: Staff should comply with the new Travel and Business Expense policy (GEN 65), effective August 2023, which states, *"The traveler must electronically submit a completed and approved TA Request as far in advance of travel as possible. If a request is made less than thirty (30) days in advance of the intended travel, the employee must explain in their business justification memo, detailing why the request was submitted less than 30 days prior to the travel date."*

Recommendations

- Management should plan and obtain approval for travel as early as possible to avoid costly travel expenses.
- Traveling employees should make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate.

SSLE Management's Response:
Systems Security and Law Enforcement agrees with the recommendations. Management will ensure all SSLE personnel are aware of and trained on the new Travel and Business Expense policy (GEN 65) to ensure that employees make travel arrangements with the Travel Program Administrator at least 30 days in advance to secure the most reasonable rate. In the event that is not feasible, SSLE employees will

System Security and Law Enforcement – Cont.

explain in their business justification why the submission did not comply with the 30-day advance coordination as stated in the policy.

If you have any questions, please contact me at 213-922-2990 or at hernandezk3@metro.net.

Program Management (Alternative Delivery/Construction Management and Construction & Engineering)

Metro Interoffice Memo

Date	June 13, 2024
To	Yvonne Zheng Senior Manager, Audit
From	Tim Lindholm Chief Program Mgmt Officer (Interim)
Subject	Response to OIG Audit No. 24-AUD-07

The Office of Inspector General (OIG) performed an audit of Metro's miscellaneous expenses that were processed from July 1, 2023 – September 30, 2023. Although the OIG found that the sampled transactions generally complied with Metro policies, several issues were identified. Therefore, the actions below will be taken by Program Management to comply with the audit recommendations.

Late Submission of Travel and Business Expense (TBE) Report

Recommendation #6: Management should monitor the submission of Travel and Business Expense Reports of their staff.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising management to monitor staff Travel and Business Expense Report submissions in compliance with GEN 65 requirements.

Completion Date: June 30, 2024.

Recommendation #7: Require staff to submit Travel and Business Expense Reports in a timely manner, according to policy.

Management Response: A memo will be issued by the Interim Chief Program Management Officer reminding staff to submit Travel and Business Expense Reports in compliance with GEN 65 requirements. In addition, departmentwide travel oversight guidelines and a monitoring report will be developed to alert management and staff of pending travel reimbursement submission due dates.

Completion Date: September 30, 2024.

Recommendation #8: Direct travelers to read, review and comply with all provisions of Metro's Travel and Business Expense policy (GEN 65) and/or conduct periodic training with the Travel Department.

Management Response: A memo will be issued by the Interim Chief Program Management Officer reminding management to monitor staff submission of Travel and Business Reports in compliance with GEN 65 requirements.

Program Management (Alternative Delivery/Construction Management and Construction & Engineering) – Cont.

Also, in partnership with Metro's Travel Office, Program Management provides department wide staff travel training. The last session was held October 17, 2023. We will continue to hold annual refresher travel training with staff. The next session is projected to occur in October 2024.

Completion Date: October 31, 2024.

Recommendation #9: Management should plan and identify conference attendees early to obtain early bird registration discounts.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising management to ensure conference attendees are identified early to take advantage of early bird registration discounts.

Completion Date: June 30, 2024.

Reimbursement of Delinquency Fee on Employee's Professional License

Recommendation #11: Instruct employees to keep track of their licenses and ensure timely payment of the same to avoid delinquent fees or penalties for late payments. Late fees should not be reimbursable.

Management Response: A memo will be issued by the Interim Chief Program Management Officer advising staff to track licenses and pay timely to avoid late fees.

Completion Date: June 30, 2024.

Please contact me at extension 27297or Kathy Knox extension 27504, if you would like to discuss or require additional information.

Chief People Office (Workforce Services and Talent Development)

Metro Interoffice Memo

Date	June 17, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Ilyssa DeCasperis Chief People Officer
Subject	Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

Thank you for the opportunity to respond to the findings and recommendations prior to the final release of the Audit Report. It is our understanding that this audit was performed pursuant to Public Utilities Code section 130051.28(b) which requires the OIG to report quarterly to the Board of Directors on the expenditures of the Los Angeles County Metropolitan Transportation Authority for miscellaneous expenses such as travel, meals, refreshments, and memberships. Please see our responses below to the recommendations pertaining to the Chief People Office.

Recommendations

#10. Workforce Services - Assist travelers in a timely manner to help them submit their Travel and Business Expense Reports on or before the due date.

Response: Staff concurs with the recommendation and will continue to ensure that responses to questions are responded to in a timely manner.

To better assist travelers the department has hired a Transportation Associate who has been a great asset for the past six months in improving turnaround of travel questions. In addition, the Transportation Associate has been able to assist the Travel Program Administrator (TPA) with review of travel authorizations for completeness along, with reviewing of expense reports to reject those missing documents and pass those completed to TPA for final review and approval for a timelier processing time.

In addition, TBE notifications were implemented as reminders for travelers to submit an expense report within 30 days post travel, to ensure compliance with policy. Four notifications were implemented to send reminders on 1st day post travel, a 2nd reminder on day 15, 3rd reminder on day 25, with 4th notice on day 31 post travel notifying the employee that their TBE is past due per policy and a memo is required explaining why it was submitted late. If the memo is not provided, the TBE will be rejected.

Chief People Office (Workforce Services and Talent Development) – Cont.

Metro Interoffice Memo

Completion Date: Notification reminders have been implemented since January 15, 2024.

#14. Talent Development – Consider updating the Corporate and Professional Membership Policy (HR-6) to disallow late and delinquency fees or penalties for Corporate and Professional licenses.

Response: Staff concurs with the recommendation and will update the Corporate and Professional Membership Policy (HR-6) accordingly to generally disallow late and delinquency fees or penalties for Corporate and Professional Memberships. Metro will pay for fees if the agency is responsible for the delay.

Completion Date: We will report back to OIG with a status of the policy update within 90 days of this report (August 31, 2024).

Accounting

Metro Interoffice Memo

Date	June 14, 2024
To	Yvonne Zheng Senior Manager
Through	Nalini Ahuja Chief Financial Officer
From	Jesse Soto SR. Executive Officer. Finance/Controller
Subject	Response to OIG Report on Statutorily Mandated Audit of Micellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

OVERVIEW

I have reviewed the results of the subject draft report, and I concur with your recommendation that late fees and delinquency fees or penalties for professional licenses should be disallowed, and the Non-Travel Business Expenses Policy (FIN #14) should be updated to prohibit the expense.

PROPOSED CORRECTIVE ACTIONS

The audit recommends that:

1. **Reimbursement of Delinquency Fee on Employer's Professional License**

   Accounting

   - Discuss with Senior Management whether late and delinquency fees or penalties for miscellaneous expenses, such as professional licenses, are allowed or not.
   - Consider updating the Non-Travel Business Expenses Policy (FIN 14) to include late and delinquency fees or penalties in section 2.8 – Prohibited Expenses

   Management Response: Agree to disallow late and delinquency fees or penalties for professional licenses.

   We understand that Metro employees are expected to process their professional license timely, and if not processed timely, should be responsible for the cost of the late fee/penalty. The Non-Travel Business Expenses Policy (FIN # 14), section 2.8 and other related policies will be updated to prohibit the expense.

   The Senior Director of Accounting, Accounting Operations section will take the lead to update Fin #14, Section 2.8 and other related policies on or before July 31, 2024.

Should you have any questions, please feel free to call me.

Thank you.

CC: Elaine Dimson, SR. Director, Accounting
Don Howey, EO Administration
Michelle Thaung, MGR, Accounting
Ernest Ruben, Principal Transportation Planner

Operations

Metro Interoffice Memo

Date	**July 3, 2024**
To	**Yvonne Guan Zheng,** **Senior Manager, Audit** **Office of the Inspector General (OIG)**
From	**Conan Cheung** **Chief Operations Officer** Conan Cheung Digitally signed by Conan Cheung Date: 2024.07.03 15:14:46 -07'00'
Subject	**24-AUD-07** **Management Response to Audit of Metro Misc. Expenses July 2023 – September 2023**

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expenses that were processed from July 2023 – September 2023. Although OIG found that the sampled transactions generally complied with Metro policies, two issues were identified. Therefore, the actions below will be taken by Operations to comply with the recommendations from the audit:

Recommendation #15
Consider establishing standard rates for business meals that are aligned with the GSA rates.

Management Response: Partially Agree; Operations agrees to comply with the standard GSA rates that the agency currently follows. However, venue and venue required caterer dictate overall cost. With this in mind, Operations will take into account the overall cost when securing a venue. Operations will also work collaboratively with agency stakeholders in determining if establishing standard rates for business meals would be feasible and will work with Chief People Office in updating the policy if required.

Completion Date: September 18, 2024

Recommendation # 16
Obtain at least three quotes and compare all the cost elements to determine the most cost-effective option. Include a justification memo in the request for payment whether Metro is paying the combined cost of venue and meals, or meals alone with a free venue.

Management Response: Partially Agree; Operations agrees to obtain at least three quotes OR a justification memo in the request for payment. However, Operations does not agree to complete both since it is only allowed to cater from one vendor.

Completion Date: September 18, 2024

Page | 1

Operations – Cont.

CC: Conan Cheung
Diane Corral-Lopez
Chris Reyes
Donald Howie
Nancy Saravia

Executive Office, Countywide Planning and Development

Metro Interoffice Memo

Date	June 17, 2024
To	Yvonne Zheng, Senior Manager Audit Office of the Inspector General
From	Ray Sosa, Chief Plannnig Officer Countywide Planning & Development
Subject	Response to Audit Report No. 24-AUD-07, Audit Finding 7 & Recommendations 17 and 18

Audit Report Issue

In the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07), the audit results found the following issue for Countywide Planning & Development:

7. 2021 Corporate Membership Fee Paid in 2023 and Non-Compliance with Corporate Membership Policy

In July 2023, Metro paid the corporate membership fees to the American Association of State Highways and Transportation Officials (AASHTO) for calendar years 2021 and 2023 for a total of $7,000. The corporate membership fee of $3,500.00 for calendar year 2021 was recorded in Fiscal Year 2024 which should have been paid in Fiscal Year 2021.

Expenses must be paid and recorded in the correct accounting period. Management can obtain a list of memberships from Human Capital and Development as HR 6 (Professional and Corporate Membership policy) states, "*Each fiscal year, Talent Development will make the list of current corporate and individual professional memberships available upon request.*"

Countywide Planning & Development Response

Countywide Planning & Development's Executive Office team has considered Recommendations 17 and 18 as a result of Audit Report Finding No. 7.

Recommendation 17 – Staff has prepared a comprehensive list of corporate and professional memberships to monitor corporate and professional membership fees to ensure timely payment and recording of the expense in the correct accounting period.

Recommendation 18—Staff has prepared an internal training log that includes each employee's membership date and organization, as well as the comprehensive corporate memberships list, so that we do not have to request this information from the department maintaining the database.

Office of the Chief of Staff

Metro Interoffice Memo

Date	June 21, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nicole Englund Chief of Staff
Subject	Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

I have thoroughly reviewed the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023, to September 30, 2023 (Report No. 24-AUD-07)

For Item 9. "Update the HR 6 policy to allow other cost centers to pay for corporate membership fees when applicable." The Chief of Staff is conducting a review of all Agency corporate memberships. Once the list is compiled, we will determine if amending the policy is warranted to allow other departments to directly pay for memberships with prior approval from the CEO. I anticipate completing this task by July 31, 2024. My office will advise you of our final decision.

Thank you for the opportunity to comment on this draft audit and for bringing this matter to my attention.

Customer Programs and Services

Metro Interoffice Memo

Date	6/14/2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
Through	Jennifer Vides Chief Customer Experience Officer
From	Vanessa Smith Exeutive Officer, Customer Care
Subject	Response to the Office of the Inspector General Report number 24-AUD-07 Audit Results For Customer Programs and Services Department

This is a response to the Office of the Inspector General's Statutorily Mandated Audit of Metro Miscellaneous Expenses (Report number 24-AUD-07).

Background:
An audit was performed by the Office of the Inspector General (OIG) on miscellaneous expenses from July 1,2023 to September 30, 2023.

The results of the audit uncovered a violation of the P-Card policy on July 6, 2023, in the Customer Program and Services Department. The P-Card Approver provided a verbal approval for P-Cardholder to pay the $870.00 Conference of Minority Transportation Officials (COMTO) registration fee for Senior Director of Special Projects in lieu of the required written pre-approval for conferences.

OIG Recommendations:

- Remind the P-Cardholder about the policy of securing a written pre-approval prior to purchases.
- The Approving Official and Business Coordinator should review the supporting documents of P-Card purchases to ensure compliance with the P-Card policy.

Department Response:
The P-Card Approver agrees with the OIG Report and has reviewed and understands the P-Card policies and will review the supporting documents of P-Card purchases. The P-Card Approver met with the P-Cardholder and reviewed the P-Card policies as a reminder to secure written pre-approvals prior to purchases for conferences and other P-Card purchases outside of the department's pre-approved standard purchasing list. Additionally, the P-Card Approver will meet quarterly with all department P-Cardholders to review the P-Card policy as a reminder to ensure P-Card policy compliance.

Office of the Chief of Staff

Metro Interoffice Memo

Date	June 21, 2024
To	Yvonne Zheng Senior Manager, Audit Office of the Inspector General
From	Nicole Englund Chief of Staff
Subject	Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses July 1, 2023 to September 30, 2023 (Report No. 24-AUD-07)

I have thoroughly reviewed the Draft Report: Statutorily Mandated Audit of Metro Miscellaneous Expenses from July 1, 2023, to September 30, 2023 (Report No. 24-AUD-07). Please note the following:

The audit highlighted that three of the 79 business trips during the audit period were international. Specifically, the Board Chair and an executive attended the International Association of Public Transport's (UITP) Annual Global Public Transport Summit in Barcelona, Spain, on June 4-7, 2023.

Significance of UITP:

- UITP is the leading global network for public transport stakeholders with over 1,900 member companies in 100 countries, including 87 in the United States.
- It promotes sustainable urban mobility, enhancing quality of life and economic well-being worldwide.
- Los Angeles County Metropolitan Transportation Authority is a longstanding UITP member and was invited to participate and speak at the summit.

Benefits of Metro's Participation:

Leadership and Governance Insights:
Engagement with global leaders such as UITP President Khalid Alhogail and Spanish Minister of Transport Raquel Sánchez Jiménez.
Insights into governance strategies and policy frameworks for benchmarking and potential adoption.

Technological Advancements:

Office of the Chief of Staff – Cont.

Exposure to the latest technological advancements in transportation through TMB (Transports Metropolitans de Barcelona). Sessions led by experts on automation and digital control systems, providing a roadmap for similar projects at Metro.

Innovative Solutions for Informal Transport:
Insights from experts on managing and integrating informal transport, useful for improving Metro services and network integration.

Data-Driven Decision Making:
Understanding the use of AI and automated systems for data collection and analysis to enhance planning and operational performance.

Financial Sustainability:
Knowledge from speakers on managing operational costs and funding structures, crucial for balancing financial sustainability with service expansion.

Exposure to Best Practices:
Learning about the latest transportation practices and technologies globally, providing insights into improving efficiency, reducing costs, and enhancing service quality.

In conclusion, Metro's participation in the UITP Global Public Transport Summit provided valuable knowledge, strategic insights, and networking opportunities. These benefits are essential for Metro to maintain its leadership in public transportation in the United States and globally. This exposure broadens perspectives, enabling participants to bring fresh insights and diverse strategies back to their organizations, driving innovation and competitive advantage. Additionally, attending international events helps in understanding global market dynamics, regulatory environments, and cultural nuances, which are essential for operating effectively in today's interconnected world.

Final Report Distribution

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Tim Sandoval
Hilda Solis
Katy Yaroslavsky

Metro

Chief Executive Officer
Chief of Staff
Inspector General
Board Clerk
Chief Financial Officer
Chief Customer Experience Officer
Chief Operations Officer
Chief People Officer
Chief Planning Officer
Chief Program Management Officer (Interim)
Chief Safety Officer (Interim)
Deputy Chief Vendor/Contract Management Officer
Deputy Chief Auditor

Audit of Miscellaneous Expenses July 1 to September 30, 2023

OIG Report No. 24-AUD-07
Karen Gorman, Inspector General

July 18, 2024

Metro

Objectives

The objectives of the audit were to determine whether:

- Expenses charged were proper, reasonable, and in accordance with Metro policies and procedures;
- Expenses had proper approval, receipts, and other supporting documentation; and
- Policies and procedures are adequate to ensure that expenses are documented and accounted for properly.

Metro

Results of Audit

- Staff generally complied with Metro policies and procedures; however, OIG found the following findings:

  - Payment of five overbilled invoices (four on advertising; one for business meals)
  - Higher cost of airfare due to travel request made less than a week before travel
  - Late submission of Travel and Business Expense Report
  - Reimbursement of delinquency fee on employee's professional license
  - Cost of meals at a workshop higher than per diem for Los Angeles
  - 2021 Corporate membership paid in 2024
  - No written pre-approval of a P-Card purchase

- OIG provided **21** recommendations.

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

Board Report

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

FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEARS 2022 AND 2023

ACTION: RECEIVE AND FILE

RECOMMENDATION

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

ISSUE

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

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

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

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

BACKGROUND

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

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

DISCUSSION

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

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

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

FY22 Results

Proposition A and C

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

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

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

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

Measure R

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

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

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

Measure M

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

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

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

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

Non-Local Return

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

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

FY23 Results

Proposition A and C

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

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

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

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

Measure R

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

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

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

Measure M

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

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

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

Non-Local Return

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

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

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

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Consolidated Audit Financial and Compliance Report process.

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

The comprehensive financial and compliance audit reports issued by Vasquez are accessible online at:
FY22 - <https://libraryarchives.metro.net/DB_Attachments/Vasquez%20FY22/>

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

The comprehensive financial and compliance audit reports issued by Simpson are accessible online at:
FY22 - <https://libraryarchives.metro.net/DB_Attachments/Simpson%20FY22/>

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

FINANCIAL IMPACT

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

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

EQUITY PLATFORM

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

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

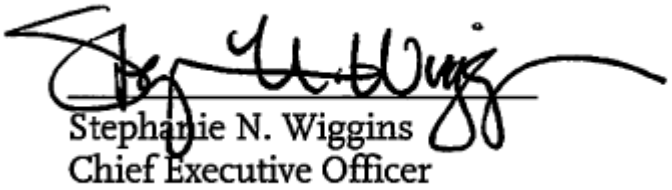
identified as repeat findings and will escalate in materiality.

ATTACHMENTS

Attachment A - FY22 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines (Vasquez)
Attachment B - FY22 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and C Local Return Guidelines (Simpson)
Attachment C - FY23 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines (Vasquez)
Attachment D - FY23 Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and C Local Return Guidelines (Simpson)
Attachment E - FY22 and FY23 Measure R Annual Report
Attachment F - FY22 Measure M Annual Report
Attachment G - FY23 Measure M Annual Report

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Stephanie N. Wiggins
Chief Executive Officer

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

VASQUEZ + COMPANY LLP

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-016. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-003 and #2022-004, that we consider to be significant deficiencies.

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

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

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



Glendale, California
December 30, 2022

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF 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
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2022

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

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year ended June 30, 2022

The audits of the County of Los Angeles and the 39 cities have resulted in 16 findings. The table below summarized those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	3	Compton (#2022-004)	$ -	$ 730,043	$ 730,043
		Montebello (#2022-008)	9,324	56,008	65,332
		South Gate (#2022-011)	-	1,300	1,300
Timely use of funds.	2	Gardena (#2022-005)	-	58,639	58,639
		Lawndale (#2022-006)	474,004	-	474,004
Administrative expenses are within the 20% cap.	1	South Gate (#2022-012)	514	-	514
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Calabasas (#2022-003)	None	None	None
		Pico Rivera (#2022-009)	None	-	None
		South Gate (#2022-013)	-	None	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	3	Bell Gardens (#2022-001)	None	None	None
		South Gate (#2022-014)	None	None	None
		Vernon (#2022-015)	None	None	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	1	Westlake Village (#2022-016)	None	None	None
Recreational transit form was submitted on time.	3	Bell Gardens (#2022-002)	None	-	None
		Malibu (#2022-007)	None	-	None
		South El Monte (#2022-010)	None	-	None
Total Findings and Questioned Costs	**16**		**$ 483,842**	**$ 845,990**	**$ 1,329,832**

Details of the findings are in Schedule 2.

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

Finding #2022-001: PALRF and PCLRF	**City of Bell Gardens**
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines state that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C 8/1 Table is submitted in a timely manner by the August 1st of each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). No follow up is required.

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

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

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

Finding #2022-003: PALRF and PCLRF	**City of Calabasas**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the following projects: a. PALRF and PCLRF's Project code 110, Old Town Calabasas/Commons Trolley project. Amount in excess of 25 percent of the approved budget was $5,707 and $4,393, respectively; b. PALRF and PCLRF's Project code 130, Dial-A-Ride project. Amount in excess of 25 percent of the approved budget was $12,775 and $17,591, respectively; c. PALRF and PCLRF's Project code 180, Vehicle and Misc. Equipment project. Amount in excess of 25 percent of the approved budget was $6,178 and $8,701, respectively; and d. PALRF and PCLRF's Project code 610 Direct Administration. Amount in excess of 25 percent of the approved budget was $22,864 and $16,137, respectively. 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. The City submitted the Budget Requests through LRMS and obtained a retroactive approval of the project from Metro Program Manager. This is a repeat finding from prior year's audit.

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

Finding #2022-003: PALRF and PCLRF (Continued)	**City of Calabasas**
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend that the City submit revised Form A's or submit Budget Requests to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City agrees with the finding and will submit revised budgets via SmartSheets prior to the end of the fiscal year to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on December 14, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-004: PCLRF	**City of Compton**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under Proposition C with no prior approval from Metro for the following projects: a. Project code 720, Local Roadway Safety Plan, totaling $19,750; and b. Project code 715, Bond Payment for Street Road Improvements, totaling $710,293. The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under PCLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table (formerly Form A) and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of $710,293 were not included in the Budget Request or "8/1" Table (formerly Form A). This is a repeat finding from prior year's audit in relation to the PCLRF's prior period adjustment to recognize the FY2020/21 debt service payment of $207,116.
Cause	The City had received approval for the bond issuance from Metro, but was not aware that separate approvals were required for underlying annual project expenditures including debt service payments through the Budget Request or "8/1" Table.

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

Finding #2022-004: PCLRF (Continued)	**City of Compton**
Effect	The City claimed expenditures totaling $730,043 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Proposition C-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said project on October 27, 2022 and December 1, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said projects. No additional follow up is required.

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

Finding #2022-005: PCLRF	**City of Gardena**
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition C funds amounting to $58,639 which has lapsed as of June 30, 2022.
Cause	The City's projects were delayed and the City did not have enough expenditures to cover the lapsing amount.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition C funds are used timely.
Management's Response	The City has requested Metro to extend the use of the remaining $58,639 Proposition C funds through June 30, 2023 since the City has an existing approved projects in FY 2022/23. On November 14, 2022, the City received Metro's approval for the extension of the use of funds until June 30, 2023.
Corrected During the Audit	Metro Program Manager granted an extension for the use of the remaining funds through June 30, 2023. No follow up is required.

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

Finding #2022-006: PALRF	**City of Lawndale**
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A funds amounting to $474,004 which lapsed as of June 30, 2022.
Cause	The City's projects were postponed due to COVID-19 pandemic.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A funds are used timely.
Management's Response	The City agrees with the auditor's finding and recommended action to establish procedures and internal controls to ensure that Proposition A funds are used timely. The City will develop internal controls to monitor when funds are received, so that an aging schedules can be put in place to monitor when revenues will lapse.
Corrected During the Audit	On December 16, 2022, Metro Program Manager granted a one-time, one-year extension for the use of the lapsed funds.

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

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

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

Finding #2022-008: PALRF and PCLRF	**City of Montebello**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under the following projects with no prior approval from Metro. a. PALRF Project code 280, Evan Brooks – Capital Reserve Proposition A Preparation, totaling $6,038; b. PALRF Project code 610, Administrative Overhead, totaling $3,286; c. PCLRF Project code 490, Sales Tax Revenue Bonds, totaling $1,570; and d. PCLRF Project code 620, Administrative Overhead, totaling $54,438. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro. This is a repeat finding from prior years' audits of PALRF and PCLRF.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.
Effect	The City claimed expenditures totaling $9,324 of Proposition A and $56,008 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

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

Finding #2022-008: PALRF and PCLRF (Continued)	**City of Montebello**
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on July 5 and August 18, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-009: PALRF	**City of Pico Rivera**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the following PALRF projects: a. Project Code 155, Recreational Transit. Amount in excess of 25 percent of the approved budget was $8,917; and b. Project Code 180, Transit Feasibility Study. Amount in excess of 25 percent of the approved budget was $1,270. 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. The City submitted the Budget Requests through Local Return Management System (LRMS) and obtained a retroactive approval of the project from Metro Program Manager.
Cause	The City initially submitted higher budgets for approval but requested to reduce them during the year. At year-end, the City realized that there were more expenditures than anticipated for these projects.
Effect	The City's PALRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.

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

Finding #2022-009: PALRF (Continued)	**City of Pico Rivera**
Recommendation	We recommend that the City submit revised Form A's or submit Budget Requests via Smarsheets by June 30, 2022 to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on October 12, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

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

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

Finding #2022-011: PCLRF	**City of South Gate**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures amounting to $1,300 under PCLRF Project code 705, LA County Bridge Maintenance prior to approval by Metro. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	This is caused by staff oversight.
Effect	The City claimed expenditures totaling $1,300 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Proposition C-funded projects.
Management's Response	The City will make improvements in coordinating efforts between the Public Works and Finance departments to assure all project budgets are approved by Metro and are on the Smartsheets prior to June 30. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said project on October 26, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-012: PALRF	**City of South Gate**
Compliance Reference	Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges."
Condition	The City claimed expenditures in excess of the 20% cap totaling $514.
Cause	This is caused by staff oversight.
Effect	The City is required to reimburse PALRF account for the amount over the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures are only charged to the LR funds up to allowable amount.
Management's Response	The City will reimburse PALRF account for the amount over the 20% cap totaling $514.
Corrected During the Audit	The City reimbursed the PALRF account in FY2022/23. No additional follow up is required.

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

Finding #2022-013: PCLRF	**City of South Gate**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the Project 620 Administration totaling $72,192. 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. The City submitted the Budget Requests through LRMS and obtained a retroactive approval of the project from Metro Program Manager.
Cause	This is caused by staff oversight.
Effect	The City's PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit revised Form A's or submit Budget Requests to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City's Public Work and Finance departments will continue to monitor its budget and will make necessary budget adjustments to its projects as allowed by Metro. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budget for said project on October 26, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-014: PALRF and PCLRF	**City of South Gate**
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines states that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (Form B or 8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C 8/1 Table is submitted in a timely manner by the August 1st for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). No follow up is required.

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

Finding #2022-015: PALRF and PCLRF	**City of Vernon**
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines state that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A and Proposition C "8/1 Table" is submitted in a timely manner by August 1st for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). No follow up is required.

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

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



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO PROPOSITION A AND PROPOSITIONC ORDINANCES AND PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Simpson & Simpson, LLP
Certified Public Accountants

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH 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 Oversight Committee

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurance and Understanding Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-032. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-014 and #2022-015 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-003, #2022-006, #2022-009, and #2022-025 to be significant deficiencies.

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

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

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

Simpson & Simpson

Los Angeles, California
December 30, 2022

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

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2022

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

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2022

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 32 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	4	Artesia (#2022-006)	-	$ 31,333	$ 31,333
		Bradbury (#2022-010)	-	15,701	15,701
		Palos Verdes Estates (#2022-024)	-	10,415	10,415
		Santa Clarita (#2022-029)	-	2,163	2,163
Timely use of funds.	7	Artesia (#2022-003)	$ 160,899	-	160,899
		Claremont (#2022-011)	116,051	132,824	248,875
		El Segundo (#2022-017)	392,423	-	392,423
		Palos Verdes Estates (#2022-025)	-	12,972	12,972
		Redondo Beach (#2022-027)	-	497,032	497,032
		Signal Hill (#2022-030)	-	61,953	61,953
		South Pasadena (#2022-032)	83,006	-	83,006
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2022-004)	None	-	None
		Hermosa Beach (#2022-019)	None	-	None
		La Habra Heights (#2022-020)	None	-	None
		San Marino (#2022-028)	None	-	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	2	Artesia (#2022-007)	None	None	None
		Glendale (#2022-018)	None	None	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	6	Artesia (#2022-008)	None	None	None
		Bradbury (#2022-009)	None	None	None
		Covina (#2022-012)	None	None	None
		La Habra Heights (#2022-021)	None	None	None
		Palmdale (#2022-023)	None	None	None
		Pasadena (#2022-026)	None	None	None

SCHEDULE 1

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

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

Details of the findings are in Schedule 2.

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

PALRF Finding #2022-001	**City of Alhambra**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2022 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 23, 2022.
Cause	The form was prepared prior to the due date of October 15th. However, it was inadvertently not submitted to Metro in a timely manner due to oversight.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by Metro to indicate the form was submitted in a timely manner.
Management's Response	The City agrees with this finding. The City will ensure that the form is submitted in a timely manner in the future.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 23, 2022. No follow-up is required.

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

PALRF & PCLRF Finding #2022-002	City of Alhambra
Compliance Reference	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 LACMTA Local Return Program Manager issued a memo dated April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, the memo states that: "(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, 2022
(Continued)

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

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

PALRF Finding #2022-003	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "…Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2019 ending fund balance for PALRF in the amount of $160,899 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. This is a repeat finding from fiscal year 2021.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. No follow-up is required.

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

PALRF Finding #2022-004	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I ©, Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 470, Gateway Cities COG Study prior to approval from Metro. The amount that exceeded the approved budget by more than 25 percent was $28,650. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 470 and received subsequent approval on December 16, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and update in the LRMS to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	In the future, the City staff will review all of the budget approvals for all of the projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval for Project Code 470, Gateway Cities COG Study in the amount of $53,650 on December 16, 2022. No follow-up is required.

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

PALRF Finding #2022-005	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 27, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen its control procedures to ensure the timely submission of all required forms and documentation.
Management's Response	In the future, management will ensure the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City's Recreational Transit Form was submitted to Metro on December 27, 2022. No follow-up is required.

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

PCLRF Finding #2022-006	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro PCLRF Project Code 705, ATP Cycle 3, in the amount of $31,333. However, the City subsequently received an approved budget in the amount of $31,333 from Metro for the PCLRF project on December 23, 2022. This is a repeat finding from fiscal year 2021.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to expenditure of funds.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 23, 2022. No follow-up is required.

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

PALRF & PCLRF Finding #2022-007	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I.C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Annual Project Update in the LRMS. However, the City updated the information in the LRMS on August 9, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Annual Project Update is entered in the LRMS before the due date so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with Metro's approval and the Guidelines.
Management's Response	In the future, management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 9, 2021. No follow-up is required.

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

PALRF & PCLRF Finding #2022-008	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on December 2, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Annual Project Update is entered in the LRMS before the due date so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with Metro's approval and the Guidelines.
Management's Response	In the future management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 2, 2022. No follow-up is required.

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

PALRF & PCLRF Finding #2022-009	**City of Bradbury**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on November 4, 2022. This is a repeat finding from fiscal year 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a new Finance Director during fiscal year 2022 and was unaware of the compliance requirement of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 4, 2022. No follow-up is required.

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

PCLRF Finding #2022-010	**City of Bradbury**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City expended a total of $15,701 for the Widen Bradbury Road from Winding Oak Lane to Oakleaf Avenue Project in FY2021/22 prior to receiving approval from Metro.
Cause	It was due to an oversight by the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City establish procedures to ensure that all expenditures are approved by Metro prior to expending the funds.
Management's Response	The City agreed with the Finding. The City has a new Finance Director during fiscal year 2022 and was unaware of the compliance requirement of Local Return Funds.
Corrected During the Audit	The City received a retroactive approval from Metro on December 23, 2022 on the budget for Widen Bradbury Road from Winding Oak Lane to Oakleaf Avenue Project, in the amount of $147,209. No follow-up is required.

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

PALRF & PCLRF Finding #2022-011	**City of Claremont**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "…Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2019 Proposition A and Proposition C ending fund balances in the amounts of $116,051 and $132,824, respectively, were not fully expended within 3 years as of June 30, 2022 and were not reserved for capital projects as required by the Proposition A and C Local Return Guidelines. However, on November 30, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On November 30, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

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

PALRF & PCLRF Finding #2022-012	**City of Covina**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report to Metro by entering the expenditures in the Local Return Management System (LRMS). The City subsequently reported the PALRF and PCLRF expenditures in the LRMS on October 20, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Annual Expenditure Report is properly prepared and submitted before the due date of October 15th by reporting the annual expenditures in the LRMS so that the City's expenditures of the PALRF and PCLRF will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City's Finance and Public Works departments will work together to ensure that the Annual Expenditure Report will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently reported the annual expenditures on October 20, 2022. No follow-up is required.

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

PALRF Finding #2022-013	**City of Downey**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2022 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 29, 2022.
Cause	The new Transit Management Analyst reported the recreational expenses incurred in the Local Return Management System (LRMS), as instructed by Metro. However, the new staff was not aware that the Listing of Recreational Transit Services (listing) in a paper format was to be submitted to Metro.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by Metro to indicate the form was submitted in a timely manner.
Management's Response	The Transit Management Analyst is now aware of the requirements and plans to submit the listing form in a timely manner in the future. In addition, the Management Analyst will prepare a training manual or instructions on Metro's filing requirements.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 29, 2022. No follow-up is required.

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

PALRF & PCLRF Finding #2021-014	City of Downey
Compliance Reference	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 LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, the memo states that: "(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, 2022
(Continued)

PALRF & PCLRF Finding #2021-014 (Continued)	**City of Downey**
Condition	To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, the salaries and benefits expenditures should be supported by time records, special funding certifications, activity reports, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged were based on estimated percentages on PALRF and PCLRF activities rather than the employee's actual hours worked on the projects. Although the City provided a time study listing for the employees charged to PALRF and PCLRF, the salaries and benefits on the time study were based on estimated percentages. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2021-22. The following is a list of the unsupported salaries and benefits allocations per project: (a) PALRF's Fixed Route Program Project Code 105 in the amount of $55,663. (b) PALRF's Senior/Handicapped Transit Program Project Code 107 in the amount of $195,606. (c) PCLRF's Ride Sharing Program Project Code 620 in the amount of $14,000. (d) PCLRF's Local Return Fund Administration (Public Works) Project Code 620 in the amount of $17,006. This is a repeat finding from the prior six fiscal years.
Cause	The City allocated the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations were used in prior fiscal years.
Effect	The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may be disallowed Proposition A and Proposition C project expenditures. This resulted in questioned costs of $251,269 and $31,006 for PALRF and PCLRF, respectively.
Recommendation	We recommend that the City reimburse its PALRF and PCLRF accounts for $251,269 and $31,006, respectively. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.

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

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

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

PALRF Finding #2021-015	**City of Downey**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance" and Section V: Audit Section, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation…"
Condition	To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, payments for equipment rental in the amount of $126,690 were charged to PALRF's Revised Senior/Handicapped Transit Program, Project Code 107, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements. This is a repeat finding from the prior five fiscal years.
Cause	The City allocates equipment rental charges based on a time study from fiscal year 2011-12. The same percentage allocation has been used in prior fiscal years.
Effect	The unsupported expenditures for the equipment rental resulted in questioned costs of $126,690.
Recommendation	We recommend that the City reimburse its PALRF account for $126,690. We recommend that the City strengthen its controls over the allocation of equipment rental costs by using an equitable and supported allocation basis to substantiate the costs charged to the program.

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

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

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Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2022
(Continued)

PALRF Finding #2022-016	**City of El Segundo**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2022 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 12, 2022.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Recreational Transit Form by the due date.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15th to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	Executive, Management, and administrative staff in the Recreation & Parks Department have had significant turnover during the past 12 months. All staff that would have been involved in the production of, or had institutional knowledge of, the Recreational Transit Form left the City. In order to avoid this from repeating in the future, written procedures for regulatory requirements will be developed by the City. Also, this task will be added to the Finance Department's year-end audit task list as an additional preventative measure to ensure compliance with reporting deadlines.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 12, 2022. No follow-up is required.

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

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

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

PALRF & PCLRF Finding #2022-018	**City of Glendale**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I.C, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Annual Project Update in the Local Return Management System (LRMS). However, the City updated the information in the LRMS on August 10, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Annual Project Update is entered in the LRMS before the due date so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with Metro's approval and the Guidelines.
Management's Response	In the future, management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 10, 2021. No follow-up is required.

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

PALRF Finding #2022-019	**City of Hermosa Beach**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 105, Commuter Express Program. The amount that exceeded the approved budget by more than 25 percent was $12,363. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 105 and received an approval on December 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget and as such the City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should update in the Local Return Management System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditure of funds.
Management's Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget.
Corrected During the Audit	The City requested and obtained a budget increase from Metro on December 19, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
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Fiscal Year Ended June 30, 2022
(Continued)

PALRF Finding #2022-020	**City of La Habra Heights**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital Local Return projects."
Condition	The City received approval for PALRF Project Code 107, Dial-A-Ride, but with $0 budget due to an oversight. As a result, the City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 107, Dial-A-Ride, in the amount of $14,462. However, the City submitted a request to increase the budget to Metro in the amount of $14,462 and received subsequent approval on October 27, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and update in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	In the future, the City staff will review all of the budget approvals for all of the projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval for Project Code 107, Dial-A-Ride in the amount of $14,462 on October 27, 2022.

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Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

PALRF & PCLRF Finding #2022-021	**City of La Habra Heights**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 19, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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(Continued)

PCLRF Finding #2022-022	**City of La Habra Heights**
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 due for the fiscal year 2022 since the City incurred PCLRF expenditures for the following two projects: (1) Project Code 715, 19/20 Street Improvement Project; (2) Project Code 715, 20/21 Street Improvements - Various Roads Overlay. However, the City did not submit PMS Certification Form during the fiscal year 2022. The last PMS Certification Form was expired on March 26, 2021.
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.

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Fiscal Year Ended June 30, 2022
(Continued)

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

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Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2022
(Continued)

PALRF & PCLRF Finding #2022-023	**City of Palmdale**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City concur with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow-up is required.

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(Continued)

PCLRF Finding #2022-024	**City of Palos Verdes Estates**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro PCLRF's Project Code 470, Member Dues - South Bay Cities COG FY 21/22, in the amount of $10,145. However, the City subsequently received an approved budget in the amount of $10,145 from Metro for the PCLRF project on November 4, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to expenditure of funds.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City will establish procedures to ensure that Project Description Form (Form A) will be submitted in a timely manner.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 4, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

PCLRF Finding #2022-025	**City of Palos Verdes Estates**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "…Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2019 ending fund balance in the amount of $12,972 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines. However, on December 1, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. This is a repeat finding from fiscal year 2021.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 1, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

PALRF & PCLRF Finding #2022-026	**City of Pasadena**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

PCLRF Finding #2022-027	**City of Redondo Beach**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "…Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2019 ending fund balance in the amount of $497,032 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines. However, on December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

PALRF Finding #2022-028	**City of San Marino**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 155, Recreational Trips, in the amount of $2,142. However, the City submitted a request to increase the budget to Metro in the amount of $15,930 and received subsequent approval on October 6, 2022.
Cause	Expenditures exceeded the project's budget due to the City providing more trips than originally forecasted due to higher than expected demand.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and update in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The City staff will adjust the project budgets throughout the year as needed based on the expenditure forecasts.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of $15,930 for the said project on October 6, 2022. No follow-up is required.

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

PCLRF Finding #2022-029	**City of Santa Clarita**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures in the amount of $2,163 for PCLRF's Project Code 740, I5 Magic Mountain Pkwy (S1003) prior to receiving an approval from Metro. However, the City subsequently received an approved budget in the amount of $2,163 from Metro for the PCLRF project on December 6, 2022.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that the City obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	In the future, the City will review all PCLRF projects prior to fiscal year end and ensure that each project has the appropriate Metro approved budget.
Corrected During the Audit	Metro granted a retroactive budget approval for the project on December 6, 2022. No follow-up is required.

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

PCLRF Finding #2022-030	**City of Signal Hill**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "…Jurisdictions have three years to expend Local Return Funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2019 ending fund balance in the amount of $61,953 was not fully expended within three years as of June 30, 2022, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on September 28, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City's Public Works Director left the City in the middle of the year, leaving the position vacant for several months. With the change in Public Works Directors, most projects utilizing Prop C, Measure M, and Measure R funding were delayed to the fiscal year 2022-2023.
Corrected During the Audit	On September 28, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. No follow-up is required.

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

PALRF Finding #2022-031	**City of Signal Hill**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2022 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on October 18, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City submitted the Recreational Transit Form on October 18, 2022 due to oversight. In the future, the City will submit the Recreational Transit Form by the October 15 deadline to ensure compliance with the requirements.
Corrected During the Audit	The City's Recreational Transit Form was submitted on October 18, 2022. No follow-up is required.

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

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

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

VASQUEZ + COMPANY LLP

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the aforementioned Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 through #2023-013. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-008 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-009 to be a significant deficiency.

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

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

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



Glendale, California
December 29, 2023

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF 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
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2023

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

SUMMARY OF AUDIT RESULTS

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

The audits of the County of Los Angeles and the 39 cities have resulted in 13 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	3	Baldwin Park (See Finding #2023-002)	$ -	$ 117,370	$ 117,370
		Huntington Park (See Finding #2023-005)	7,674	-	7,674
		Lynwood (See Finding #2023-010)	-	63,062	63,062
Timely use of funds.	2	Lawndale (See Finding #2023-009)	162,361	-	162,361
		Malibu (See Finding #2023-013)	7,220	-	7,220
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Baldwin Park (See Finding #2023-003)	None	None	None
		Huntington Park (See Finding #2023-006)	None	None	None
		Lynwood (See Finding #2023-0011)	None	-	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	2	Calabasas (See Finding #2023-004)	None	None	None
		Lynwood (See Finding #2023-0012)	None	None	None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	Azuza (See Finding #2023-001)	-	None	None
Recreational transit form was submitted on time.	1	Huntington Park (See Finding #2023-007)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	1	Huntington Park (See Finding #2023-008)	None	None	None
Total Findings and Questioned Costs	**13**		**$ 177,255**	**$ 180,432**	**$ 357,687**

Details of the above findings are in Schedule 2.

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

Finding #2023-001: PCLRF	**City of Azusa**
Compliance Reference	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 2022/23. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 29, 2021 has a September 2019 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2023. A PMS Certification is required for the following PCLRF Project code 705, Foothill Boulevard Street Improvements 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. As such, any local return funds spent on the projects may be required to be returned to the Local Return 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, 2023
(Continued)

Finding #2023-001: PCLRF (Continued)	**City of Azusa**
Recommendation	We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City completed its Pavement Management System inventory and assessment on November 8, 2023. The current PMS certification was submitted to Metro on December 14, 2023.
Finding Corrected During the Audit	The City submitted the current PMS certification to Metro Program Manager on December 14, 2023. No follow-up is required.

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

Finding #2023-002: PCLRF	**City of Baldwin Park**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under the following projects prior to approval from Metro. a. Project code 105, Fixed Route Service, totaling $57,524; and b. Project code 107, Dial-A-Ride Service, totaling $59,846. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
Effect	The City claimed expenditures totaling $117,370 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said projects on October 18, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on October 18, 2023. No additional follow-up is required.

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

Finding #2023-003: PALRF and PCLRF	**City of Baldwin Park**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request via LRMS for the following projects: a. PALRF's Project code 170, Bus Shelter Maintenance. Amount in excess of 25 percent of the approved budget was $3,039; b. PALRF's Project code 215, CNG Station. Amount in excess of 25 percent of the approved budget was $36,463; and c. PCLRF's Project code 705, Street Name/Roadway Signs. The amount in excess of 25 percent of the approved budget was $3,603. 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. The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.
Cause	The City did not anticipate incurring eligible expenditures for more than the approved budget for these projects. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2023.

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

Finding #2023-003: PALRF and PCLRF (Continued)	**City of Baldwin Park**
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit revised Form A's or submit Budget Requests via LRMS to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City agrees with the findings and will submit revised budgets via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said projects on October 18, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on October 18, 2023. No additional follow-up is required.

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

Finding #2023-004: PALRF and PCLRF	**City of Calabasas**
Compliance Reference	Section I(C) Annual Expenditure Report (Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines state that, "Jurisdiction shall submit on or before October 15th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) to Metro on November 2, 2023, 18 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City's Annual Expenditure Report (Actuals Entry) was not submitted timely. The City was not in compliance with the reporting requirements of the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15th as required by the Guidelines.
Management's Response	The City will ensure the Proposition A and C Actuals Entry is submitted in a timely manner by October 15th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry) on November 2, 2023. No additional follow-up is required.

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

Finding #2023-005: PALRF	**City of Huntington Park**
Compliance Reference	Section 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 Project Code 155, Special Event Transit, totaling $7,674 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.
Cause	The City did not anticipate incurring eligible expenditures for this project. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
Effect	The City claimed expenditures totaling $7,674 of Proposition A LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on a Local Return-funded project.
Management's Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budget for said project on December 12, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on December 12, 2023. No additional follow-up is required.

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

Finding #2023-006: PALRF and PCLRF	**City of Huntington Park**
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the following projects: a. PALRF's Project code 105, Fuel for Fixed Route and Dial-A-Ride. Amount in excess of 25 percent of the approved budget was $188; and b. PCLRF's Project code 107, Fuel for Fixed Route and Dial-A-Ride. The amount in excess of 25 percent of the approved budget was $63. 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. The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.
Cause	The City did not anticipate incurring eligible expenditures more than the approved budget for these projects. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2023.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.

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

Finding #2023-006: PALRF and PCLRF (Continued)	**City of Huntington Park**
Recommendation	We recommend the City submit revised Form A's or submit Budget Requests via LRMS to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City agrees with the findings and will submit revised budgets via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said projects on December 12, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 12, 2023. No additional follow-up is required.

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

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

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

Finding #2023-008: PALRF	**City of Huntington Park**
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, state that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork, the City's year-end closing process is still ongoing. We noted the following observations: • Reconciliation of major balance sheet accounts including bank accounts was not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. Accordingly, the audits of the City's financial statements for fiscal years 2022 and 2023 have not yet started because of the clean-up and closing process currently being done.
Cause	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

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

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

Finding #2023-009: PALRF	**City of Lawndale**
Compliance Reference	Section I(B) Timely Use of Funds of Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by the method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A funds amounting to $162,361 which lapsed as of June 30, 2023. This is a repeat finding from prior year.
Cause	The Lawndale Beat bus service did not start until May/June 2023 as the contract was being approved. Due to the unexpected late start of this project, funds were not spent as expected.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A funds are used timely.
Management's Response	The City expects to use up the Proposition A funds during FY 2023/24 now that the Lawndale Beat bus service is up and running. The City requested and obtained an extension for the use of the funds from the LA Metro Program Manager.
Finding Corrected During the Audit	On December 14, 2023, Metro Transportation Planning Manager granted an extension for the use of the lapsed funds on or by June 30, 2024. No additional follow-up is required.

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

Finding #2023-0010: PCLRF	**City of Lynwood**
Compliance Reference	Section 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 Proposition C prior to approval from Metro for the following projects: a. Project code 780, Administration and Monitoring, totaling $3,776; b. Project code 805, ATP Cycle 2 Linkage to CC, totaling $3,040; and c. Project code 805, Bike Trail Extension (Design and Construction), totaling $56,246. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
Effect	The City claimed expenditures totaling $63,062 of Proposition C funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

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

Finding #2023-010: PCLRF (Continued)	**City of Lynwood**
Management's Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budgets for said projects on December 18, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 18, 2023. No additional follow-up is required.

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

Finding #2023-011: PALRF	**City of Lynwood**
Compliance Reference	Section 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 Budget Request via LRMS for the PALRF Project code 105, Fixed Bus Route. The amount in excess of 25 percent of the approved budget was $50,788. 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. The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.
Cause	The City was in transition staff-wise. Information was not properly communicated.
Effect	The City's PALRF project expenditures exceeded 25 percent of the approved project budget prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit revised Form A's or submit Budget Requests via LRMS to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.

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

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

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

Finding #2023-012: PALRF and PCLRF	**City of Lynwood**
Compliance Reference	Section I (C) Annual Expenditure Report (Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines state that, "Jurisdiction shall submit on or before October 15th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) to Metro on October 23, 2023, 8 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City's Annual Expenditure Report (Actuals Entry) was not submitted timely. The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15th as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C Actuals Entry is submitted in a timely manner by October 15th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry) on October 23, 2023. No additional follow-up is required.

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

Finding #2023-013: PALRF	**City of Malibu**
Compliance Reference	Section I (B) Timely Use of Funds of Proposition A and Proposition C Local Return Guidelines state that, "Metro will enforce regulations to ensure the timely use of LR funds. Under the Proposition A and Proposition C Ordinances, Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by the method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A funds amounting to $7,220 which has lapsed as of June 30, 2023.
Cause	The City's projects were delayed and did not have enough expenditures to cover the lapsing amount.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A funds are used timely.
Management's Response	The City has requested Metro to extend the use of the remaining $7,220 Proposition A funds through June 30, 2024, since the City has existing approved projects in FY 2023/24. On October 18, 2023, the City received Metro's approval for the extension of the use of funds until June 30, 2024.
Finding Corrected During the Audit	On October 18, 2023, Metro Transportation Planning Manager granted an extension for the use of the lapsed funds on or by June 30, 2024. No additional follow-up is required.



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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 through #2023-030. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-006. #2023-009 and #2023-024, that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-004, #2023-005, #2023-007, #2023-012, #2023-013, #2023-017, #2023-018, #2023-019, and #2023-029, that we consider to be significant deficiencies.

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

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

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

Simpson & Simpson

Los Angeles, California
December 29, 2023

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

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2023

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

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

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

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 30 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	7	Alhambra (#2023-001) Artesia (#2023-006) Bradbury (#2023-007) Downey (#2023-011) La Habra Heights (#2023-016) Rolling Hills (#2023-025) Rolling Hills Estates (#2023-027)	$ 1,160,382 - - 215,316 15,036 58,400 15,686	$ - 29,105 604 - - - -	$ 1,160,382 29,105 604 215,316 15,036 58,400 15,686
Timely use of funds.	3	El Segundo (#2023-013) Palmdale (#2023-022) Palos Verdes Estates (#2023-024)	470,845 - -	- 496,812 198,744	470,845 496,812 198,744
Administrative expenses are within the 20% cap.	2	Arcadia (#2023-003) Burbank (#2023-010)	3,848 -	58,789 305,448	62,637 305,448
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	Alhambra (#2023-002) La Habra Heights (#2023-017)	None None	None -	None None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	1	Bradbury (#2023-008)	None	None	None

(Continued)

SCHEDULE 1

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

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

Details of the findings are in Schedule 2.

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

PALRF Finding #2023-001	**City of Alhambra**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The expenditures for the PALRF Project Code 210, 2021-2022 Purchase of two ACT Transit Buses, in the total amount of $1,160,382 were incurred prior to Metro's approval. However, the City subsequently received an approved budget in the amount of $1,160,375 from Metro on October 5, 2023.
Cause	The City assumed that the project was previously approved by Metro prior to expenditures being incurred.
Effect	The City did not comply with the Guidelines as expenditures for the PALRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition A Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition A Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City agrees with this finding. The City will closely monitor that all of the projects are approved and ensure that the expenditures are not incurred prior to Metro's approval.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval in the amount of $1,160,375 for the said project on October 5, 2023. No follow-up is required.

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

PALRF & PCLRF Finding #2023-002	**City of Alhambra**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on the following projects: a) PALRF's Project Code 610, Direct Administration, in the amount of $173,027. b) PCLRF's Project Code 620, Direct Administration, in the amount of $64,301. However, the City submitted a request to increase the budget and was approved by Metro in the amount of $262,776 for the PALRF's Direct Administration Project Code 610 on December 5, 2023. Likewise, the City submitted a request to increase the budget and was approved by Metro in the amount of $185,285 for the PCLRF's Direct Administration Project Code 620 on December 5, 2023.
Cause	The City has in prior years included administration costs directly related to the projects within the budget and actuals of the projects. However, this is the first year this was brought to the City's attention by the auditors that all administration costs should be included in Direct Administration Project.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The City agrees with this finding. In future years, the City will ensure administration costs are budgeted and actuals are reported within the Direct Administration Project.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals of the said projects on December 5, 2023. No follow-up is required.

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

PALRF & PCLRF Finding #2023-003	**City of Arcadia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.15, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent;" and "The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges."
Condition	The City's administrative expenditures exceeded more than 20 percent of its total PALRF and PCLRF annual expenditures in the amount of $3,848 and $58,789, respectively, or a total of $62,637. The amount of $62,637 represents an excess of over 20 percent of the PALRF and PCLRF's total annual expenditures.
Cause	This was due to an oversight on the part of the City.
Effect	The City's Proposition A and Proposition C respective Administration Project Codes 610 and 620 expenditures exceeded 20 percent of its PALRF and PCLRF total annual expenditures. Therefore, the City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PALRF's and PCLRF's total annual expenditures.
Management's Response	The finding was due to staff turnover, which was responsible for communicating the 20 percent administrative cap to the relevant staff. The staff have since addressed this matter with Metro. A one-time waiver by Metro has been granted.
Corrected During the Audit	The City requested a one-time waiver of the 20% administrative cap from Metro for Proposition A and Proposition C. Metro granted the waiver on December 12, 2023. No follow-up is required.

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

PALRF & PCLRF Finding #2023-004	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Form C in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 13, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form C is entered in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that Form C is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.

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

PALRF Finding #2023-005	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 18, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the timely submission of all required forms and documentation.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City's Recreational Transit Form was submitted to Metro on December 18, 2023. No follow-up is required.

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

PCLRF Finding #2023-006	**City of Artesia**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro for PCLRF Project Code 705, ATP Cycle 3, in the amount of $29,105. However, the City subsequently received an approved budget in the amount of $29,105 from Metro for the PCLRF project on December 18, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. No follow-up is required.

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

PCLRF Finding #2023-007	**City of Bradbury**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City expended a total of $604 for the Wild Rose Project in FY2022/23 prior to receiving approval from Metro. This is a repeat finding from fiscal year 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City establish procedures to ensure that all expenditures are approved by Metro prior to expending the funds including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and will ensure to establish procedures to ensure that expenditures are approved by Metro prior to expending the funds and new personnel are made aware of the procedures.
Corrected During the Audit	The City received a retroactive approval from Metro on November 16, 2023 on the budget for Wild Rose Project, in the amount of $604. No follow-up is required.

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

PALRF & PCLRF Finding #2023-008	**City of Bradbury**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Project Update (Form B), "On or before August 1st of each fiscal year, the Jurisdictions shall submit an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2022 deadline for submitting Form B in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on November 14, 2023.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form B is submitted in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form B before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

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

PALRF & PCLRF Finding #2023-009	**City of Bradbury**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form C in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form C is submitted in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form C before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

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

PCLRF Finding #2023-010	**City of Burbank**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.15, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent."
Condition	The City's administrative expenditures exceeded more than 20 percent of its total Proposition C Local Return Fund (PCLRF) annual expenditures in the amount of $305,448. The amount of $305,448 represents an excess of over 20 percent of the PCLRF's total local return annual expenditures.
Cause	It was due to an oversight by the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF's total annual expenditures.
Management's Response	In the future, the City will monitor the administrative expenditures so that they will not exceed more than 20 percent cap of PCLRF's total expenditures.
Corrected During the Audit	Metro Program Manager granted the City a waiver to reimburse its PCLRF account for the questioned cost of $305,448 on December 12, 2023. No follow-up is required.

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

PALRF Finding #2023-011	**City of Downey**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to Metro's approval on the following projects: a. Administrative Overhead for Senior/Handicapped Transit Program Project Code 610, in the amount of $214,576. b. Administrative Overhead for Downey Depot Maintenance Project Code 610 in the amount of $740. However, the budgets for the projects above were subsequently approved by Metro on November 17, 2023, for the same amounts expended.
Cause	The request for budget approvals from Metro for these projects was overlooked in fiscal year 2022-23.
Effect	The City did not comply with the Guidelines as expenditures for the PALRF projects were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition A Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City's expenditures of Proposition A Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all Administrative Overhead costs and ensure to request the appropriate Metro approved budget prior to incurring the expenditures.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals for the said projects on November 17, 2023. No follow-up is required.

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

PALRF Finding #2023-012	**City of El Segundo**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 5, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City for not submitting the Recreational Transit Form by the due date.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and the Finance Department has reminded staff about the due date and set-up annual reminder to ensure that the Recreational Transit From is submitted before the due date of October 15.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 5, 2023. No follow-up is required.

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

PALRF Finding #2023-013	**City of El Segundo**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section IV, E.1-3 Timely Use of Funds, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2020 lapsed fund balance in the amount of $470,845 was not fully expended within 3 years as of June 30, 2023 and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City for not tracking the timely use of funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely, or a capital reserve account can be established.
Management's Response	The City accepts the finding and has reminded staff to work to identify eligible operational and capital objectives during the budget development process each year to ensure there are sufficient encumbrances within the Proposition A fund to fully spend down the City's Proposition A allocations.
Corrected During the Audit	On December 5, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024.

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

PALRF Finding #2023-014	**City of Glendora**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on December 20, 2023.
Cause	It came to the City's attention during the audit that the listing was not submitted to Metro by the deadline of October 15th. This was due to an oversight. The City's Accounting Manager who worked on the Metro project with little to no assistance from staff left in September 2023, prior to the deadline of the form submission. Upon her exit, the employee who was working on the audit received the form but only provided the listing to the Metro auditor and not to Metro due to lack of training. As a result, the listing was submitted to Metro not until December 20, 2023.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	Moving forward, this task has been placed on the City's yearly task calendar, as well as a reminder set in the outlook calendar to submit the listing by October 15th of each year. The City has reevaluated the process to ensure that the form will be submitted in a timely manner. The City is confident that this will not be a finding in the future.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on December 20, 2023. No follow-up is required.

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

PALRF Finding #2023-015	**City of Glendora**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance," and Section V: Audit Section, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation..."
Condition	During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows: a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 We noted salary discrepancies amounting to $749 in nine (9) out of twelve (12) payroll transactions tested. The differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees' hourly rates. However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return fund, these discrepancies will not be questioned.
Cause	Upon reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to PALRF resulting in an under allocation of salaries to the local return funds.
Effect	Payroll discrepancies resulting from improper timecard management and limited HR data access can lead to misallocation of the local return funds.
Recommendation	We recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund's projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.

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

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

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

PALRF Finding #2023-016	**City of La Habra Heights**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro for Proposition A Local Return Fund (PALRF) Project Code 107, Dial-A-Ride, in the amount of $15,036. However, the City subsequently received an approved budget in the amount of $15,036 from Metro for the PALRF project on November 20, 2023.
Cause	This was an oversight by the City due to recent turnover among administrative staff and management.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements so that the City can obtain approval from Metro before implementing any Proposition A Local Return projects. Additionally, the City should properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit it before the requested due date. This ensures that the City's expenditures align with Metro's approval and adhere to the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of the said project on November 20, 2023. No follow-up is required.

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

PALRF Finding #2023-017	**City of La Habra Heights**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget for PALRF Project Code 410, Prop A Fund Trade, by more than 25 percent, amounting to an excess of $30,000. Subsequently, the City submitted a request for an increase in the budget from $40,000 to $80,000 to Metro, which was approved on December 19, 2022. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS to obtain Metro's approval for any budget change prior to the expenditures of funds.
Management's Response	In the future, the City staff will review all of the budget approvals for all of the projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Auditor's Additional Comment	Metro Program Manager granted a retroactive budget approval of said project to $80,000 on November 20, 2023. No follow-up is required.

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

PALRF & PCLRF Finding #2023-018	**City of La Habra Heights**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 20, 2023. No follow-up is required.

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

PCLRF Finding #2023-019	**City of La Habra Heights**
Compliance Reference	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 due for the fiscal year 2023 since the City incurred PCLRF expenditures for the following two projects: (1) Project Code 715, 20/21 Street Improvements - Various Roads Overlay; and (2) Project Code 715, 21/22 Street Improvements - Various Roads Overlay. However, the City did not submit a PMS Certification Form during the fiscal year 2023. The City submitted the PMS Certification Form on November 20, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to the recent turnover of administrative staff and management.
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, 2023
(Continued)

PCLRF Finding #2023-019 (Continued)	**City of La Habra Heights**
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that if the City incurs expenditures for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly certified and executed by the City's Engineer or designated registered Civil Engineer and submitted to Metro within the third year from the last submission date to be in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated and submitted in fiscal year 2023.
Corrected During the Audit	The City has submitted the PMS Certification Form on November 20, 2023. No follow-up is required.

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

PALRF Finding #2023-020	**City of Long Beach**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on December 5, 2023.
Cause	The City submitted the report to Metro seven weeks late even though the report was completed over two months in advance. The delayed transmittal to Metro was due to staff attrition and lack of management oversight between the City departments.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The Public Works Department (Department) will ensure staff are properly trained on the preparation, review, and timely submission of forms to the Los Angeles County Metropolitan Transportation Authority. The Department will also improve internal guidelines and communication between City Departments to obtain necessary information in advance of filing deadlines. The expected completion date for implementation of these planned actions is No later than December 31, 2023.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on December 5, 2023. No follow-up is required.

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

PALRF Finding #2023-021	**City of Los Angeles**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on November 16, 2023.
Cause	This was an oversight by the City.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The City will ensure staff are made aware of the timely submission of the recreational transit form to Metro. The City will also improve internal procedures and guidelines to obtain necessary information in advance of filing deadlines.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 16, 2023. No follow-up is required.

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

PCLRF Finding #2023-022	**City of Palmdale**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "…Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2020 PCLRF ending fund balance in the amount of $496,812 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 20, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024. No follow-up is required.

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

PALRF & PCLRF Finding #2023-023	**City of Palos Verdes Estates**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Form C in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 1, 2023.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Form C by the due date.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Form C is entered in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure the Form C is submitted before the deadline.
Corrected During the Audit	The City subsequently entered Form C in the LRMS on December 1, 2023. No follow up is required.

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

PCLRF Finding #2023-024	**City of Palos Verdes Estates**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "…Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2020 ending fund balance of Proposition C Local Return Fund (PCLRF) in the amount of $198,744 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 21, 2023, Metro granted the City an extension on the usage of lapsed funds until June 30, 2024. This is a repeat finding from fiscal years 2021 and 2022.
Cause	This was an oversight by the City due to administrative staff and management turnover for not tracking the timely use of funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	Executive, Management, and administrative staff in the Finance Department have had significant turnover during the past 12 months. All staff that would have been involved in the production of, or had institutional knowledge of, the timely use of funds left the City. In the future, management will ensure the fund is fully expended within 3 years.
Corrected During the Audit	On December 21, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024. No follow up is required.

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

PALRF Finding #2023-025	**City of Rolling Hills**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City did not submit the Form A prior to the fund exchange with the City of Beverly Hills in the amount of $58,400. Instead, the City submitted the information in the Local Return Management System (LRMS) on October 31, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form A is entered in the LRMS before the expenditure of funds so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City acknowledges the oversight and will ensure to submit the Form A before the expenditure of funds.
Corrected During the Audit	The City subsequently received approval for the fund exchange in the LRMS on October 31, 2023. No follow-up is required.

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

PALRF & PCLRF Finding #2023-026	**City of Rolling Hills**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Form C in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form C is entered in the LRMS before the due date so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City acknowledges the oversight and will ensure to submit the Form C on or before October 15th.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 31, 2023. No follow-up is required.

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

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

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

PALRF Finding #2023-028	**City of San Dimas**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on October 24, 2023.
Cause	The new City staff was unfamiliar with the submittal of the listing and did not follow-up with Metro on the reporting requirement deadline.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The new City staff is now aware of the submittal process of the listing and will ensure that in the future, the form will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on October 24, 2023. No follow-up is required.

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

PALRF Finding #2023-029	**City of Signal Hill**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on November 6, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City submitted the Recreational Transit Form on November 6, 2023 due to oversight. In the future, the City will make sure to submit the Recreational Transit Form by the October 15 deadline to ensure compliance with the requirements.
Corrected During the Audit	The City's Recreational Transit Form was submitted on November 6, 2023. No follow-up is required.

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

PALRF Finding #2023-030	**City of Temple City**
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on November 15, 2023.
Cause	The late submission of the listing to Metro was due to an oversight by the City staff.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The City plans to create a checklist to keep track of the deadline dates for submission of the forms, including the listing, as required by Metro for all local return funds.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 15, 2023. No follow-up is required.



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

INTRODUCTION

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

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

THE AUDITS

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

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

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

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

MEASURE R OVERSIGHT COMMITTEE REVIEW

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

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

MEASURE R OVERSIGHT COMMITTEE FINDINGS

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

EXHIBIT 1

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

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

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

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

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

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

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

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

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

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

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed: _____

Collette Langston, Metro Board Clerk

Adopted this 5 day of June, 2024.

Exhibit 2

Los Angeles County
Metropolitan Transportation Authority

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

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

BCA Watson Rice LLP
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Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

For the Year Ended June 30, 2022

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Independent Auditor's Report

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

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure R Fund is intended to present the revenues and expenditures attributable to the Measure R Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2022, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the LACMTA's ability to continue as a going concern for a reasonable period of time.

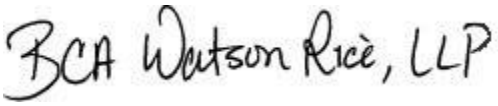
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Prior-Year Comparative Information

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



Torrance, CA
November 17, 2022

Los Angeles County Metropolitan Transportation Authority

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

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

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

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

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

1. Organization

General

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

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

Measure R

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

2. Summary of Significant Accounting Policies

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

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

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and net decline in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2022, the Measure R fund had investment income of $1,839 and net decline in fair value of investments of $7,042. The net decline in fair value of investments were mainly due to a decrease in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Leases

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

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

2. Summary of Significant Accounting Policies (Continued)

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

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

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

Comparative Financial Data

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

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

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

4. Intergovernmental Transactions

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

5. Operating Transfers

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

6. Leases

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

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

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

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

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

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

8. Audited Financial Statements

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

9. Contingent Liabilities

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

10. Restatement

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

11. COVID-19 Impact and Considerations

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. LACMTA expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

12. Subsequent Events

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

Los Angeles County Metropolitan Transportation Authority

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

BCA Watson Rice, LLP

Torrance, California
November 17, 2022

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

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

Report on Compliance

Opinion on Measure R Revenues and Expenditures

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

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

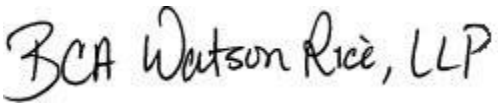
Report on Internal Control over Compliance

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

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

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

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



Torrance, California
November 17, 2022

None noted.

None noted.

Exhibit 3

Los Angeles County
Metropolitan Transportation Authority

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

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

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

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Independent Auditor's Report

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

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure R Fund is intended to present the revenues and expenditures attributable to the Measure R Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2023, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

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

Required Supplementary Information

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

Prior-Year Comparative Information

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

BCA Watson Rice, LLP

Torrance, CA
November 28, 2023

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

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

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

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

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

1. Organization

General

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

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

Measure R

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

2. Summary of Significant Accounting Policies

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

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

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

Investment Income and Net Decline in Fair Value of Investments

Investment income and net decline in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2023, the Measure R fund had an investment income of $18,857 and a net decline in fair value of investments of $6,994. The net decline in the fair value of investments was mainly due to a decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Leases

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

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

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

2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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

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

Comparative Financial Data

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

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

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

4. Intergovernmental Transactions

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

5. Operating Transfers

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

6. Leases

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

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

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

8. Audited Financial Statements

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

9. Contingent Liabilities

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

10. Subsequent Events

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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

BCA Watson Rice, LLP

Torrance, California
November 28, 2023

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

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

Report on Compliance

Opinion on Measure R Revenues and Expenditures

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

BCA Watson Rice, LLP

Torrance, California
November 28, 2023

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

None noted.

None noted.

Exhibit 4

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

VASQUEZ + COMPANY LLP

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

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

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

Report on Internal Control Over Compliance

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-004 and #2022-005, that we consider to be significant deficiencies.

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

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

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



Glendale, California
December 30, 2022

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF 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, 2022

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

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

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

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

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

Details of the findings are in Schedule 2.

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

Finding #2022-001	**City of Bell**
Compliance Reference	Section B(II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Guidelines states that "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year." "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 MRLRF Project Code 170, Maintenance and Operations, totaling $134,979 prior to approval by Metro. Although, we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	Due to staffing constraints, the budget request was not properly allocated and reviewed when it was submitted online.
Effect	The City claimed expenditures totaling $134,979 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management's Response	The $134,979 request was submitted on time, but due to staffing shortage, there was an oversight, and it was not properly allocated/broken down between the Administration and Operating Costs.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval for the said project on September 21, 2022. No follow up is required.

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

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

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

Finding #2022-003	**City of Calabasas**
Compliance Reference	Section B(II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Guidelines states that "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year." "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 MRLRF with no prior approval from Metro for the following projects: a. MRLRF Project code 110, Public Transit Fueling project, totaling $9,968; b. MRLRF Project code 110, Flexible Route Shuttle project, totaling $26,171; c. MRLRF Project code 110, Old Town Calabasas/Commons Trolley project, totaling $6,448; d. MRLRF Project code 110, JARC Grant Local Match Funding project, totaling $20,814; e. MRLRF Project code 130, Dial-A-Ride project, totaling $27,699; f. MRLRF Project code 140, Summer Beach Bus project, totaling $413; g. MRLRF Project code 180, Vehicle and Misc. Equipment project, totaling $5,171; and h. MRLRF Project code 630, Direct Administration project, totaling $59,663. Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from Metro. This is a repeat finding from prior years' audits.

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

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

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

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

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

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

Finding #2022-005	**City of Montebello**
Compliance Reference	Section B (II) Expenditure Plan (Form One) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over $250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures for the following MRLRF projects prior to approval by Metro: a. Project code 490, Sales Tax Revenue Bonds, totaling $1,605; and b. Project code 630, Administrative Overhead, totaling $168,590. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro. This is a repeat finding from prior year's audit.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.
Effect	The City claimed expenditures totaling $170,195 prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.

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

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

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

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

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

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



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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

VASQUEZ + COMPANY LLP

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the aforementioned Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

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

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-001 to be a material weakness.

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

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

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



Glendale, California
December 29, 2023

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
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, 2023

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

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

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

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

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

Details of the above findings are in Schedule 2.

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

Finding #2023-001	**City of Huntington Park**
Compliance Reference	Measure R Local Return Guidelines Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork, the City's year-end closing process is still ongoing. We noted the following observations: • Reconciliation of major balance sheet accounts including bank accounts was not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. Accordingly, the audits of the City's financial statements for fiscal years 2022 and 2023 have not yet started because of the clean-up and closing process currently being done.
Cause	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.

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

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

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

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

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

Finding #2023-003	**City of South Gate**
Compliance Reference	Section B (II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Program Guidelines states that "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year." "Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over $250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures for the following MRLRF projects with no prior approval from Metro: a. Project code 390, Citywide LED Street Light Conversion, totaling $20,150; and b. Project code 730, Alameda St. Complete Street, totaling $321,504. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.
Cause	The projects were inadvertently not included.
Effect	The City claimed expenditures totaling $341,654 prior to approval from Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management's Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the said projects on October 17, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on October 18, 2023. No additional follow-up is required.



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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurance and Understanding Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

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

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-006 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-003 to be a significant deficiency.

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

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

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

Simpson & Simpson

Los Angeles, California
December 30, 2022

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

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

SUMMARY OF AUDIT RESULTS

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

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

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

Details of the findings are in Schedule 2.

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

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

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

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

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

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

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

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

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

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

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

Finding #2022-006	**City of Downey**
Compliance Reference	According to Measure R Local Return Guidelines, Section A.I: Program Summary, "The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes." and Section B.VII: Audit Section states, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines." In addition, the LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state, "that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one's supervisor." Also, the memo states that: "(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, 2022
(Continued)

Finding #2022-006 (Continued)	**City of Downey**
Condition	To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 630 in the amount of $12,066 were based on estimated percentages on MRLRF activity rather than the employee's actual hours worked on the project. Although the City provided a time study listing of the employees charged to MRLRF, the salaries and benefits were based on estimated percentages. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2021-22. This is a repeat finding from the prior six fiscal years.
Cause	The City allocates the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations have been used in prior fiscal years.
Effect	The payroll costs claimed under the MRLRF projects may include expenditures which may be disallowed Measure R project expenditures. This resulted in a questioned cost of $12,066.
Recommendation	We recommend that the City reimburse its MRLRF account for $12,066. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the program.
Management's Response	As a resolution to prior years' findings, the City indicated in April 2022 that its corrective action plan was to have an outside consultant (Revenue and Cost Specialists) who was hired during fiscal year 2021-22 to prepare an updated CAP and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23. Although the CAP was for fiscal year 2022-23, the City, in a good faith effort, ensure that the payroll and benefits charges allocated to MRLRF in fiscal year 2021-22 were within the amounts allowed by the new CAP. All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the payroll expenditures based on the new cost study.

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

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

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

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

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

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

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

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

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

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

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

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

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 through #2023-011. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-003 and #2023-008, that we consider to be significant deficiencies.

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

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

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

Simpson & Simpson

Los Angeles, California
December 29, 2023

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

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

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

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

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

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

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

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

Details of the findings are in Schedule 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

Finding #2023-007	**City of Glendora**
Compliance Reference	The Measure R Local Return Guidelines, Section A.I: Program Summary, states, "The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes." and Section B.VII: Audit Section, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines."
Condition	During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows: a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 Normally, both the employee and their supervisor are required to sign these forms. However, in special circumstances, such as when employees are on sick leave due to a work injury, on unpaid leave, or receiving salary continuation due to an industrial injury, the City Manager's signature is also necessary. During our review, we noted that in the following scenarios, only the supervisors' signatures were present, and the City Manager's signature was absent: a) Employees on sick leave due to work injury b) Employees on unpaid leave c) Employees receiving salary continuation due to industrial injury Of the eleven (11) payroll transactions tested, charges for seven (7) transactions were allocated to the MRLRF despite the absence of the required authorization documentation from the City management, particularly in special circumstances cases. However, since these charges are allowable and eligible expenses for the local return funds, they will not be questioned. Furthermore, we noted salary discrepancies amounting to $94 in three (3) out of eleven (11) payroll transactions tested. The differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees' hourly rates. However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return funds, these discrepancies will not be questioned.

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

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

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

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

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

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

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

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

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

Finding #2023-011	**City of South Pasadena**
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The expenditures for the following MRLRF projects were incurred prior to Metro's approval: a. Planning, Engineering for Transit Services Project Code 180, in the amount of $380. b. Planning, Engineering for Traffic Control Project Code 380, in the amount of $7,593. c. Planning, Engineering for Transportation Marketing Project Code 580 in the amount of $569. d. Planning, Engineering for Streets and Roads Project Code 780 in the amount of $2,848. e. Planning, Engineering for Active Transportation Project Code 880 in the amount of $3,797. However, the City subsequently received approved budgets in the total amount of $15,187 from Metro on December 4, 2023 for the same amounts of the expenditures incurred on all of the projects listed above.
Cause	This finding occurred due to a misunderstanding of the coding system. The team was under the impression that the newly hired staff's time can only be used as administrative expenditures, leading to the misallocation of the expenses.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City's expenditures of Measure R Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City is taking immediate steps to rectify the situation, including re-training the City staff on the coding system and reviewing all recent transactions to ensure that they are properly coded. The City also is implementing additional checks and balances to prevent similar issues in the future.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 4, 2023. No follow-up is required.



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

INTRODUCTION

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

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

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

THE AUDITS

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

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

- Untimely Submittal of Forms: Eleven (11) findings of Cities not having submitted forms on time. Form M-One and Form M-Two are required to be submitted by Cities to Metro identifying the budget and expenditures of their Measure M Local Return funded projects.

- Failure to Obtain Approval Before Incurring Expenses: Seven (7) cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting a Form M-One which lists the project name, amount of Measure M Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure M Local Return eligibility per the Local Return Guidelines.

MEASURE M OVERSIGHT COMMITTEE REVIEW

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

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

The Committee was satisfied with the audit reports.

MEASURE M OVERSIGHT COMMITTEE FINDINGS

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

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

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

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

EXHIBIT 1

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

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

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

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

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

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

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

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

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

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

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed: _____

Collette Langston, Metro Board Clerk

Adopted this 7 day of June 2023.

Exhibit 2

Los Angeles County
Metropolitan Transportation Authority

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

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

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Los Angeles County Metropolitan Transportation Authority

Measure M Special Revenue Fund
For the Year Ended June 30, 2022

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Independent Auditor's Report

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

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure M Fund is intended to present the revenues and expenditures attributable to the Measure M Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2022, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the LACMTA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Prior-Year Comparative Information

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



Torrance, CA
November 17, 2022

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

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

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

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

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

1. Organization

General

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

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

Measure M

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

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

2. Summary of Significant Accounting Policies

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

2. Summary of Significant Accounting Policies (Continued)

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

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and net decline in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by State statutes. For the fiscal year ended June 30, 2022, the Measure M fund had investment income of $5,900 and net decline in fair value of investments of $15,666. The net decline in investments was mainly due to a decrease in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

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

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

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

4. Intergovernmental Transactions

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

5. Operating Transfers

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

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

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

8. Audited Financial Statements

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

9. Contingent Liabilities

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

10. COVID-19 Impact and Considerations

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. LACMTA expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

11. Subsequent Events

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

Los Angeles County Metropolitan Transportation Authority

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

BCA Watson Rice, LLP

Torrance, California
November 17, 2022

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

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

Report on Compliance

Opinion on Measure M Revenues and Expenditures

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

BCA Watson Rice, LLP

Torrance, California
November 17, 2022

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

None noted.

None noted.

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

VASQUEZ + COMPANY LLP

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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

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

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

Report on Internal Control Over Compliance

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-004 and #2022-005, that we consider to be significant deficiencies.

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

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

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



Glendale, California
December 30, 2022

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF 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 M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

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

SUMMARY OF AUDIT RESULTS

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

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

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

Details of the findings are in Schedule 2.

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

Finding #2022-001	**City of Bell**
Compliance Reference	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 MMLRF Project Code 170, Maintenance and Operation, totaling $30,428 prior to approval by Metro. Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from Metro.
Cause	Due to staffing constraints, the budget request was not properly allocated and reviewed when it was submitted online.
Effect	The City claimed expenditures totaling $30,428 prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.
Management's Response	The $30,428 request was submitted on time, but due to staffing shortage, there was an oversight, and it was not properly allocated/broken down between the Administration and Operating Costs.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval for the said project on September 21, 2022. No follow up is required.

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

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

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

Finding #2022-003	**City of Calabasas**
Compliance Reference	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 MMLRF Project Code 640, Direct Administration, totaling $41,656 prior to approval by Metro. Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro. This is a repeat finding from prior years' audits.
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed MMLRF expenditures totaling $41,656 prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.

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

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

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

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

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

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

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

Finding #2022-005	**City of Montebello**
Compliance Reference	Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One) or its electronic equivalent, annually, by August 1st of each year". "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 for the following MMLRF projects prior to approval by Metro: a. Project code 490, Sales Tax Revenue Bonds, totaling $1,605; and b. Project code 640, Administrative Overhead, totaling $51,352. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro. This is a repeat finding from prior year's audit.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.
Effect	The City claimed expenditures totaling $52,957 prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.

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

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

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

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

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

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



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

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurance and Understanding Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Other Matters

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

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding # 2022-004 to be a significant deficiency.

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

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

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

Simpson & Simpson

Los Angeles, California
December 30, 2022

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

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

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

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

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

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

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

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

Details of the findings are in Schedule 2

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

Finding #2022-001	**City of Alhambra**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, "New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, "The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:… Verification that funds were expended with Metro's approval."
Condition	The expenditures for the following MMLRF projects were incurred prior to Metro's approval: a. Project Code 780, Professional Engineering Consulting Services to Advance the 710 N Arterial and I-10 Interchange Improvement Concepts, in the amount of $559,246. b. Project Code 780, Professional Stakeholder Outreach Consulting Services for 710 North Terminus, in the amount of $10,696. However, the City received retroactive project approvals from Metro on November 2, 2022.
Cause	The City's mistakenly made an assumption that the projects were already approved by Metro prior to expenditures being incurred.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF projects were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Measure M Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City agrees with this finding. The City will closely monitor that all of the projects are approved and ensure that the expenditures are not incurred prior to Metro's approval.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said projects on November 2, 2022. No follow-up is required.

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

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

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

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

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

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

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

Finding #2022-005	**City of Covina**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, "New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, "The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:… Verification that funds were expended with Metro's approval."
Condition	The expenditures for the following MMLRF projects were incurred prior to Metro's approval: a. Project Code 302, Azusa Avenue Traffic Signal Rehabilitation, in the amount of $42,260. b. Project Code 304, Traffic Signal Maintenance, in the amount of$210,000. However, the City received retroactive project approvals from Metro on October 13, 2022.
Cause	Expenditures were reallocated to MMLRF to make better use of available transportation funding. Changes were made during the mid-year budget process that were not reported to Metro until October 13, 2022.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF projects were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, and properly enter the budgeted amount for each project in the LRMS and submit before the requested due date so that the City's expenditures of Measure M Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's Finance and Public Works departments will work together to ensure that any budget changes are communicated to Metro immediately so that all projects have the necessary budget approvals.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said projects on October 13, 2022. No follow-up is required.

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

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

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

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

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

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

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

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

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

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

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

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

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

INTRODUCTION

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

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

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

THE AUDITS

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

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

- Untimely Submittal of Forms: Seven (7) findings of Cities not having submitted forms on time. Form M-One and Form M-Two are required to be submitted by Cities to Metro identifying the budget and expenditures of their Measure M Local Return funded projects. The findings have been resolved as the Cities subsequently submitted the required forms.

- Failure to Obtain Approval Before Incurring Expenses: Two (2) cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting a Form M-One which lists the project name, amount of Measure M Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure M Local Return eligibility per the Local Return Guidelines. The findings have been resolved as the Cities subsequently submitted the required forms and obtained retroactive approvals from Metro.

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

MEASURE M OVERSIGHT COMMITTEE REVIEW

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

The Committee inquired and received satisfactory responses to whether staff turnover within the jurisdictions is a possible cause for the non-compliance issues.

The Committee was satisfied with the audit reports.

MEASURE M OVERSIGHT COMMITTEE FINDINGS

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

(2) Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2023; and

(3) The County and Cities complied in all material respects with the Measure M Ordinance and guidelines that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2023.

The audits found eleven (11) instances of non-compliance within ten (10) local jurisdictions which are in the process of being resolved.

EXHIBIT 1

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

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

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

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

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

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

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

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

Metro complied, in all material respects, with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2023;

The County and Cities complied with the Ordinance requirements that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2023. The audits found eleven (11) instances of non-compliance in ten (10) local jurisdictions including two (2) material weaknesses and two (2) significant deficiencies in internal controls over compliance. All but two compliance issues have been resolved. Metro staff is working with the jurisdiction to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed: _____

Collette Langston, Metro Board Clerk

Adopted this 5 day of June 2024.

Los Angeles County
Metropolitan Transportation Authority

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

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

BCAWR
Certified Public Accountants & Advisors

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

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Independent Auditor's Report

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

Report on the Audit of the Schedule of Measure M Revenues and Expenditures

Opinion

We have audited the accompanying Schedule of Measure M Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure M Fund is intended to present the revenues and expenditures attributable to the Measure M Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2023, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

Responsibilities of Management for the Schedule of Measure M Revenues and Expenditures

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule of Measure M Revenues and Expenditures

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic Schedule in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Schedule, and other knowledge we obtained during our audit of the basic Schedule. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of expenditures by subfund and programs - budget to actual and the schedule of fund balances by subfund and programs for the fiscal year ended and as of June 30, 2023, on pages 10 and 11 are presented for purposes of additional analyses and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure M Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 17, 2022. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited Schedule from which it has been derived.

BCA Watson Rice, LLP

Torrance, CA
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for 2022)
(Amounts expressed in thousands)

	2023	2022
Revenues		
Sales tax	$ 1,106,177	$ 1,089,933
Intergovernmental	1,581	-
Investment income	29,304	5,900
Net decline in fair value of investments	(1,647)	(15,666)
Total revenues	1,135,415	1,080,167
Expenditures		
Administration and other	64,634	57,292
Transportation subsidies	346,936	327,855
Total expenditures	411,570	385,147
Excess of revenues over expenditures	723,845	695,020
Other financing sources (uses)		
Transfers in	837	-
Transfers out	(685,159)	(256,030)
Total other financing sources (uses)	(684,322)	(256,030)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$ 39,523	$ 438,990

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and net decline in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by State statutes. For the fiscal year ended June 30, 2023, the Measure M fund had an investment income of $29,304 and a net decline in the fair value of investments of $1,647. The net decline in investments was mainly due to a decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

The amounts shown for 2022 in the accompanying Schedule are included only to provide a basis for comparison with 2023 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure M fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in the financial position thereof for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

4. Intergovernmental Transactions

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure M Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure M Ordinance.

6. Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Measure M fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of $39,523 primarily due to higher sales tax and investment income. The foregoing factors contributed to the increase in Measure M Fund balance from $1,111,432 to $1,150,955 at June 30, 2023.

8. Audited Financial Statements

The audited financial statements for the Measure M Special Revenue Fund for the fiscal year ended June 30, 2023, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

10. Subsequent Events

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 28, 2023, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Sales tax	$ 1,031,800	$ 1,031,800	$ 1,106,177	$ 74,377
Intergovernmental	10,607	10,607	1,581	(9,026)
Investment income	-	-	29,304	29,304
Net decline in fair value of investments	-	-	(1,647)	(1,647)
Total revenues	1,042,407	1,042,407	1,135,415	93,008
Expenditures				
Administration and other	99,977	97,070	64,634	32,436
Transportation subsidies	407,887	405,710	346,936	58,774
Total expenditures	507,864	502,780	411,570	91,210
Excess of revenues over expenditures	534,543	539,627	723,845	184,218
Other financing sources (uses)				
Transfers in	15,456	15,456	837	(14,619)
Transfers out	(779,694)	(779,694)	(685,159)	94,535
Total other financing sources (uses)	(764,238)	(764,238)	(684,322)	79,916
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$ (229,695)	$ (224,611)	$ 39,523	$ 264,134

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Expenditures by Subfund and Programs – Budget and Actual
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

Subfund	Programs	Final Budget	Actual	Variance with Final Budget
	Program:			
Transit Operating and Maintenance	Metro rail operations	$ -	$ 137,102	$ (137,102)
	Transit operations	71,999	229,937	(157,938)
	ADA Paratransit	20,326	12,440	7,886
Transit/First/ Last Mile (Capital)	Transit construction	591,762	330,057	261,705
	Metro State of Good Repair	31,531	11,389	20,142
Highway, Active Transportation, Complete Streets (Capital)	Highway construction	335,262	166,189	169,073
	Metro active transportation program	25,608	8,747	16,861
Local Return/ Regional Rail	Local return	162,457	185,229	(22,772)
	Regional rail	11,745	10,788	957
	Total Program	1,250,690	1,091,878	158,812
Administration	Administration	16,328	4,014	12,314
	Total	$ 1,267,018	$ 1,095,892	$ 171,126

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Fund Balances by Subfund and Programs
For the Fiscal Year Ended June 30, 2023
(Amounts expressed in thousands)

			Revenues			Expenditures/Uses of Funds				
Subfund	**Programs**	**Balance, July 1, 2023**	**Revenue Allocations**	**Other Revenues**	**Total Revenues**	**Admin**	**Local Return / Transportation Subsidies**	**Transfers-out/ Capital Projects**	**Other Financing Sources**	**Fund Balance**
	Program:									
Transit Operating & Maintenance	Metro Rail Operations	$ 91,985	$ 54,095	$ 1,128	$ 55,223	$ -	$ -	$ (137,102)	$ -	$ 10,106
	Transit Operations	398,841	225,063	(670)	224,393	-	(71,940)	(157,997)	-	393,297
	ADA Paratransit	(65)	22,072	(135)	21,937	-	-	(12,440)	-	9,432
Sub-total		490,761	301,230	323	301,553	-	(71,940)	(307,539)	-	412,835
Transit/First/ Last Mile (Capital)	Transit Construction	(52,099)	387,020	(1,056)	385,964	(15,884)	(2,197)	(312,813)	837	3,808
	Metro State of Good Repair	21,751	22,625	(200)	22,425	-	-	(11,390)	-	32,786
Sub-total		(30,348)	409,645	(1,256)	408,389	(15,884)	(2,197)	(324,203)	837	36,594
Highway, Active Transportation, Complete Streets (Capital)	Highway Construction	582,635	202,606	(2,316)	200,290	(37,795)	(85,520)	(42,873)	-	616,737
	Active Transportation Program	53,403	23,328	(323)	23,005	(6,165)	(813)	(1,769)	-	67,661
Sub-total		636,038	225,934	(2,639)	223,295	(43,960)	(86,333)	(44,642)	-	684,398
Local Return/ Regional Rail	Local Return	-	185,229	-	185,229	-	(185,229)	-	-	-
	Regional Rail - Metrolink	9,755	11,167	(22)	11,145	(776)	(1,237)	(8,775)	-	10,112
Sub-total		9,755	196,396	(22)	196,374	(776)	(186,466)	(8,775)	-	10,112
	Total program	$ 1,106,206	$ 1,133,205	$ (3,594)	$ 1,129,611	$ (60,620)	$ (346,936)	$ (685,159)	$ 837	$ 1,143,939
Administration	Administration	5,226	5,846	(42)	5,804	(4,014)	-	-	-	7,016
	Grand Total	$ 1,111,432	$ 1,139,051	$ (3,636)	$ 1,135,415	$ (64,634)	$ (346,936)	$ (685,159)	$ 837	$ 1,150,955

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the LACMTA's Schedule will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LACMTA's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 28, 2023

BCAWR
Certified Public Accountants & Advisors

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Independent Auditor's Report on Compliance with Requirements Applicable to Measure M Revenues and Expenditures in Accordance with the *Los Angeles County Traffic Improvement Plan Ordinance No. 16-01*

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

Opinion on Measure M Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the *Los Angeles County Traffic Improvement Plan Ordinance No. 16-01* (the Ordinance) applicable to LACMTA's Measure M revenues and expenditures for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LACMTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of LACMTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Measure M revenues and expenditures.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on LACMTA's compliance with Measure M revenues and expenditures based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LACMTA's compliance with the requirements of the Measure M revenues and expenditures as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LACMTA's compliance with the compliance requirements referred to above and performing other procedures as necessary in the circumstances.

- Obtain an understanding of LACMTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Measure M revenues and expenditures, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant deficiencies, and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the compliance requirements of the Measure M revenues and expenditures. Accordingly, this report is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2023

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Status of Prior Year Audit Findings

None noted.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

VASQUEZ + COMPANY LLP

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES

To the Board of Directors of the Los Angeles County Metropolitan Transportation Authority and Measure M Independent Taxpayer Oversight Committee

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the aforementioned Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the County and the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the County's and the Cities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the County's and the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the County and each City's Measure M Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's and the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's and the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's and the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the County's and the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the County's and the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 and #2023-002. Our opinion is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the Cities' responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.



Glendale, California
December 29, 2023

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2023

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF 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 M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023

The audits of the County of Los Angeles and 39 cities have resulted in 2 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Annual Expenditure Report (Actuals Entry) or electronic equivalent was submitted on time.	1	Lynwood (See Finding #2023-002)	None	None
Accounting procedures, record keeping and documentation are adequate.	1	Huntington Park (See Finding #2023-001)	None	None
Total Findings and Questioned Costs	**2**		**None**	**None**

Details of the above findings are in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023

Finding #2023-001	**City of Huntington Park**
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork, the City's year-end closing process is still ongoing. We noted the following observations: • Reconciliation of major balance sheet accounts including bank accounts was not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. Accordingly, the audits of the City's financial statements for fiscal years 2022 and 2023 have not yet started because of the clean-up and closing process currently being done.
Cause	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-001 (Continued)	**City of Huntington Park**
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-002	**City of Lynwood**
Compliance Reference	Section XXV Administrative, Reporting Requirements Annual Expenditure Report (Actuals Entry) of Measure M Local Return Guidelines states that "Jurisdiction shall submit on or before October 15th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) on October 23, 2023, 8 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15th as required by the Guidelines.
Management's Response	The City will ensure the Measure M Actuals Entry is submitted in a timely manner by October 15th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry). No follow-up is required.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES

TO THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Simpson & Simpson, LLP
Certified Public Accountants

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer Oversight Committee

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the Cities' compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for the Cities' compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to each City's Measure M Local Return program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cities' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cities' compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Cities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the Cities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 through #2023-009. Our opinion is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the noncompliance findings identified in our compliance audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-004, that we consider to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-002 and #2023-006, that we consider to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 29, 2023

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2023

1. CITY OF ALHAMBRA
2. CITY OF ARCADIA
3. CITY OF ARTESIA
4. CITY OF AVALON
5. CITY OF BELLFLOWER
6. CITY OF BRADBURY
7. CITY OF BURBANK
8. CITY OF CERRITOS
9. CITY OF CLAREMONT
10. CITY OF COVINA
11. CITY OF DIAMOND BAR
12. CITY OF DOWNEY
13. CITY OF DUARTE
14. CITY OF EL SEGUNDO
15. CITY OF GLENDALE
16. CITY OF GLENDORA
17. CITY OF HAWAIIAN GARDENS
18. CITY OF HERMOSA BEACH
19. CITY OF LA CANADA FLINTRIDGE
20. CITY OF LA HABRA HEIGHTS
21. CITY OF LA MIRADA
22. CITY OF LA VERNE
23. CITY OF LAKEWOOD
24. CITY OF LANCASTER
25. CITY OF LOMITA
26. CITY OF LONG BEACH
27. CITY OF LOS ANGELES
28. CITY OF MANHATTAN BEACH
29. CITY OF MONROVIA
30. CITY OF NORWALK
31. CITY OF PALMDALE
32. CITY OF PALOS VERDES ESTATES
33. CITY OF PARAMOUNT
34. CITY OF PASADENA
35. CITY OF RANCHO PALOS VERDES
36. CITY OF REDONDO BEACH
37. CITY OF ROLLING HILLS
38. CITY OF ROLLING HILLS ESTATES
39. CITY OF SAN DIMAS
40. CITY OF SAN GABRIEL
41. CITY OF SAN MARINO
42. CITY OF SANTA CLARITA
43. CITY OF SIERRA MADRE
44. CITY OF SIGNAL HILL
45. CITY OF SOUTH PASADENA
46. CITY OF TEMPLE CITY
47. CITY OF TORRANCE
48. CITY OF WEST COVINA
49. CITY OF WHITTIER

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure M funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.
12. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

SCHEDULE 1

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 9 findings. The table below summarize those findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Arcadia (#2023-001) South Pasadena (#2023-009)	$ 1,961 15,187	$ 1,961 15,187
Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	1	Bradbury (#2023-003)	None	None
Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	5	Artesia (#2023-002) Bradbury (#2023-004) La Habra Heights (#2023-006) Palos Verdes Estates (#2023-007) Rolling Hills (#2023-008)	None None None None None	None None None None None
Accounting procedures, record keeping and documentation are adequate.	1	Glendora (#2023-005)	None	None
Total Findings and Questioned Costs	**9**		**$ 17,148**	**$ 17,148**

Details of the findings are in Schedule 2

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023

Finding #2023-001	**City of Arcadia**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, "New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, "The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:… Verification that funds were expended with Metro's approval."
Condition	The expenditures for MMLRF's Project Code 820, Baldwin Avenue Streetscape Improvement Street, in the amount of $1,961 were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of $500,000 from Metro for the said MMLRF project on November 30, 2023.
Cause	The finding was due to staff turnover among those responsible for submitting the budgets to Metro.
Effect	The City did not comply with the Measure M Local Return Guidelines as expenditures for the MMLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it before the requested due date so that the City's expenditures of Measure M Local Return Funds are in accordance with Metro's approval and the Measure M Local Return Guidelines.
Management's Response	The finding was due to staff turnover among those responsible for submitting the budgets. Staff have since then addressed this matter with Metro. Metro has retro-actively accepted this project.
Corrected During the Audit	Metro granted retroactive budget approval for the project on November 30, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-002	**City of Artesia**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on December 18, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form M-Two is entered in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that Form M-Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-003	**City of Bradbury**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "To maintain legal eligibility and meet Measure M LR Program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually by August 1st of each year."
Condition	The City did not meet the August 1, 2022 deadline for submitting Form M-One in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form M-One is submitted in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure M Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form M-One before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-004	**City of Bradbury**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form M-Two is submitted in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure M Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form M-Two before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-005	**City of Glendora**
Compliance Reference	The Measure M Local Return Guidelines, Section XXV: Program Objective, states, "The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to cities and County of Los Angeles (Jurisdictions) may be used for purposes other than transportation purposes." and Audit Requirements, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation…"
Condition	During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows: a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 We noted salary discrepancies amounting to $299 in three (3) payroll transactions tested. These differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees' hourly rates. However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return funds, these discrepancies will not be questioned.
Cause	In reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to MMLRF, resulting in an under allocation of salaries to the local return funds.
Effect	Payroll discrepancies resulting from improper timecard management and limited HR data access can lead to misallocation of the local return funds.
Recommendation	We recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund's projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-005 (Continued)	**City of Glendora**
Management's Response	The City is implementing a new finance system that will require electronic entry, thereby eliminating manual entry, in which the proper funds will be charged for the time worked on projects and will be better managed by the City. However, in order to resolve this issue at the present time, the employees will now be required to attach and submit the Certification with the timecard to the supervisor for validation that the hours are listed accurately and broken down according to the appropriate funds to be charged. Furthermore, the City plans to have a discussion meeting on providing access to HR files to the Finance department employees for any payroll-related documents that is requested so they can be provided to the Metro auditor during the audit.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-006	**City of La Habra Heights**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to recent turnover among administrative staff and management.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Measure M Local Return Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 20, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-007	**City of Palos Verdes Estates**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on December 1, 2023.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Form M-Two Report by the due date.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form M-Two is entered in the LRMS before the due date so that the City is in compliance with Measure M Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure Form M-Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered Form M-Two in the LRMS on December 1, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-008	**City of Rolling Hills**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form M-Two in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form M-Two is entered in the LRMS before the due date so that the City is in compliance with the Measure M Local Return Guidelines.
Management's Response	The City acknowledges the oversight and will ensure to submit the Form M-Two on or before October 15th.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 31, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-009	**City of South Pasadena**
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, "New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, "The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:… Verification that funds were expended with Metro's approval."
Condition	The expenditures for the following MMLRF projects were incurred prior to Metro's approval: a. Planning, Engineering for Transit Services Project Code 180, in the amount of $380. b. Planning, Engineering for Traffic Control Project Code 380, in the amount of $7,593. c. Planning, Engineering for Transportation Marketing Project Code 580 in the amount of $569. d. Planning, Engineering for Streets and Roads Project Code 780 in the amount of $2,848. e. Planning, Engineering for Active Transportation Project Code 880 in the amount of $3,797. However, the City subsequently received approved budgets in the total amount of $15,187 from Metro on December 4, 2023 for the same amounts of the expenditures incurred on all of the projects listed above.
Cause	This finding occurred due to a misunderstanding of the coding system. The team was under the impression that the newly hired staff's time can only be used as administrative expenditures, leading to the misallocation of the expenses.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF projects were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City's expenditures of Measure M Local Return Funds are in accordance with Metro's approval and the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-009 (Continued)	**City of South Pasadena**
Management's Response	The City is taking immediate steps to rectify the situation, including re-training the City staff on the coding system and reviewing all recent transactions to ensure that they are properly coded. The City also is implementing additional checks and balances to prevent similar issues in the future.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said projects on December 4, 2023. No follow-up is required.



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MANAGEMENT
AUDIT SERVICES

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Delivering value through partnership and trust

Fiscal Years 2022 and 2023 Consolidated Audit

Finance, Budget and Audit Committee

July 18, 2024

Kimberly Houston, Deputy Chief Auditor

Metro

MANAGEMENT AUDIT SERVICES

Background



Metro must provide assurance that recipients of funds are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source



Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company and Simpson and Simpson, certified public accountants, for FY22 and FY23

General Assessment / Next Steps

- The auditors concluded that the County, Cities, transit operators, and other agencies, with the exception of the City of Huntington Park, complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for FY22 and FY23. The Independent Citizens' Advisory Oversight Committee requested a report back on the City of Huntington Park and met with Local Programming staff and City representatives during the June 2024 Public Hearing.

- Conduct FY24 Consolidated Audit – Fall/Winter 2024

- Present Findings to ITOCs / hold public hearings – Spring/Summer 2025

- Present Findings to Metro Board – Summer 2025

Questions

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2024-0408, **File Type:** Program **Agenda Number:** 23.

FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: CUSTODIAL BANKING SERVICES

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 3 to Contract No. PS133590000 with U.S. Bank N.A. in the amount of $500,000 to continue to provide custodial banking services, increasing the contract value from $1,100,370 to $1,600,370 and extending the period of performance from December 31, 2024 to March 31, 2025.

ISSUE

The Contract Modification will ensure uninterrupted custodial banking services for Metro through March 31, 2025. The action will allow staff sufficient time to procure these services through a competitive procurement process, expanding participation opportunities for small businesses and local community banks. This also allows for a three-month transition period.

The existing contract with US Bank N.A. will expire on December 31, 2024.

BACKGROUND

Metro's Investment Policy requires that securities purchased for the investment of operating funds be maintained in the trust department or the safekeeping department of an established bank. Staff uses the services of a custodial bank, in compliance with the Board approved Investment Policy. Custodial banking charges are a combination of asset-based fees and transaction fees. Asset-based fees apply a fixed percentage based on the market value of investments. Transaction fees are fixed amounts charged per transaction on trading activity.

The current contract, inclusive of a three-year base term and two, one-year renewal options, was awarded in July 2019 to U.S. Bank Institutional Trust & Custody in the amount of $1,000,370. It was subsequently modified to increase the contract value by $100,000 and extend the term by three months through December 31, 2024.

DISCUSSION

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Metro's operating funds, the pool of revenue used to pay expenses such as project costs, payroll, fuel, and supplies must comply with the Board approved Investment Policy. The Investment Policy requires an external trust bank to provide custodial services of operating funds, compliance reporting, and performance measurement services.

The original contract was based on a lower estimated total of assets under custody. Metro experienced a significant increase in investment holdings and trade volume since the contract's inception in late 2019. As of March 31, 2024, the number of accounts has grown from nine to fifteen, and the market value of investments has increased from $1.2 billion to $3.1 billion (a 158% increase). This increase is primarily due to federal fund receipts due to COVID-19 along with strong sales tax performance post pandemic. In FY21, Metro received $862 million in CARES funds and $776 million in CRRSAA funds. In FY22 and FY23, Metro received $1,269 million in ARPA funds. Although the custodial fee rates have not changed, the increase in funds from CARES, CRRSAA, and ARPA resulted in higher fees which required the additional contract authority.

Additionally, since the custody contract was executed in 2019, five new investment manager accounts and two special purpose accounts have been opened. The combination of increased investment holdings, new accounts, and trading activity has led to higher than estimated custody fees.

The contract modification will provide funding to support the custodial banking services in the amount of $500,000 for FY25 and extend the contract to March 31, 2025. Treasury understands the importance of completing contract extensions and renewals promptly to avoid service disruptions. There are inherent challenges in forecasting future account fluctuations, particularly during unforeseen circumstances. For the new custodial banking services contract, Treasury will utilize all the resources to better estimate the fluctuations due to the timing of receipt of revenues from Federal and State grants, especially in light of potential Olympic funding programs in process.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not have an impact on safety standards for Metro operations.

FINANCIAL IMPACT

Funding for this Contract Modification is included in the FY25 budget in the amount of $500,000 under 50316 - Service Professional and Tech Services in cost center 5210 Treasury Department. The funds are divided among three projects: 4% to Project 100002, Task 30.02; 43% to Project 300076, Task 30.02; and 53% to Project 610340, Task 30.02.

Impact to Budget

The sources of funds for this action are Proposition A, Proposition C and TDA Administration funds, which are Operating eligible.

EQUITY PLATFORM

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This action provides custodial banking services to Metro's internal and external portfolio accounts. Metro has eight external investment manager accounts custodied at US Bank. Five of the eight firms are small business firms, minority owned, women owned or employee-owned firms.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports Metro's Vision 2028 Goal#5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

ALTERNATIVES CONSIDERED

Since Metro's Investment Policy mandates the use of an external custody bank to safekeep operating fund securities or cash, no alternatives are recommended.

NEXT STEPS

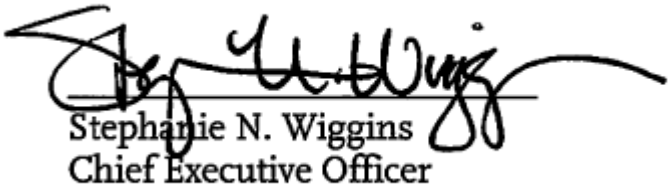
Upon Board approval, staff will execute Modification No. 3 to Contract No. PS133590000 with U.S. Bank N.A. to continue to provide custodial banking services.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

Prepared by: Jin Yan, Assistant Treasurer, (213) 922-2127
Mary E. Morgan, Deputy Executive Officer, Finance, (213) 922-4143
Rodney Johnson, Treasurer, (213) 922-3417
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer (Interim) (213) 213-4471

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

CUSTODIAL BANKING SERVICES/PS133590000

1.	**Contract Number**: PS133590000			
2.	**Contractor**: U.S. Bank N.A.			
3.	**Mod. Work Description**: Continue existing services and extend the period of performance from December 31, 2024 through March 31, 2025			
4.	**Contract Work Description**: Provide custodial banking services			
5.	**The following data is current as of**: 6/4/24			
6.	**Contract Completion Status**		**Financial Status**	
	Contract Awarded:	7/25/19	**Contract Award Amount:**	$600,222
	Notice to Proceed (NTP):	N/A	**Total of Modifications Approved:**	$500,148
	Original Complete Date:	12/31/24	**Pending Modification (including this action):**	$500,000
	Current Est. Complete Date:	3/31/25	**Current Contract Value (with this action):**	$1,600,370
7.	**Contract Administrator**: Aielyn Dumaua		**Telephone Number**: (213) 922-7320	
8.	**Project Manager**: Jan Yin		**Telephone Number:** (213) 922-2127	

A. Procurement Background

This Board Action is to approve Modification No. 3 to continue to provide custodial banking services and extend the period of performance from December 31, 2024 through March 31, 2025.

This contract modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm-fixed unit rate.

In July 2019, the Board awarded a five-year (inclusive of two, one-year options), firm fixed unit rate contract to U.S. Bank N.A. to provide custodial banking services.

Two modifications have been issued to date.

Refer to Attachment B – Contract Modification/Change Order Log.

B. Price Analysis

The recommended price has been determined to be fair and reasonable based on price analysis. The contract rates that were established as part of the competitive contract award in July 2019 remain unchanged and are lower than current market rates for similar services.

Proposed Amount	Metro ICE	Recommended Amount
$500,000	$500,000	$500,000

CONTRACT MODIFICATION/CHANGE ORDER LOG

CUSTODIAL BANKING SERVICES/PS133590000

Mod. No.	Description	Date	Amount
1	Exercise options 1 and 2 and extend the period of performance (POP) through September 30, 2024.	9/30/22	$400,148
2	Continue services and extend POP through December 31, 2024.	5/20/24	$100,000
3	Continue services and extend POP through March 31, 2025.	**Pending**	**$500,000**
	Modification Total:		**$1,000,148**
	Original Contract:	**7/25/19**	**$600,222**
	Total Contract Value:		**$1,600,370**

DEOD SUMMARY

CUSTODIAL BANKING SERVICES/PS133590000

A. Small Business Participation

The Diversity & Economic Opportunity Department did not establish a Small Business Enterprise/Disabled Veteran Business Enterprise (SBE/DVBE) goal for this project due to the lack of subcontracting opportunities. U.S. Bank N.A. is expected to provide the custodial banking services with its own workforce.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this modification.

C. Prevailing Wage Applicability

Prevailing Wage is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of $2.5 million.

Item #23

Custody Bank Contract Modification

Finance, Budget and Audit Committee
July 18, 2024

Metro

Custody Bank Contract Modification

Causes and benefits of the modification:

- Metro's Investment Policy requires the use of an external custody bank to safekeep operating fund securities or cash.
- The number of accounts, trading volume and the market value of investments has increased since 2019.
- Contracted fixed fee percentages have not changed.
- This action will provide adequate funding, allow sufficient time for the re-procurement to expand participation for local community banks, and allow a 3-month transition period.

Metro

Custody Bank Contract Modification

Recommendation:

- Authorize the CEO to execute an extension of the current contract with US Bank to March 31, 2025, and increase contract value by $500,000 to a new Not to Exceed (NTE) amount of $1,600,370 ;

The existing contract expires on December 31, 2024.

Metro

Custody Bank Contract Modification

Next Step:

- Upon Board approval, staff will execute the modification with U.S. Bank to continue to provide custodial banking services.

Metro

File #: 2024-0246, **File Type:** Agreement **Agenda Number:** 24.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: FIRST AMENDMENT TO LEASE AGREEMENT WITH DWF V WILSHIRE/ VERMONT LP

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute the First Amendment to the Lease Agreement (First Amendment) or any other documents with DWF V Wilshire/ Vermont LP, (Lessor), to extend the lease by five years (First Option) commencing September 1, 2024, for the Metro Customer Center located at 3183 Wilshire Boulevard, Suite 174 (Site) in Los Angeles consisting of 2,469 square feet at a rate of approximately $10,001.93 per month for a total of $600,115.80 over the First Option term.

ISSUE

On June 27, 2013, the Board approved a lease located at the Site for a Metro Customer Center (CC). The lease commenced on June 6, 2014, and expires on August 31, 2024. Under the terms of the lease, Metro has three (3) five-year options to extend the initial term. The Board approved the initial lease and options, however the amount authorized by the Board only included the first ten-year term. The total rent for the First Option is $600,116, which exceeds CEO authority and requires Board approval.

BACKGROUND

The CC was originally located at a Metro-owned building at Wilshire Boulevard and La Brea Avenue. However, in 2014, the CC needed to be relocated so the property could be utilized for the extension of the D (Red) Line. After an extensive search, a suitable location was found within the Wilshire Vermont Joint Development project (Attachment A).

The Wilshire Vermont CC services about 4,250 customers per month, which is the second-highest volume of customer activity of the five Metro Customer Centers. Services provided at this location include TAP card fare media purchases, reduced fare subsidies, reduced fare application intake, LIFE program application Intake, Metro HR Career Kiosk, public phones that connect directly to Metro call centers which provide TAP information, bus and rail schedule and routing information, and photo booths.

DISCUSSION

Various sites were considered in the Wilshire/Vermont area but none of the potential sites offered the advantages found at the Wilshire/ Vermont Rail Station including proximity to the station, lower rental rate and ready condition. The current CC location continues to offer an urban landscape setting, is pedestrian friendly, easily accessible from both the B and D Metro Rail Lines and is steps away from Wilshire Boulevard and Vermont Avenue Metro bus stops which serve five Metro and one LA DOT bus lines.

The current rental rate at the CC is $8,697 per month ($3.52 per SF). The new rental rate is based on the Consumer Price Index (CPI), not to exceed fifteen percent (15%), and not to increase over the five-year period of the First Amendment. Based on the maximum allowable adjustment, the rent commencing September 1, 2024, will not exceed $10,001.93 per month ($4.05 per SF) full-service gross and will remain fixed over the five-year term. All the other terms and conditions of the lease will remain the same. A summary of the Deal Points is contained in Attachment B.

During this five-year Option Term, Real Estate in conjunction with the Joint Development Team and Customer Experience, will be evaluating the feasibility and possible cost reduction of returning the CC to a Metro-owned property within a new joint development project along Wilshire Boulevard.

DETERMINATION OF SAFETY IMPACT

This Board action will not have an impact on safety standards for Metro.

FINANCIAL IMPACT

The five-year term will result in the payment schedule outlined in the section below.

Rental rates in the general Wilshire Boulevard areas from Wilshire/ Vermont to Wilshire/ La Brea generally range from an average rate of $4.02 SF to a high of $6.00 SF triple net (NNN). Therefore, the estimated rental rate of $4.05 SF full-service gross is a competitive price for a market rate transaction. Metro Real Estate has determined that the rental rates are in line with the fair market for retail/office at this location.

Impact to Budget

Funds for this Amendment are budgeted annually in Cost Center 0651 (Real Estate Non-Departmental), Project 100001 (General Overhead), Account No. 51201 (Rent Property/Facilities) for fiscal year 2025. Future lease obligations will be included in annual budget preparation by Real Estate staff.

The five-year budget impact will be as follows:

Period	Monthly Rate	Monthly Rent	Annual Rent
9/1/2024 to 8/31/2025	$4.05	$10,001.93	$120,023.16
9/1/2025 to 8/31/2026	$4.05	$10,001.93	$120,023.16

9/1/2026 to 8/31/2027	$4.05	$10,001.93	$120,023.16
9/1/2027 to 8/31/2028	$4.05	$10,001.93	$120,023.16
9/1/2028 to 8/31/2029	$4.05	$10,001.93	$120,023.16
Total Rent			**$600,115.80**

EQUITY PLATFORM

Services provided at this CC are likely to have a higher positive impact on Equity Focus Communities (EFC) who rely solely on the Metro system to travel throughout Los Angeles. This CC is located in a central, dense EFC, conveniently situated just outside the Wilshire/Vermont Station. This is particularly helpful to riders living with disabilities and the elderly, who might otherwise experience challenges traveling further away to a less conveniently located CC to obtain assistance, passes or other Metro services.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goals # 2: Deliver outstanding trip experiences for all users of the transportation system; and #5 Provide responsive, accountable, and trustworthy governance within LACMTA's organization.

ALTERNATIVES CONSIDERED

The Board could choose not to exercise the First Lease Amendment to extend the lease which would require closing or moving the CC to another location. Neither of these options is recommended as it would have an adverse impact on Metro's customer service and relocating would increase rental costs including new tenant improvements.

NEXT STEPS

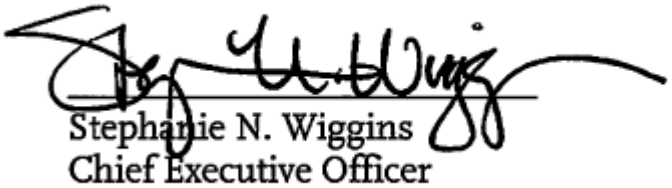
Upon approval by the Board of Directors, staff will finalize the First Amendment to the Lease Agreement or any other documents to extend the initial term, subject to review and approval by County Counsel for execution by the CEO or their designee.

ATTACHMENTS

Attachment A - Location Map
Attachment B - Deal Points

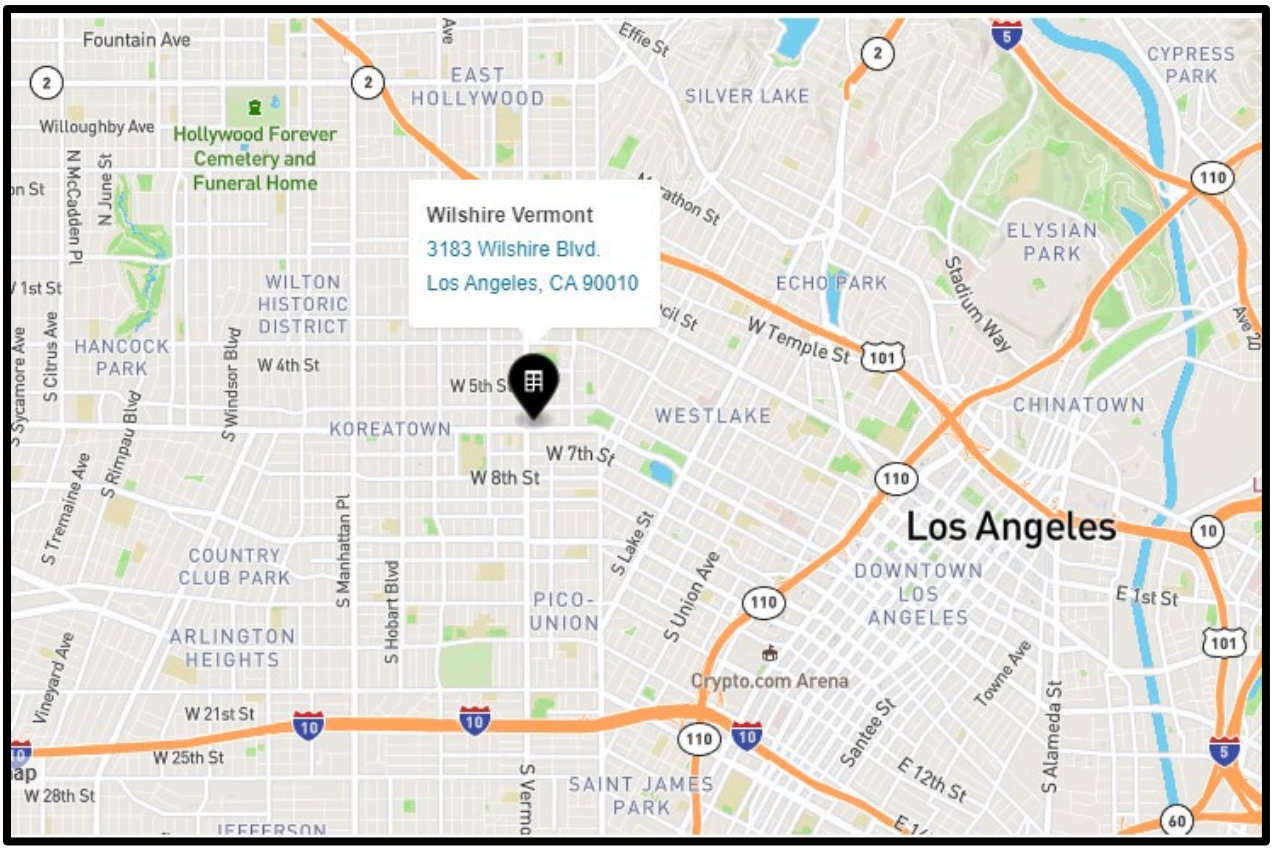
Prepared by: John Beck, Manager, Transportation Planning Real Property & Asset Management, (213) 922-4435
Craig Justesen, Executive Officer, Real Property Management
Holly Rockwell, Senior Executive Officer, Real Estate and Transit Oriented Communities, (213) 547-4325

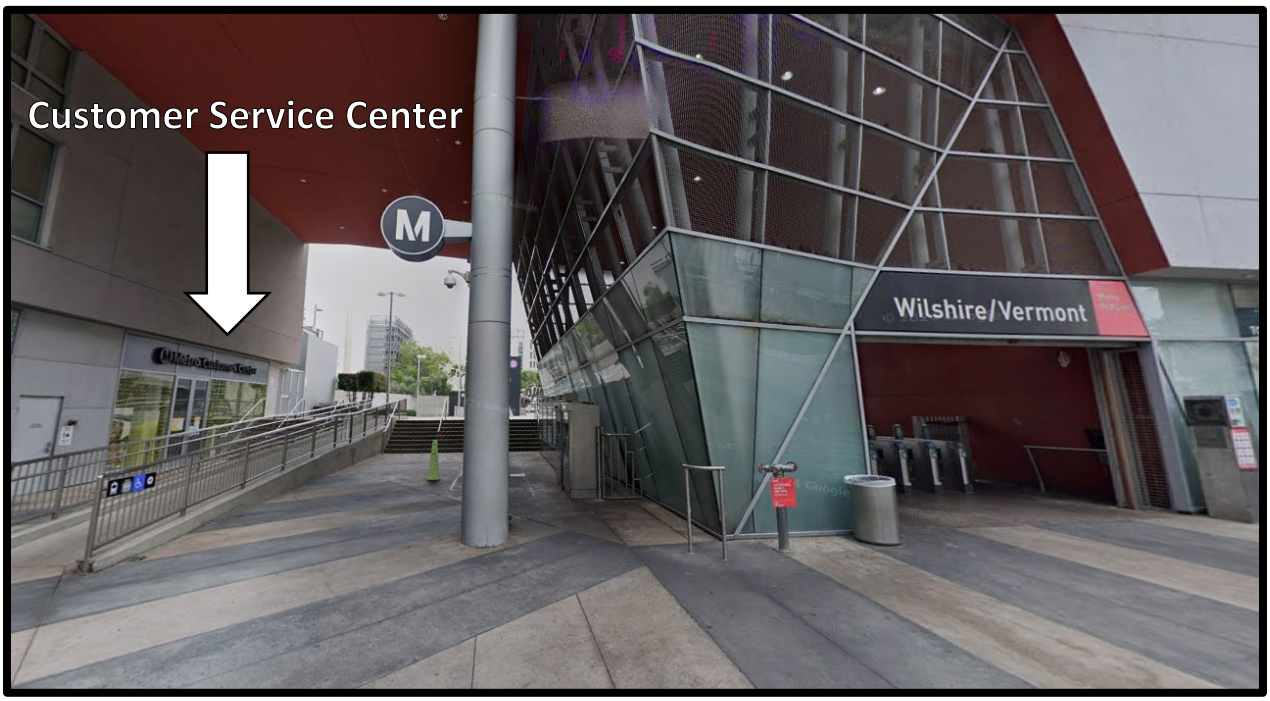
Reviewed by: Ray Sosa, Chief Planning Officer, (213) 547-4274
Jennifer Vides, Chief Customer Experience Officer (213) 922-4060



Stephanie N. Wiggins
Chief Executive Officer

Attachment A – Location Map





Attachment B - Deal Points

New or renewal	Lease Amendment
Landlord/Owner	DWF V Wilshire Vermont LP
Location	3183 Wilshire Boulevard, Suite 174, Los Angeles
Premises	Approximately 2,469 square feet
Purpose	Customer Service Center
Commencement and Duration (note any extensions)	5-years commencing approximately September 1, 2024 with two additional 5-year options to extend.
Total Cost	The total lease value is approximately $600,115 over the five (5)-year term.
Early Termination Clauses	None.
Determination of Lease Value	Market data provided by Metro Real Estate.
Background with this Landlord	The underlying lease is with this landlord.
Special Provisions	None.



We're supporting thriving communities.

Finance, Budget & Audit Committee - July 18, 2024

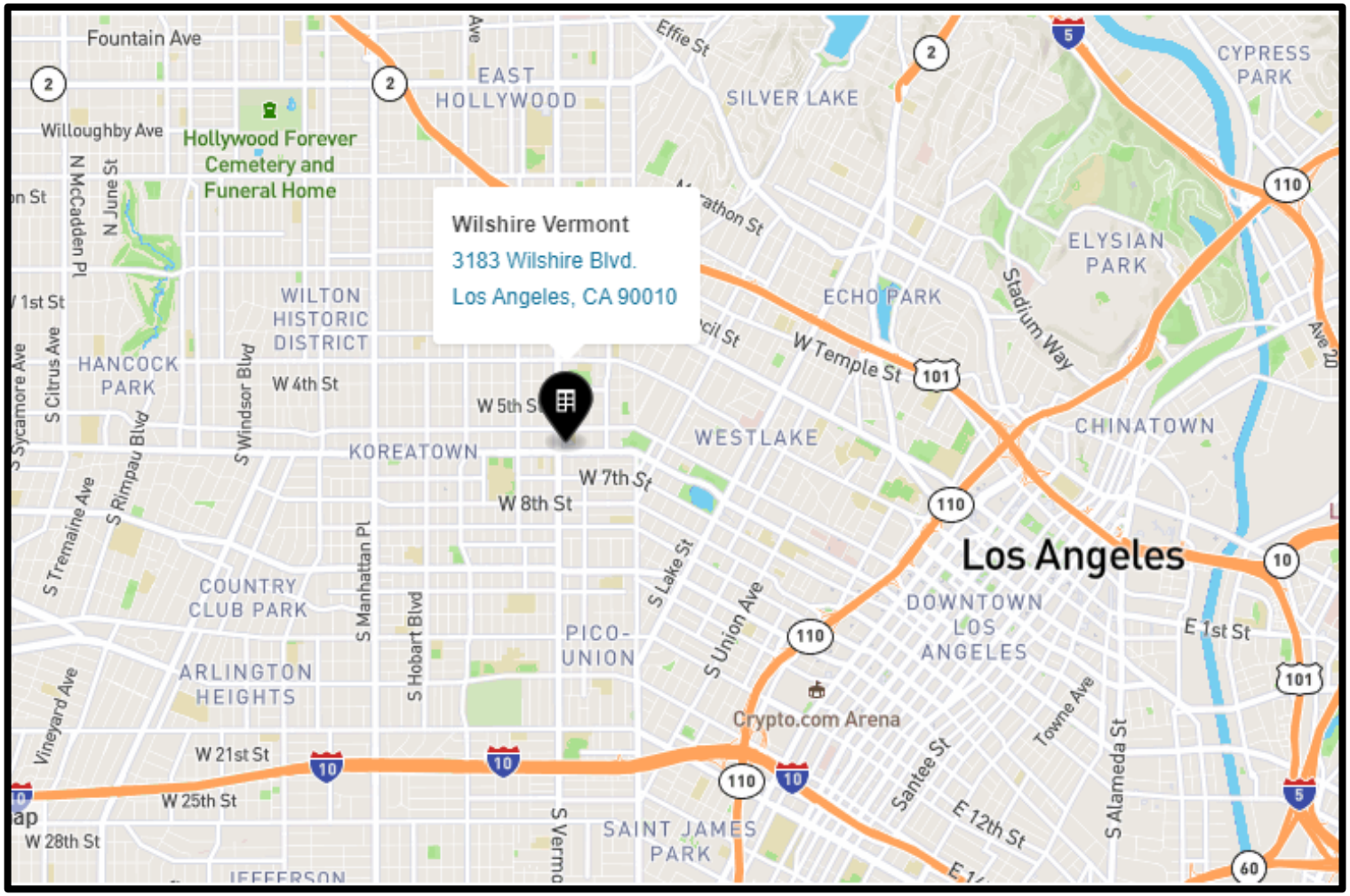
Legistar File #2024-0246

Metro

Recommendation

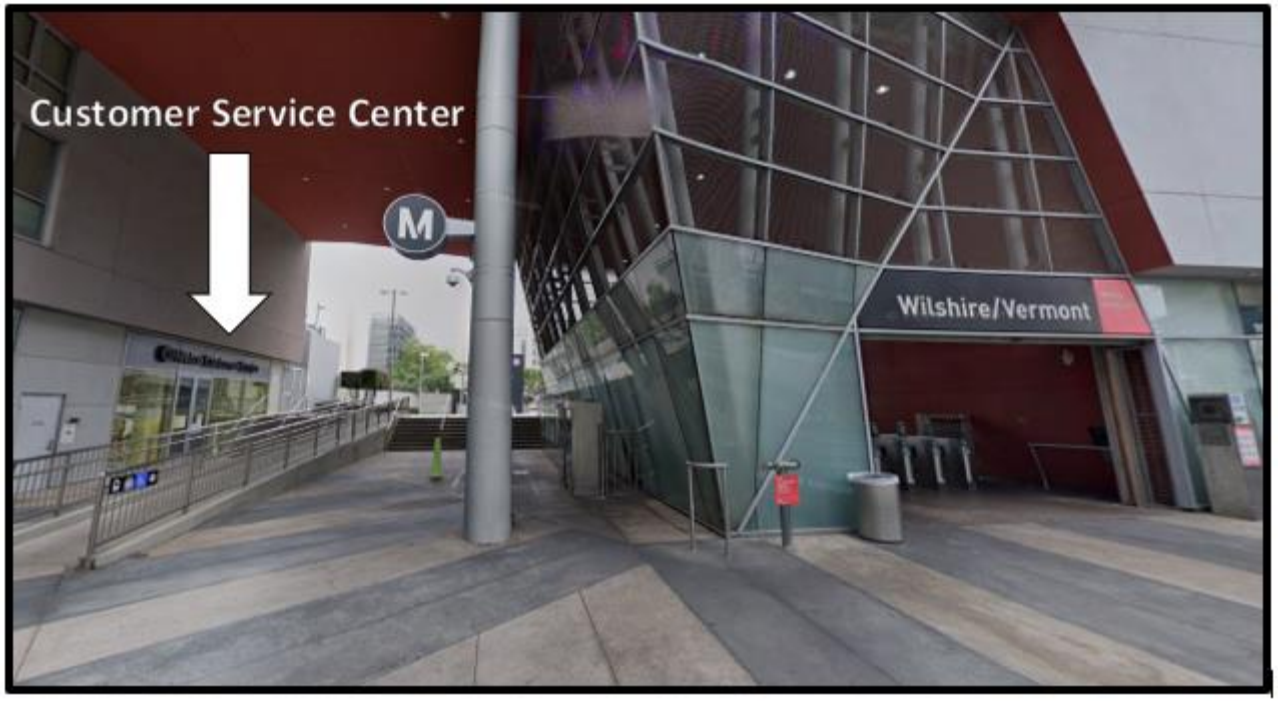
AUTHORIZE the Chief Executive Officer (CEO), or their designee, to execute the First Amendment to the Lease Agreement (First Amendment) or any other documents with DWF V Wilshire/ Vermont LP, (Lessor), to extend the lease by five years (First Option) commencing September 1, 2024, for the customer service center located at 3183 Wilshire Boulevard, Suite 174 (Site) in Los Angeles consisting of 2,469 square feet at a rate of approximately $10,001.93 per month for a total of $600,115.80 over the First Option term.

Wilshire Vermont Customer Service Center Location Map



Metro

Wilshire Vermont Customer Service Center Plaza View



Wilshire Vermont Customer Service Center (CSC) Considerations

The major points of this Amendment are as follows:

- The extended term is for five (5) additional years.
- The rent over the extended term is estimated at $10,002 per month.
- No rent increases over the extended term.
- The rent is a market rental rate for similar space in the area.
- No improvements are needed to enhance operations of the term.
- The size of the Premises (2,469 SF) is an ideal size for the CSC.
- The CSC is ideally located just outside the Wilshire Vermont Station.

Financial Impact & Next Steps

Financial Impact

The table below outlines the annual costs to Metro assuming the maximum increase of 15%:

PERIOD	MONTHLY RATE	MONTHLY RENT	ANNUAL RENT
9/1/2024 to 8/31/2025	$4.05	$10,001.93	$120,023.15
9/1/2025 to 8/31/2026	$4.05	$10,001.93	$120,023.15
9/1/2026 to 8/31/2027	$4.05	$10,001.93	$120,023.15
9/1/2027 to 8/31/2028	$4.05	$10,001.93	$120,023.15
9/1/2028 to 8/31/2029	$4.05	$10,001.93	$120,023.15
Total Rent			**$600,115.77**

Upon Board approval:

Staff will complete negotiations of an agreement to extend the lease subject to review and approval by County Counsel.

Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Metro

Board Report

File #: 2024-0245, **File Type:** Program **Agenda Number:** 25.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY18, 2024

SUBJECT: CYBERSECURITY LIABILITY INSURANCE PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to $50 million in limits at a cost not to exceed $3.850 million for the 12-month period effective September 1, 2024, to September 1, 2025.

ISSUE

Metro's cybersecurity liability insurance policy expires on September 1, 2024. Insurance underwriters will not commit to final pricing until three weeks before the current program expires. Consequently, staff requests a not-to-exceed amount for this renewal pending final pricing. Metro purchases an insurance policy to cover cybersecurity liability exposures. Cybersecurity is the practice of being protected against criminal or unauthorized use of systems and electronic data. These exposures include but are not limited to:

- Unavailability of IT systems and networks
- Physical asset damage and associated loss of use
- Loss or deletion of data
- Data corruption or loss of data integrity
- Data breach leading to compromise of third-party confidential/personal data
- Cyber espionage resulting in the release of confidential/sensitive information
- Extortion demands to cease a cyber-attack
- Direct financial loss due to theft
- Damage to reputation
- Bodily injury/property damage to third parties

Without this insurance, Metro is subject to unlimited liability for claims resulting from a cyber-attack or data breach event.

BACKGROUND

FY23 was the first year Metro purchased cybersecurity liability coverage. For this current renewal,

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USI Insurance Services ("USI"), the insurance broker for Metro, was requested to market Metro's cybersecurity liability insurance program to qualified insurance carriers. Through its partnership with Howden, a London broker, USI has received quotes from the incumbent carrier, which has A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. The premium indications below are based on current market expectations. The quotes expire on September 1, 2024.

USI provides a not-to-exceed number that serves three functions. First, the number provides an amount to cover the recommended premium and contingency that Risk Management can bring to the CEO and Board to obtain approval for the binding of the program. Second, the number allows Metro's broker ample time to continue negotiating with underwriters to ensure that Metro obtains the most competitive pricing available. Third, the not-to-exceed amount allows Metro to secure the quoted premium during the board cycle process before quote expiration.

DISCUSSION

Public entities continue to be a target for cyber-attacks. According to Verizon's Data Breach Investigation Report: 20% of all incidents reported in 2023 were related to the Public Entity Sector, which was more than any other sector. A robust cybersecurity program could help reduce the number of successful cyber-attacks and financial risks associated with doing business online by 1) promoting the adoption of preventative measures in return for more coverage and 2) encouraging the implementation of best practices by basing premiums on an insured's level of self-protection.

The cyber insurance market has matured somewhat with increased discipline in underwriting and reduced deployment of capacity where controls and security protocols are perceived to be ineffective at adapting to security threats. Those who have implemented stronger cybersecurity measures will see a more mature market with softer price hikes for those clients who can demonstrate strong protocols throughout their systems.

There have been changes in the regulatory environment around cybersecurity, specifically for public transit organizations. In February of 2023, the Federal Transit Administration (FTA) published a cybersecurity assessment tool for transit agencies to help guide them in identifying and mitigating risk. FTA continues to guide cybersecurity activities and supports the U.S. Department of Homeland Security (DHS) in promoting enhanced security for transit agencies. Additionally, as a condition under 49 U.S.C. 5323(v), rail transit operators must certify that they have a process to develop, maintain, and execute a plan for identifying and reducing cybersecurity risks. The general guidance is built around the National Institute of Standards and Technology (NIST) Cyber Security Framework. With Metro's vast network of third-party service providers, this is a major exposure area that needs to be continually monitored on an ongoing basis.

Multiple questionnaires and interviews are required by Metro's information security and Supervisory Control and Data Acquisition (SCADA) team's experts on the systems and network controls. A proposal of coverage for cybersecurity liability insurance based on the findings and the insurance carrier's knowledge of Metro's internal controls is provided. The proposed program, from carrier BRIT Re, a Lloyds of London consortium, provides up to $50 million in excess coverage on a claims-made basis with a $10 million self-insured retention (SIR). Attachment A summarizes the premium options,

and Attachment B summarizes the coverages. The proposal was reviewed by Risk Management and Information Technology Services (ITS) team members, who agree the proposed coverage will help mitigate Metro's financial and reputational risk should the agency experience a cyber-attack event.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation to purchase a cybersecurity liability insurance policy will not directly impact the safety of Metro's patrons or employees. The policy will limit Metro's liability for claims resulting from a cyber-attack or data breach event. Additionally, the policy will aid in Metro's recovery and moderate financial losses as well as harm to Metro's reputation resulting from cyber events and incidents.

FINANCIAL IMPACT

Funding for ten months, or $3,208,333, for this action is included in the FY25 Budget in cost center 0531, Risk Management -- Non-Departmental Costs, under projects 100001 - General Overhead, 300022 - Rail Operations - Blue Line, 300033 - Rail Operations - Green Line, 300044 - Rail Operations - Red Line, 300066 - Rail Operations - Expo Line, 300077 - Crenshaw Line, 301012 - Metro Orange Line, 306001 - Operations Transportation, 306002 - Operations Maintenance, 320011 - Union Station and 610061 - Owned Property in account 50699 (Ins Prem For Other Ins). Additional funding to cover premium costs beyond FY25 budgeted amounts will be addressed by fund reallocations during the year.

The remaining two months of premium will be requested during the FY26 Budget development cycle.

Impact to Budget

The source of funding for this action will come from federal, state, and local funding sources that are eligible for bus and rail operations.

EQUITY PLATFORM

The proposed action supports Metro's ability to safely serve the communities and customers who rely on Metro's transportation services and assets by providing insurance coverage that will allow Metro to more quickly resume operations in the event of a cybersecurity breach.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal # 5, "Provide responsive, accountable, and trustworthy governance within the LA Metro organization." The responsible administration of Metro's risk management programs includes the use of insurance to mitigate large financial risks resulting from cybersecurity events.

ALTERNATIVES CONSIDERED

As outlined in Attachment A, various coverage limits were considered for the cybersecurity liability

insurance program. All options include a SIR of $10 million for the same program. Option A, Metro's current limit, provides $50 million in coverage, Option B provides $75 million, and Option C provides $100 million in coverage.

Option A is recommended as the best value option while retaining a reasonable amount of risk over the coverage limit.

NEXT STEPS

Upon Board approval of this action, staff will advise USI to proceed with the placement of the cybersecurity liability insurance program outlined herein, effective September 1, 2024.

ATTACHMENTS

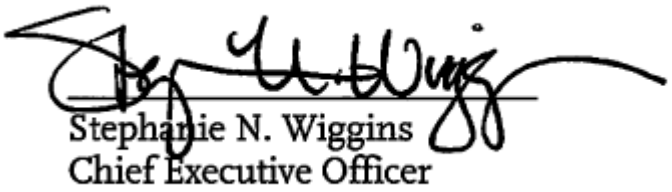
Attachment A - Coverage Options and Premiums

Attachment B - Coverage Description

Prepared by: William Douglas, Senior Manager Risk Financing, (213) 922-2105

Bryan Sastokas, Deputy Chief Information Technology Officer, (213) 922-5510

Reviewed by: Kenneth Hernandez, Interim Chief Safety Officer, (213) 922-2990



Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A

Coverage Options and Premiums

Carrier: BRIT Re

Cyber Security Insurance Program Premium and Proposed Options

	CURRENT PROGRAM	OPTIONS		
		A	B	C
Self-Insured Retention (SIR)	$10 mil	$10 mil	$10 mil	$10 mil
Limit of Coverage	$50 mil	$50 mil	$75 mil	$100 mil
Premium *	$2,879,189	$3,850,000	$5,500,000	$6,750,000
Not to Exceed		$3,850,000	$5,500,000	$7,100,000
Premium per mil coverage $57,584		$77,000	$73,300	$71,000

*** Includes commissions, taxes and fees.**

ATTACHMENT B

Coverage Description

USI provided a proposal of coverage for cyber liability insurance. The following summarizes the coverages and exclusions:

Included Coverage

Exposure	Brief Description
SECURITY AND PRIVACY LIABILITY (INCLUDING EMPLOYEE PRIVACY)	Covers the insured's liability for damages resulting from a data breach. Such liability most often results from (1) loss, theft, or unauthorized disclosure of personally identifiable information (PII) in the insured's care, custody, and control; (2) damage to data stored in the insured's computer systems belonging to a third party; (3) transmission of malicious code or denial of service to a third party's computer system; (4) failure to timely disclose a data breach; (5) failure of the insured to comply with its own privacy policy prohibiting disclosure or sharing of PII; and (6) failure to administer an identity theft program required by governmental regulation or to take necessary actions to prevent identity theft. In addition, this insuring agreement covers the cost of defending claims associated with each of these circumstances
SECURITY BREACH RESPONSE COVERAGE	Coverage for the expenses involved in responding to a data breach. These include legal expenses, forensic experts, costs to notify affected parties and provide credit monitoring, and public relations expenses to mitigate reputational damage.
PRIVACY REGULATORY CLAIMS COVERAGE	The insuring agreement covers the costs of dealing with state and federal regulatory agencies (which oversee data breach laws and regulations), including (1) the costs of hiring attorneys to consult with regulators during investigations and (2) the payment of regulatory fines and penalties that are levied against the insured (as a result of the breach).
PCI-DSS ASSESSMENT COVERAGE	Payment Card Industry Data Security Standard (*PCI DSS*) was formed around 2004 by the major credit card companies to establish guidelines in the handling and processing of transactions including personal information. The policy will provide coverage for assessments, fines or penalties imposed by banks or credit card companies due to non-compliance with the Payment Card Industry

	Data Security Standard (PCI DSS) or payment card company rules.
CYBER EXTORTION COVERAGE	Cyber extortion is an online crime in which hackers hold your data, website, computer systems, or other sensitive information hostage until you meet their demands for payment. The policy will cover the cost to investigate a ransomware attack and negotiate with the hackers.
MULTIMEDIA LIABILITY	Multimedia Liability provides coverage for third-party liability claims alleging damage resulting from dissemination of media material. This covers both electronic and non-electronic media material and may include claims of copyright or trademark infringement. libel.
DIGITAL ASSET RESTORATION COSTS	Digital assets loss occurs when company data or software is corrupted or destroyed because of a network security failure. This type of loss can come because of an outside network breach or an inside job carried out by an employee. The policy covers the reasonable and necessary cost to replace, restore or re-collect digital property from written or electronic records. Additionally, investigation expenses such as disaster recovery and computer forensics is also covered.
BUSINESS INCOME LOSS RESULTING FROM A NETWORK DISRUPTION	Business Interruption covers business income loss and extra expenses incurred during a computer network outage. The coverage applies to outages of *internally managed IT*, such as employee devices or internal networks or databases -- not a cloud computing provider or other type of third-party IT vendor.
Bodily Injury	Injury to persons (including death)

Excluded Coverage

The proposal of coverage also indicates various exclusions or exposures that will not be covered:

Exposure	Brief Description
BUSINESS INCOME LOSS (Physical Damage)	Some insurers have brought forward business interruption coverage as part of cyber insurance or as stand-alone business interruption insurance policies. There doesn't have to be a complete shutdown to trigger the coverage. Instead, a system slowdown due to network issues or malicious elements can also be classified as a trigger.

	However, the proposal indicates there will be no coverage for physical damage BI claims.
ENSUING PROPERTY DAMAGE LOSS	Exception to an exclusion in a first-party property policy that applies in a special type of fact pattern where the damage caused by an excluded peril operates as a link in the "chain of events" that enables a covered peril to damage other property. (proximate cause) Symbolically, a classic ensuing loss fact pattern can be represented as follows: *excluded peril → excluded damage → covered peril → ensuing damage.* Note that there must be two kinds of damages—an initial loss and an ensuing loss. Most courts will not apply an ensuing loss provision if an excluded peril caused a covered peril that results in only one kind of damage.
Inspection and Loss Prevention/Mitigation Expense	Loss prevention aims to reduce the possibility of damage and lessen the severity if such a loss should occur.
Debris Removal	Debris removal insurance is a section of a property insurance policy that provides reimbursement for clean-up costs associated with damage to property.

Cybersecurity Liability Insurance Program

Finance, Budget, and Audit Committee
July 18, 2024
File #2024-0245

Metro

Cyber Coverage - Coverage Features

First Party Events/Losses

- Breach Response
  - Forensic/Legal Costs
  - Crisis Management & Notification Costs
- Cyber Extortion/Ransomware
- Business Service & System Disruption Losses
- System & Service Failure Losses
- Data Recovery, Restoration, & Digital Restoration Expenses
- Cyber Crime Losses

Third Party & Regulatory Liability Claims

- Enterprise Security Event Liability
- Privacy Regulatory Liability
- Media Liability
- PCI Fines & Penalties

Metro

Renewal Marketing and Coverage Options

Coverage Options and Premiums

Carrier: BRIT Re

Cyber Security Insurance Program Premium and Proposed Options

	CURRENT PROGRAM	OPTIONS		
		A	B	C
Self-Insured Retention (SIR)	$10 mil	$10 mil	$10 mil	$10 mil
Limit of Coverage	$50 mil	$50 mil	$75 mil	$100 mil
Premium *	$2,879,189	$3,850,000	$5,500,000	$6,750,000
Not to Exceed		$3,850,000	$5,500,000	$7,100,000
Premium per mil coverage $57,584		$77,000	$73,300	$71,000

* Includes commissions, taxes and fees.

Metro

Recommendation

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to $50 million in limits at a cost not to exceed $3.850 million for the 12-month period effective September 1, 2024, to September 1, 2025.

2024-2025
Renewal Program

Aggregate Limit of Liability: $50M
Brit UK (Lloyd's)
Annual Premium (NTE): $3.850M

$10M/14 Days - Retention

Metro


Thank you
Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2024-0407, **File Type:** Program **Agenda Number:** 26.

FINANCE, BUDGET AND AUDIT COMMITTEE
JULY 18, 2024

SUBJECT: SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS' LOCAL CONTRIBUTION AND DIRECT LOAN TO ALAMEDA CORRIDOR EAST AND I-605/VALLEY BOULEVARD INTERCHANGE IMPROVEMENTS PROJECTS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. AUTHORIZING AND DELEGATING authority to the Chief Executive Officer (CEO) or their designee to negotiate and execute all necessary agreements and amendments to enter into a direct loan for a not to exceed disbursement amount of $160,950,000 to be repaid with interest between the Los Angeles County Metropolitan Transportation Authority (Metro) and the San Gabriel Valley Council of Governments (SGVCOG) to fund the Alameda Corridor-East (ACE) Project and the I-605/Valley Boulevard Interchange Improvements (I-605/Valley) Project (the Projects). This direct loan advances partial funding on future anticipated, available funding from the Measure M Multiyear Subregional Programs (MSP) for the Projects. This direct loan will replace the $61.1 million direct loan approved at the August 2022 meeting; and

B. AUTHORIZING the CEO to amend the FY25 Budget by $31,310,000 to accommodate the cashflow requirements of FY25 for the estimated first-year annual not-to-exceed advance of the direct-loan.

ISSUE

The SGVCOG is seeking to fund the Projects, which include the final five rail-roadway crossings along the ACE Trade Corridor (identified as part of the ACE Phase II Program) and the I-605/Valley Project. Metro has prioritized I-605/Valley out of the other I-605 Hot Spots Program by leading the design phase of work and securing a $33.57 million Trade Corridor Enhancement Program (TCEP) award to support construction. Cost increases associated with coordinating improvements and construction safety parameters with the Union Pacific Railroad, the increasing cost of labor and materials, and a challenging project bidding environment have created a potential funding shortfall that could jeopardize the timely use of state grant funding awarded by the CTC. The SGVCOG must supplement local match funds to avoid relinquishing the state grant funding.

BACKGROUND

The SGVCOG established the ACE Construction Authority in 1998 to provide direction and oversight of the ACE Project, which includes a series of rail-highway grade separation and at-grade safety improvement projects, to mitigate the impacts of significant increases in freight rail traffic on over 70 miles of mainline railroad in the San Gabriel Valley of Los Angeles County. In the same year, Metro and SGVCOG entered into a funding agreement to support the ACE Project.

In May 2019, the Metro Board of Directors approved San Gabriel Valley Subregion's first Measure M MSP Five-Year Plan and programmed funds in: 1) Active Transportation Program; 2) Bus System Improvement Program; 3) First/Last Mile and Complete Streets; and 4) Highway Efficiency Program (this was an "inter-program borrowing" from the Highway Demand Based Prog.). Measure M MSPs are included in the Measure M Expenditure Plan. All MSP funds are limited to capital projects. The annual update approves additional eligible projects for funding and allows the San Gabriel Valley subregion and implementing agencies to revise the scope of work and schedule.

In December 2021, the Metro Board approved Motion 44 by Directors Solis, Hahn, Barger, Sandoval, and Butts regarding various ACE Projects (Attachment A).

At its August 2022 meeting, the Metro Board approved a direct loan to be repaid with interest for an estimated disbursement amount of $61.1 million to partially fund one of the ACE Projects, the Montebello Corridor Project. SGVCOG is seeking to fund the remaining ACE Projects and the I-605/Valley Project by increasing the original approved amount from $61.1 million to $160.9 million and expanding the use of the loan proceeds to the Projects.

Of primary importance is to address the SGVCOG's need to resolve the funding shortfalls and to ensure that key state grant funding is not relinquished for both the ACE Project and the I-605/Valley Project. The SGVCOG has provided a letter (Attachment B) detailing the request for this direct loan, indicating that without an adequate local match, the funds may lapse or their use may be delayed until match funding is secured. The loan agreement will ensure that state funds can be applied in a timely manner and put to full use.

DISCUSSION

At this time, staff recommend developing a funding plan that includes a local match funding agreement between the SGVCOG and Metro. The SGVCOG will repay the advance by making payments of principal plus interest as outlined in the funding agreement. The funding plan will be structured with advances in a not-to exceed annual amount beginning in Fiscal Year (FY) 2025 and ending in FY 2029 based on cashflow provided by SGVCOG. Any unutilized NTE annual advance amounts will roll into the following Fiscal Year(s) and be available for advance up to the total loan amount. Repayment is scheduled to begin in FY 2029, ending when Metro has been paid in full (currently estimated to occur in FY2048). Metro retains approval power over Measure M MSP allocations to the SGVCOG from which the loan will be repaid. The exact terms and conditions of the funding agreement will be negotiated and approved by Metro's CEO or their designee.

Repayment Provisions of the Local Match Funding Agreement

The loan agreement is payable from Measure M MSP funds that Metro allocates to the SGVCOG, net of any amounts previously programmed by Metro for other identified uses that are included in a funding agreement between Metro and SGVCOG (for the purposes of the loan agreement, “programmed” means the allocation of MSP funds for specified and mutually agreed upon uses).

Metro will identify the amount of MSP available to the SGVCOG in October of each year, in accordance with the Measure M Guidelines. The amount of MSP allocated to the SGVCOG will include a rolling five (5) year period beginning with the then current fiscal year, less all amounts previously programmed to the SGVCOG. The amount of allocated MSP in the final year of the five (5) year period will not include any deductions for previously programmed funds as this fiscal year has heretofore not been available to the SGVCOG and will be reduced by the amount of loan debt service that is payable in this fiscal year. Debt repayment is expected to commence after all draws on the loan are made (but not earlier than FY 2029). In the event the amount of final year MSP funding is insufficient for loan debt service payable in this fiscal year, all previously allocated but unprogrammed MSP funds will be reduced by the amount needed to fully pay the loan debt service due in the fiscal year. Metro will use the reduced or deducted amount of MSP funds to meet the loan debt service payments.

The MSP funds are comprised of eight (8) separate programs that are designated for specified purposes. The loan is payable from the Highway Efficiency and Goods Movement (Improvement & RR Xing Elim.) MSPs are included in the Measure M Ordinance. The Measure M Ordinance restricts the use on construction of the Highway Efficiency Program and Goods Movement (Improvement & RR Xing Elim.) prior to fiscal year 2048; therefore, the amount of loan debt service paid from the MSP funds will be exchanged (i.e., and inter-program borrowing) with the following MSP that are allocated to the SGVCOG in fiscal years 2018 through 2048: i) Bus System Improvement Program, ii) Subregional Equity Program, and iii) Highway Demand Based Program. The amount allocated to the SGVCOG for each MSP that is available for construction in fiscal years 2018 through 2057, excluding the Subregional Equity Program, is equal to 1% of the total for the first ten years and 3% of the total, adjusted for inflation, in the subsequent thirty years.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro’s patrons or employees.

FINANCIAL IMPACT

Impact to Budget

Upon Board approval, first-year annual funding for the direct loan will be amended into the FY25 budget. Since this is a multi-year loan, the Countywide Planning & Development staff will be responsible for budgeting in future years based on the terms of the executed direct loan.

The source of funds for the direct loan will be Measure M 17% Highway Construction and will be established under project number 475505 (MM MSP- Highway Efficiency Program) in cost center 0441. The increase to the budget will be allocated to the project number based on the expected

usage of the loan proceeds by the SGVCOG for the Projects.

EQUITY PLATFORM

Approval to develop a funding plan for the Projects that includes a local match financial contribution will ensure the SGVCOG avoids relinquishing the state grant funding and will facilitate the completion of the Projects in Equity Focus Communities (EFCs) within and adjacent to the project area.

The Projects enhance safety for vulnerable roadway users by incorporating protected pedestrian walkways at grade separated project sites, as well as installation of active warning signs, new pedestrian sidewalks and protections, and a variety of median improvements to discourage and/or prevent motorists from driving around lowered crossing gates at at-grade rail and highway crossings.

Mobility benefits include:

- Fullerton project would cut vehicle delays by 50.4 hours daily and handle 25,315 vehicles by 2025,
- Montebello project addresses 10 recorded collisions and 3 fatalities,
- Pomona project targets 32 collisions resulting in 19 fatalities and 10 injuries,
- Fairway project would reduce vehicle delays by 27.6 hours daily and has recorded 17 collisions including 3 fatalities, and
- Turnbull Canyon Road Grade Separation project, ranked the 30th most crash-prone in Los Angeles County, aims to reduce 132 collisions recorded since 2010 and enhance emergency response times.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Board approval will support Metro's Strategic Plan Goals to (1) Provide high-quality mobility options that enable people to spend less time traveling and (3) Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to approve this action. However, this is not recommended as the Projects are subject to loss of $190.5 million previously approved state funds.

NEXT STEPS

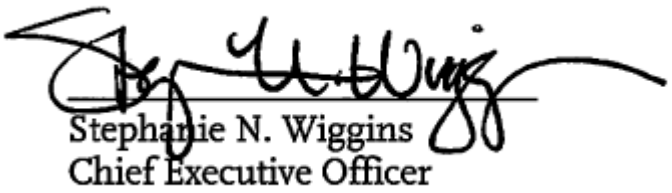
Upon Board approval, staff will finalized negotiations and execute the loan agreement.

ATTACHMENTS

Attachment A - Motion 44
Attachment B - SGVCOG Request Letter

Prepared by: Rodney Johnson, Treasurer, (213) 922-3417
Matthew Wingert, Budget Manager, (213) 922-2553

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Stephanie N. Wiggins
Chief Executive Officer

Metro

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

Board Report

File #: 2021-0767, **File Type:** Motion / Motion Response **Agenda Number:** 44.

REVISED
REGULAR BOARD MEETING
DECEMBER 2, 2021

Motion by:

DIRECTORS SOLIS, HAHN, BARGER, SANDOVAL, AND BUTTS

Alameda Corridor-East Projects

The San Gabriel Valley Council of Governments (SGVCOG) intends to seek the allocation of previously programmed state funds for the final two Alameda Corridor-East (ACE) grade separation projects by vote of the California Transportation Commission (CTC) by no later than June 2022. However, due to extraordinary recent increases in construction phase and right-of-way costs as experienced by multiple public projects across the transportation infrastructure sector in Southern California, a shortfall in local match funds to the state funds has developed. If local match is not timely secured, the ACE Project will forfeit a total of $116,851,000 in state funds programmed to the Montebello Boulevard grade separation project and the Turnbull Canyon Road grade separation project and committed from the following state programs: Proposition 1B Trade Corridor Improvement Fund ($18,851,000), 2018 SB1 Trade Corridor Enhancement Program ($78,000,000), and Section 190 priority grade separation funds ($20,000,000).

Since inception of the ACE Project in 1998, SGVCOG has successfully secured federal, state and local funding and cost-efficiently implemented the design and construction of the ACE Project, a series of rail-highway grade separation and at-grade safety projects in the San Gabriel Valley of Los Angeles County.

The ACE Project was among 25 projects in the nation designated in the federal SAFETEA-LU transportation program legislation in 2005 as Projects of National and Regional Significance, nationally recognized as enhancing the safe, secure, and efficient movement of people and goods through the U.S. to improve the national economy. At the state level, the ACE Project was awarded funding from the 2006 Prop 1B Trade Corridor Improvement Fund intended for infrastructure improvements along federally designated “Trade Corridors of National Significance.” LA Metro has acknowledged the regional significance of the ACE Project via multiple funding agreements and amendments since an initial agreement between Metro and SGVCOG (previously the ACE Construction Authority) was entered into in July 1998.

With the federal, state and local funding SGVCOG has fully funded and completed 14 grade separation projects and multiple at-grade crossing safety projects. Three grade separations are fully

funded and currently in construction. Lacking sufficient local funds to advance into construction are two grade separations projects in the design and right-of-way phases, one located in the City of Montebello and another located in the City of Industry and the unincorporated community of Hacienda Heights, as well as a program of at-grade pedestrian crossing safety improvements at four crossings in the City of Pomona. All three projects are located in Metro Equity Focus Communities or within state-defined Disadvantaged Communities.

The total shortfall in local funds for the three projects is estimated at $136,00,000. Metro can partner with the SGVCOG to provide technical assistance and explore and identify funding streams to help close this funding gap, which will allow SGVCOG to secure a fund allocation vote from the CTC, thereby avoiding forfeiture of the state funds and moving the projects into the construction phase as scheduled.

SUBJECT: ALAMEDA CORRIDOR-EAST PROJECTS

RECOMMENDATION

APPROVE Motion by Directors Solis, Hahn, Barger, Sandoval, and Butts that the Board of Directors direct the Chief Executive Officer to:

A. Collaborate with the SGVCOG to evaluate the cost increases for the three projects and potential strategies such as value engineering to close the funding gap;

B. Explore funding streams such as grant funding and other sources to help the SGVCOG secure sufficient funding to complete all three projects, with priority placed on securing full funding for the grade separation projects prior to the CTC funding allocation vote by no later than June 2022;

C. Assist and collaborate with SGVCOG in developing Project Labor Agreements for the two grade separation projects to prioritize partnerships with labor in expeditiously advancing construction of the grade separation projects and the employment of Los Angeles County workers;

D. Report back on all directives in March ~~2021~~ 2022.

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ATTACHMENT B

SGVCOG

OFFICERS

President
Tim Hepburn

1st Vice President
Ed Reece

2nd Vice President
April Verlato

3rd Vice President
Cory Moss

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Pomona
Rosemead
San Dimas
San Gabriel
San Marino
Sierra Madre
South El Monte
South Pasadena
Temple City
Walnut
West Covina
First District, LA County
Unincorporated Communities
Fifth District, LA County
Unincorporated Communities
SGV Water Districts

June 5, 2024

Board of Directors
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012

Stephanie Wiggins
Chief Executive Officer
Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012

Re: San Gabriel Valley Council of Governments (SGVCOG) Request for Measure M Subregional Advance of Funding

Dear Metro Board of Directors and Ms. Wiggins:

On behalf of the San Gabriel Valley Council of Governments, I write to request that Metro Board act to authorize the advancement of Measure M Multi-Year Subregional Program (MSP) funding that is anticipated to be allocated to the San Gabriel Valley through a funding agreement.

SGVCOG consists of 31 incorporated cities and unincorporated communities in Los Angeles County, three municipal water districts, and represents more than 2 million residents encompassing more than 374 square miles. SGVCOG's construction arm, its Capital Projects & Construction Committee, has been implementing the Alameda Corridor-East Project (ACE), which is a comprehensive program of freight rail-highway infrastructure and railroad crossing improvements that enhance safety and mobility and mitigates the effects of growing freight rail traffic to and from the Ports of Los Angeles and Long Beach. SGVCOG has also taken over the implementation of several other significant infrastructure projects, including the I-605/Valley Boulevard Improvement Project located in the City of Industry and unincorporated Los Angeles County. The final five projects of the ACE project and the I-605 Valley Boulevard Improvement Project are currently under construction or poised to begin construction. Altogether, these projects have a need for additional funding to support the timely delivery of the projects and ensure that local match obligations can be met to retain previously secured state funding.

SGVCOG controls the Measure M MSP funding allocated to the San Gabriel Valley subregion. This is the region's only dedicated, formula-based source of transportation project funding. However, the MSP program only permits a subregion to access and program funds on a five-year outlook, with funds being spread across several decades. **Therefore, SGVCOG is requesting that Metro Board approve a funding agreement that will advance future MSP funds to meet our agency's cashflow needs and complete our current suite of capital construction projects.**

The total advanced amount shall not exceed $160,950,000. The advance of funding will be repaid with interest using future MSP funds as they become available. Our staff are prepared to work with Metro's Chief Executive Officer or their designee to negotiate equitable terms and ensure that the projects are fully funded and completed in a manner that benefits the greater mobility and safety goals shared by Metro and SGVCOG.

We truly appreciate your efforts to support these key transportation infrastructure projects in the San Gabriel Valley and your ongoing partnership. Please do not hesitate to contact Ricky Choi, Director of Government & Community Relations, at rchoi@sgvcog.org should you have any questions.

Sincerely,

Marisa Creter

Marisa Creter
Executive Director
San Gabriel Valley Council of Governments

Item #X
File # 2024-0407

Measure M Multi-year Subregional Program
San Gabriel Valley Subregion
Direct Loan – Advance of Funding

Finance, Budget and Audit Committee
July 18, 2024

Metro

Direct Loan – Advance of Funding Summary

Purpose of Direct Loan:

1. To provide partial funding for the Alameda Corridor-East (ACE) Project and I-605/Valley Boulevard Interchange Improvements (I-605/Valley) Project
2. To ensure that $190.5 million of key state grant funding is not relinquished for both the ACE Project and I-605/Valley Project

Mode and Structure:

- Metro will provide an advance of future, anticipated, available, partial funding from the Measure M Multiyear Subregional Programs (MSP) for the Projects in FY25 through FY29
- The loan will be repaid with interest from pledged MSP funds from FY29 until the loan is repaid (estimated FY48)

Metro

Direct Loan – Advance of Funding

Summary of Estimated Terms

Direct Loan – Advance of MSP Funding	
Not to Exceed Disbursement Amount	$160.95 million
Interest Rate	Variable based on established borrowing index
Disbursement Period	FY2025-FY2029
Beginning of the Repayment Period	FY2029
Current Estimate of Repayment Completion	FY2048

Metro

Direct Loan – Advance of Funding

Recommendation:

CONSIDER:

A. AUTHORIZING AND DELEGATING authority to the Chief Executive Officer (CEO) or their designee to negotiate and execute all necessary agreements and amendments to enter into a direct loan for a not to exceed disbursement amount of $160,950,000 to be repaid with interest between the Los Angeles County Metropolitan Transportation Authority (Metro) and the San Gabriel Valley Council of Governments (SGVCOG) to fund the Alameda Corridor-East (ACE) Project and the I-605/Valley Boulevard Interchange Improvements (I-605/Valley) Project (the Projects). This direct loan advances partial funding on future anticipated, available funding from the Measure M Multiyear Subregional Programs (MSP) for the Projects. This direct loan will replace the $61.1 million direct loan approved at the August 2022 meeting;

B. AUTHORIZING the CEO to amend the FY25 Budget by $31,310,000 to accommodate the cashflow requirements of FY25 for the estimated first-year annual not-to-exceed advance of the direct-loan.

Next Steps:

- Upon Board approval, staff will finalize negotiations and execute the loan agreement.

Metro