



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

Agenda - Final

Thursday, July 17, 2025

10:00 AM

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Finance, Budget and Audit Committee

Tim Sandoval, Chair
Katy Yaroslavsky, Vice Chair
Kathryn Barger
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Holly J. Mitchell
Gloria Roberts, non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES

(ALSO APPLIES TO BOARD COMMITTEES)

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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
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x2 *Español (Spanish)*

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The Meeting begins at 10:00 AM Pacific Time on July 17, 2025; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-978-8818 and enter
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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:

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La Reunion de la Junta comienza a las 10:00 AM, hora del Pacifico, el 17 de Julio de 2025. Puedes unirse a la llamada 5 minutos antes del comienso de la junta.

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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."

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Board Administration

One Gateway Plaza

MS: 99-3-1

Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Item: 20, 21, and 22.

Consent Calendar items are approved by one motion unless held by a Director for discussion and/or separate action.

CONSENT CALENDAR

- 20. SUBJECT: WORKERS' COMPENSATION TEMPORARY STAFFING SERVICES BENCH** [2025-0192](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to the Workers' Compensation Temporary Staffing Services Bench Contract No. PS48678001 with Lancesoft, Inc. and Contract No. PS48678002 with The Best Claims Solutions in an amount Not-To-Exceed (NTE) \$1,000,000, increasing the cumulative contract value from \$500,000 to \$1,500,000.

Attachments: [Attachment A - Procurement Summary](#)
[Attachment B - Contract Modification - Change Order Log](#)
[Attachment C - DEOD Summary](#)
[Presentation](#)

- 21. SUBJECT: CYBERSECURITY LIABILITY INSURANCE PROGRAM** [2025-0345](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to \$50 million in limits at a not-to-exceed premium of \$3.104 million for the 12-month period effective September 1, 2025, to September 1, 2026.

Attachments: [Attachment A - Coverage Options and Premiums](#)
[Attachment B - Coverage Description](#)
[Presentation](#)

22. SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE
PERIOD OF APRIL 1, 2024, TO JUNE 30, 2024

[2025-0306](#)

RECOMMENDATION

RECEIVE AND FILE the Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2024, to June 30, 2024.

Attachments: [Attachment A - Final Report on Misc Expenses \(Apr 1 - Jun 30, 2024\) Presentation](#)

NON-CONSENT

23. SUBJECT: FISCAL YEAR 2026 AUDIT PLAN

[2025-0427](#)

RECOMMENDATION

ADOPT the Fiscal Year 2026 (FY26) Proposed Annual Audit Plan (Attachment A).

Attachments: [Attachment A - FY26 Proposed Annual Audit Plan Presentation](#)

24. SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2024

[2025-0519](#)

RECOMMENDATION

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the fiscal year ended June 30, 2024 (FY24).

Attachments: [Attachment A - FY24 Prop A and Prop C Local Return Reports \(Vasquez\)](#)
[Attachment B - FY24 Prop A and Prop C Local Return Reports \(Simpson\)](#)
[Attachment C - FY24 Measure R Annual Report](#)
[Attachment D - FY24 Measure M Annual Report](#)
[Presentation](#)

**25. SUBJECT: FISCAL YEAR 2022 to 2024 TRIENNIAL PERFORMANCE
REVIEW**

[2025-0451](#)

RECOMMENDATION

RECEIVE AND FILE the report on the:

- A. Fiscal Year 2022 to 2024 Triennial Performance Reviews of Los Angeles County Transit Operators, and Metro Operations (Attachment A); and
- B. Fiscal Year 2022 to 2024 Triennial Performance Review of Metro as the Regional Transportation Planning Agency (RTPA) (Attachment B).

Attachments: [Attachment A - FY22-24 Exec Summary - Transit Ops & Metro Ops](#)
 [Attachment B - FY22-24 Exec Summary - Metro as RTPA](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2025-0560](#)

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

**Board Report**

File #: 2025-0192, **File Type:** Contract**Agenda Number:** 20.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY 17, 2025****SUBJECT: WORKERS' COMPENSATION TEMPORARY STAFFING SERVICES BENCH****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to the Workers' Compensation Temporary Staffing Services Bench Contract No. PS48678001 with Lancesoft, Inc. and Contract No. PS48678002 with The Best Claims Solutions in an amount Not-To-Exceed (NTE) \$1,000,000, increasing the cumulative contract value from \$500,000 to \$1,500,000.

ISSUE

In November 2023, Metro established the Workers' Compensation Temporary Staffing Services Bench (Bench) for an amount NTE \$500,000 for a five-year term with two temporary staffing agencies. The Bench successfully provided qualified temporary workers' compensation staff to fill vacancies due to unexpected, prolonged absences by full-time employees of the Workers' Compensation (WC) division of the Risk Management Department and high claim caseloads.

To date, 11 task orders have been issued under the Bench, for a total cumulative value of \$475,104, leaving \$24,896 in available contract authority.

The unexpected increase in the Bench utilization is due to the rise in unforeseen vacancies resulting from extended leaves of absence attributed to illnesses, disabilities, attrition, and promotions. An increase in the cumulative Bench contract value will ensure that the WC division can continue to administer workers' compensation benefits on time and provide injured employees the medical care they need without disruption.

BACKGROUND

Metro's workforce of 11,283 employees reports an average of 1,500 WC claims annually. Metro's current open WC claims are approximately 2,100. The WC division administers the following benefits as provided under the law:

- Medical Care - To help an employee recover from an injury or illness caused by work. This includes doctor visits and other treatment services, tests, medicines, equipment, and travel

costs reasonably necessary to treat the injury.

- Temporary Disability Benefits - Payments if the employee loses wages because the injury prevents them from doing their usual job while recovering.
- Permanent Disability Benefits - Payments if the employee doesn't recover completely and their injury causes a permanent loss of physical or mental function that a doctor can measure.
- Death Benefits - Payments to the employee's spouse, children, or other dependents if the employee dies from a job injury or illness.
- Supplemental Job Displacement Benefit - A voucher* to help pay for retraining or skill enhancement.

*Vouchers pay for retraining or skill enhancement if the employee is eligible to receive permanent disability benefits or the employee does not return to work for the employer.

The Workers' Compensation division, which consists of 33 FTE's, assists employees injured on the job and processes benefits due to them. It also provides quality customer service in claims handling, processes medical bills in a timely manner, and reviews all incoming legal and medical mail under the California Labor Code, which mandates strict timelines for compliance.

DISCUSSION

The WC Temporary Staffing Services bench contracts were intended for a five-year term so that if the WC division experienced vacancies longer than 30 days, it could avail itself of industry professionals provided by temporary staffing agencies. Doing so would ensure that injured Metro employees receive the medical care and assistance needed. Maintaining staffing levels also allows Metro to comply with the Labor Code and avoid unnecessary penalties for noncompliance.

In California, the Labor Code governs the workers' compensation system and establishes a structure aimed at balancing the rights and responsibilities of both employers and injured employees. In order to receive WC benefits, injured workers must report an injury and file a claim. Meanwhile, employers must administer the benefits outlined above in accordance with prescribed timelines or face fines or penalties. For example, employers who unreasonably delay temporary disability payments may owe a 10% self-imposed penalty, and potentially a 25% penalty under Labor Code §5814 for unreasonable delays in any benefit.

To date, the division has already expended \$475,104 (95%) of the cumulative NTE Bench contracts value of \$500,000. Since the Bench contracts' inception, the WC division has experienced thirteen vacancies attributed to retirement, promotions, resignations, or long-term leave due to disability. The average duration of each vacancy was four months.

In partnership with the Chief People Office, the WC division has made great strides to fill vacant positions. Currently, the division has three vacancies and one position occupied by an employee on extended leave.

The requested increase of \$1,000,000 in Bench contract value is sufficient to provide, if needed, temporary support for one Senior Workers' Compensation Analyst and the equivalent of one and a half Assistant Workers' Compensation Analysts to last through November 2028, the end of the five-

year contract term. This represents an analysis comparing the current burn rate of the contract and considering future resource allocation strategies. Additionally, the division is evaluating current caseload distribution and will be making adjustments to maximize capacity. Staff further expect that reliance on the contract will be offset by the addition of a Workers' Compensation Analyst position that was approved with the FY26 budget cycle. As with every budget cycle, staff will continue to assess its personnel needs and submit FTE requests as needed.

DETERMINATION OF SAFETY IMPACT

Receiving timely medical care is critical to injured employees. Approval of this item will support the Workers' Compensation division's ability to administer benefits promptly despite unforeseen vacancies.

FINANCIAL IMPACT

The FY26 Budget includes \$2,367,500 for Professional and Technical Services under cost center 0531 (Non-Departmental - Operations Risk Management), Project 100004, PRMA - Workers' Compensation, which will be sufficient to cover this request.

Since this is a multi-year contract, the cost center manager and the Interim Chief Transit Safety Officer will be accountable for budgeting the cost in future years.

Impact to Budget

The sources of funding for this action will come from federal, state and local resources that are eligible for bus and rail operations.

EQUITY PLATFORM

The benefits administered by the Workers' Compensation division assist Metro employees in recovering from work-related injuries. The majority of WC claims are filed by frontline employees, of which 62% are filed by Bus Operators. Providing the necessary medical care more promptly returns injured employees to work and allows Metro to continue to provide transportation services and benefits to customers.

VEHICLE MILES TRAVELED OUTCOME

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

While this item does not directly promote transit use, ridesharing, or active transportation, it plays a crucial role in Metro operations by sustaining the temporary staffing contract for Workers'

Compensation administration. Ensuring timely benefits distribution and uninterrupted medical care for injured employees helps maintain workforce stability and operational efficiency. A well-supported workforce contributes to reliable transit services, indirectly aligning with Metro's agency-wide VMT Reduction Target by enabling continued public transportation access and minimizing disruptions that could lead to increased vehicle miles traveled. Therefore, this item is consistent with the broader goals of reducing VMT.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the strategic plan Goal 1, "Provide high-quality mobility options that enable people to spend less time traveling." As well as Goal 1.2. Approval of the temporary staffing services contract supports Metro's goal to invest in a world-class bus system that is reliable, convenient, and attractive to more users for more trips. Metro's bus network is the foundation of its public transport system and carries over 70% of its transit passengers. Ensuring injured employees receive the care they need supports Metro's ability to maintain an adequate workforce to provide reliable service.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommendation. However, this is not recommended since the existing Bench contract authority is estimated to be exhausted by September 2025. Without additional authority, the Workers' Compensation division cannot rely on temporary staffing during vacancies, which may impact the quality of service and the timely receipt of benefits that injured employees are entitled to.

NEXT STEPS

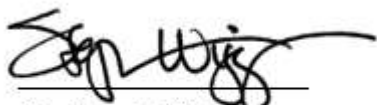
Upon Board approval of this action, staff will execute Modification No. 1 to the Workers' Compensation Temporary Staffing Services Bench Contract Nos. PS48678001 and PS48678002, and continue to compete and award individual task orders for workers' compensation temporary staffing services.

ATTACHMENTS

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

Prepared by: Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer, (213) 922-4471

Reviewed by: Kenneth Hernandez, Interim Chief Risk, Corporate Safety, and Asset
Management Officer, (213) 922-2990

A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer

**PROCUREMENT SUMMARY
WORKERS' COMPENSATION TEMPORARY STAFFING SERVICES BENCH
PS48678001 AND PS48678002**

1.	Contract Number: PS48678001 and PS48678002			
2.	Contractor: Lancesoft, Inc. and The Best Claims Solutions			
3.	Mod. Work Description: Increase the Not-To-Exceed (NTE) cumulative bench contract value			
4.	Contract Work Description: Provide as-needed temporary workers' compensation staffing services for the Workers' Compensation division of the Risk Management Department.			
5.	The following data is current as of: 6/3/25			
6.	Contract Completion Status		Financial Status	
	Bench Contracts Awarded:	11/14/23	Bench Contracts Award Amount:	\$500,000
	Notice to Proceed (NTP):	N/A	Total of Modifications Approved:	\$0
	Original Complete Date:	11/13/28	Pending Modifications (including this action):	\$1,000,000
	Current Est. Complete Date:	11/13/28	Current Bench Contract Value (with this action):	\$1,500,000
7.	Contract Administrator: Annie Duong		Telephone Number: (213) 418-3048	
8.	Project Manager: Claudia Castillo del Muro		Telephone Number: (213) 922-4518	

A. Procurement Background

This Board Action is to approve Modification No. 1 to the Workers' Compensation Temporary Staffing Services Bench Contract Nos. PS48678001 and PS48678002 to increase the NTE cumulative bench contract value and continue to provide as-needed temporary workers' compensation staff for the Risk Management Department's Workers Compensation Unit.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed unit rate.

On November 14, 2023, Metro awarded a five-year Contract No. PS48678001 to Lancesoft, Inc. and Contract No. PS48678002 to The Best Claims Solutions, to provide temporary workers' compensation staffing services.

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

B. Price Analysis

The fully burdened hourly rates for the term of the bench contracts were established as part of the competitive contract award in November 2023. Rates remain unchanged and are lower than current market rates for similar services. Task Orders will be competed and are subject to technical analysis, price analysis, and established rates to determine fairness and reasonableness of price prior to award.

ATTACHMENT B

CONTRACT MODIFICATION/CHANGE ORDER LOG
WORKERS' COMPENSATION TEMPORARY STAFFING SERVICES BENCH
PS48678001 AND PS48678002

Mod No.	Description	Status (approved or pending)	Date	\$ Amount
1	Increase the Not-To-Exceed cumulative bench contract value	Pending	Pending	\$1,000,000
	Modification Total			\$1,000,000
	Original Contract:		11/14/2023	\$500,000
	Total:			\$1,500,000

DEOD SUMMARY

**WORKERS' COMPENSATION TEMPORARY STAFFING SERVICES BENCH
PS48678001 AND PS48678002**

A. Small Business Participation

The Diversity & Economic Opportunity Department (DEOD) did not recommend a DBE goal on the original contract. It is expected that Lancesoft, Inc. and The Best Claims Solutions will continue to perform the services of these contracts 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. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.



Workers' Compensation Temporary Staffing Services Bench

Finance, Budget, and Audit Committee

July 17, 2025

File ID #2025-0192

Workers' Compensation Temporary Services Staffing Bench

Recommendation:

- AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to the Workers' Compensation Temporary Staffing Services Bench Contract No. PS48678001 with Lancesoft, Inc. and Contract No. PS48678002 with The Best Claims Solutions in an amount Not-To-Exceed (NTE) \$1,000,000, increasing the cumulative contract value from \$500,000 to \$1,500,000.
- Approval of this item will support the Workers' Compensation division's ability to maintain customer service for injured Metro employees and administer mandated benefits on time.

Workers' Compensation Temporary Services Staffing Bench

- Metro established a bench with temporary staffing agencies, Lancesoft, and The Best Claims Solutions in November 2023.
- Agencies provide qualified temporary workers to fill vacancies in the Workers' Compensation division of the Risk Management Department.
- The cumulative value of all contracts is NTE \$500,000 for a 5-year term commencing November 14, 2023, and terminating November 13, 2028.
- Contracts are used when the Workers' Compensation division experiences unexpected, prolonged vacancies and cannot absorb the additional work by other division employees.

Workers' Compensation Division

- Metro's workforce of 11,283 employees reports an average of 1,500 Workers' Compensation claims per year.
- The Division administers benefits provided by law, such as medical care and temporary and permanent disability benefits.
- California Labor Code mandates strict timelines for compliance.

Temporary Staffing Contract

- Contract is used when the division experiences a prolonged vacancy.
- At 18 months into the contract, 95% of the not-to-exceed amount has been expended.
- Since the contract inception, 13 vacancies, attributed to retirement, promotions, resignations, or long-term disability, have contributed to a faster-than-expected erosion of the not-to-exceed amount. The average vacancy duration was 4 months.
- Authority increase will ensure that the Workers' Compensation division can continue using the contract through the termination date to fill future unforeseen vacancies, administer Workers' Compensation benefits, and provide the medical care injured employees need without disruption.



Thank you.



Metro



Board Report

File #: 2025-0345, **File Type:** Program

Agenda Number: 21.

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 17, 2025

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 not-to-exceed premium of \$3.104 million for the 12-month period effective September 1, 2025, to September 1, 2026.

ISSUE

Metro's cybersecurity liability insurance policy will expire on September 1, 2025. Insurance underwriters will not commit to final pricing until three weeks before the current program expires. Consequently, we are requesting 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

For this current renewal, Marsh USA, LLC (Marsh), the insurance broker for Metro, was requested to

market Metro's cybersecurity liability insurance program to qualified insurance carriers. Marsh, through its partnership with Howden, a London broker, 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 provided are based on current market expectations and expire on September 1, 2025.

Marsh's not-to-exceed premium serves three functions. First, it 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 our broker ample time to continue negotiating with underwriters to ensure Metro obtains the most competitive pricing. And third, the not-to-exceed amount allows Metro to secure the quoted premium during the board cycle process prior to quote expiration.

DISCUSSION

Public entities continue to be targeted for cyber-attacks as the cyber risk environment evolves. According to *The State of Ransomware in the U.S.*, at least 50 local governments in the U.S. experienced ransomware attacks in the first half of 2024. Marsh observed a 16% increase in the number of cyber notifications from 2023 to 2024, underscoring the growing complexity of cyber risks. The frequency of cyber events and claim notifications in 2024 is primarily driven by third-party events, such as the CrowdStrike outage (July, 2024).

A new concern is the use of Generative AI and its ability to amplify existing cyber risks, leading to potential consequences, including business interruptions from AI system failures and inadvertent copyright infringements. The unpredictability of third-party events and the evolving cyber risk environment highlights the need for strong cybersecurity controls and effective insurance.

In Q1 of 2025, cyber insurance clients' rates decreased by 4% on average, marking the eighth consecutive quarter of reductions. This favorable environment has led clients to utilize premium savings to purchase higher limits, reduce retentions, shorten waiting periods, and broaden coverage.

Public entities with strong cyber risk controls have the greatest advantage in the current marketplace. Adhering to guidelines set forth by agencies such as the Federal Transit Administration (FTA) and the Cybersecurity and Infrastructure Security Agency (CISA) is critical for public entities like Metro. These organizations provide cybersecurity frameworks, risk assessments, and audits for public entities to comply with.

Metro has completed the Marsh Cyber Self-Assessment, which provides a review of cybersecurity controls. Marsh's analytics suggest purchasing between \$40 million and \$85 million. The proposed program, from carrier BRIT Re, a Lloyd's 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 that 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 action positively impacts the safety of Metro's patrons and employees. Cyber Liability insurance carriers will review cybersecurity procedures to mitigate potential risks or hazards and provide an overall risk assessment of Metro's practices and assets as they underwrite the program. Carriers may provide best-practice guidance to enhance Metro's risk profile, and the policy will limit Metro's liability for claims resulting from a cyber-attack or data breach event. Additionally, the policy will aid Metro's recovery and moderate financial losses, as well as harm to Metro's reputation resulting from cyber events and incidents.

FINANCIAL IMPACT

The FY26 Budget includes \$3.01 million for this action in cost center 0531, Non-Departmental - Ops Risk Management, under projects 100001 - General Overhead, 300022 - Rail Operations - A Line, 300033 - Rail Operations - C Line, 300044 - Rail Operations - B Line, 300066 - Rail Operations - E Line, 300077 - K Line, 301012 - G Line, 306001 - Operations Transportation, 306002 - Operations Maintenance, 320011 - Union Station and 610061 - Owned Property.

Metro's insurance premiums are amortized and span two fiscal years. The cost center manager and the Interim Chief Transit Safety Officer will be accountable for budgeting in FY27 costs not included in the FY26 budget.

Impact to Budget

The sources of funding for this action will come from federal, state, and local resources 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.

VEHICLE MILES TRAVELED OUTCOME

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

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides cybersecurity liability coverage for Metro's assets. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the agency's overall function, it is consistent with the goals of reducing VMT.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

Various limits of coverage were considered, as outlined in Attachment A, for the cybersecurity liability program. All options include an SIR of \$10 million for the same program. Option A, Metro's current limit, provides \$50 million in coverage, Option B provides \$75 million in coverage, and Option C provides \$100 million in coverage.

Option A, which is within Marsh's analytics limits range, is recommended as the best value option while retaining a reasonable amount of risk over the coverage limit.

NEXT STEPS

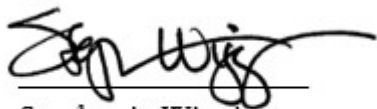
Upon Board approval of this action, staff will advise Marsh to proceed with the placement of the cybersecurity liability insurance program outlined herein, effective September 1, 2025.

ATTACHMENTS

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

Prepared by: William Douglas, Senior Manager, Risk Financing, (213) 922-2105
Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518
Bryan Sastokas, Deputy Chief Information Technology Officer, (213) 922-5510

Reviewed by: Kenneth Hernandez, Interim Chief Risk, Corporate Safety, and Asset Management Officer, (213) 922-2990

A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie 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 *	\$2,735,229	\$3,104,430	\$4,024,020	\$4,643,100

Not to Exceed	\$3,104,430	\$4,024,020	\$4,643,100
Premium per mil coverage \$54,705	\$62,089	\$53,634	\$46,431

* Includes commissions, taxes and fees.

Coverage Description

Marsh USA, LLC (Marsh) 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 <i>internally managed IT</i> , 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: <i>excluded peril - excluded damage - covered peril - ensuing damage</i> . 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 17, 2025

File #2025-0345



Metro

Cybersecurity Liability Insurance Program

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 \$3.104 million for the 12-month period effective September 1, 2025, to September 1, 2026.

2025-2026 Renewal Program

Aggregate Limit of Liability: \$50M
Brit UK (Lloyd's)
Annual Premium (NTE): \$3.104M

\$10M/14 Days - Retention

Cyber 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

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 *	\$2,735,229	\$3,104,430	\$4,024,020	\$4,643,100

Not to Exceed	\$3,104,430	\$4,024,020	\$4,643,100
Premium per mil coverage \$54,705	\$62,089	\$53,634	\$46,431

* Includes commissions, taxes and fees.



Metro



Thank you



Metro®



Board Report

File #: 2025-0306, **File Type:** Informational Report

Agenda Number: 22.

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 17, 2025

SUBJECT: AUDIT OF MISCELLANEOUS EXPENSES FOR THE PERIOD OF APRIL 1, 2024, TO JUNE 30, 2024

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Office of the Inspector General (OIG) Final Report on the Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2024, to June 30, 2024.

ISSUE

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1, 2024, to June 30, 2024. 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, 2024, to June 30, 2024. For this period, miscellaneous expenses totaled \$4,172,000 with 870 transactions. We selected 51 expense transactions totaling \$2,569,822 for detail testing.

DISCUSSION

Findings

The miscellaneous expenses we reviewed for the period of April 1, 2024, to June 30, 2024, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found issues related to Metro's P-Card Rules and Regulations, Petty Cash Funds (ACC-11), and Metro's Business Travel Guidelines (GEN 65).

Purchase Card holders should be reminded to comply with all P-Card Rules and Regulations. All petty cash custodians should provide and obtain petty cash vouchers in accordance with Metro's policy on Petty Cash Funds (ACC-11). Employees requesting approval for business travel and exceptions for travel expense limits should ensure that the justification memos and Travel Authorization (TA) forms are completed and submitted in accordance with Metro's Business Travel Guidelines (GEN 65).

The staff's non-compliance with Metro policy was due to oversight, lack of planning, and inattention of some staff to thoroughly review the transactions.

RECOMMENDATION

We recommend the following:

Office of Board Administration

1. P-Card Holders and Approvers should review the P-Card Program Rules and Guidelines to ensure compliance by requiring a suitable justification memo that includes all required elements for pre-approval of routine purchases.

2. P-Card Holders and Approvers should ensure compliance by requiring a written justification for the pre-approval of restricted item purchases, as outlined in the P-Card Program Rules and Guidelines. The memo should cover up to a one-year period that can be updated and renewed annually. This would allow V/CM to review and approve the memo more regularly to oversee whether it complies with applicable rules and policy.

Bus Maintenance

3. To ensure compliance with policy requirements, we recommend that all approvers thoroughly review the Accounting Procedures and Guidelines - Petty Cash Funds (ACC-11) and verify that all necessary documentation is provided for the disbursement and replenishment of Petty Cash funds, which includes petty cash vouchers.

Government Relations

4. We recommend that all approvers thoroughly review the current Metro Business Travel Guidelines (GEN 65) policy to require that travelling employees disclose known or estimated lodging costs in Travel Authorization Request Forms and any required information accompanying Memos of Justification.

EQUITY PLATFORM

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

VEHICLE MILES TRAVELED OUTCOME

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

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it contributes to fiscal responsibility and reports on miscellaneous expenditures of the Los Angeles County Metropolitan Transportation Authority (Metro). Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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.

ATTACHMENT

Attachment A - Final Report on Statutorily Mandated Audit of Miscellaneous Expenses for the Period of April 1, 2024, to June 30, 2024 (Report No. 25-AUD-04)

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, 2024 to June 30, 2024**

Report No. 25-AUD-04

June 24, 2025



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DATE: June 24, 2025

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, 2024, to June 30, 2024 (Report No. 25-AUD-04)

INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Metro miscellaneous expense transactions processed from April 1 to June 30, 2024. 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 with three of the sampled expenses reviewed:

1. Non-Compliance with P-Card Rules and Guidelines;
2. Non-Compliance with Accounting Procedures and Guidelines – Petty Cash Funds (ACC-11); and
3. Issue with Justification Memo for Exception to Business Travel Guidelines.

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, Program Management, Talent Development, Transit Security, Workforce Services, and Operations; 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 to June 30, 2024. For this period, miscellaneous expenses totaled \$4,172,000¹ with 870 transactions. We selected 51 expense transactions totaling \$2,569,822 for detail testing. Thirty-one (31) of the expense transactions were randomly selected, seven (7) were selected due to their large dollar amounts, and thirteen (13) were selected to add more samples for account number 50917 (MISC - BUSINESS TRAVEL), and other miscellaneous 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 respective 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.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

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

RESULTS OF AUDIT

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

1. Non-Compliance with P-Card Rules and Guidelines

We examined a P-Card Log and supporting documentation submitted in May 2024 by an Administrative Analyst in the Office of Board Administration for transactions that occurred between March 24, 2024, and April 18, 2024. The log was submitted with a Justification Memo dated May 3, 2023, which was used as an exception request for the purchase of restricted items and as pre-approval for routine purchases. However, the memo did not include all the required information for such approvals. The audit identified the following instances of non-compliance with current Purchase Card Program Rules and Guidelines:

a. Missing Elements Required for Pre-Approval of Routine P-Card Purchases

The P-Cardholder in the Office of Administration paid for the following breakfast meals:

March 14, 2024 – Twenty breakfast meals, costing \$295.98

March 20, 2024 – Forty breakfast meals, costing \$524.51

March 21, 2024 – Forty breakfast meals, costing \$524.51

March 28, 2024 – Sixty breakfast meals, costing \$721.99

Current Metro Purchase Card Guidelines specify the following:

The following method could be used to handle the majority of routine P-Card purchases. For example, an Approving Official may send an e-mail to his/her Cardholder to specify what purchases are routinely authorized until further notice. The e-mail should contain:

- 1. A list of specific categories of items authorized without additional approval;*
- 2. A list of specified suppliers that are authorized without additional approval; and*
- 3. A dollar limit for each transaction that is authorized without additional approval.*

However, the Justification Memo submitted on May 3, 2024, did not include items #2 or #3 listed above. The memo only requested an exception for “meals associated with Board meetings as

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

the circumstances are such that it is impractical to conduct business in a manner where those in attendance can follow a normal lunch procedure."

Upon OIG inquiry regarding why the meal purchases included breakfast while the Justification Memo referred to a lunch schedule, the employee responded, *"The memo is intended to cover business meals that happen throughout the entire day."*

b. No Written Pre-Approval for the Purchase of Restricted Items

The P-Cardholder in the Office of Administration also paid for a restricted item, bottled water.

The P-Card log and receipts included purchases of bottled water on March 25, 2024, and two separate purchases of bottled water and sparkling water on April 8, 2024.

According to the Metro Purchase Card Guidelines on Restricted Purchases:

The following list of commodities and vendor types are restricted from purchase with a P-Card as specified below. Additional vendor types not listed here may also be restricted.

Restricted Commodities/Vendors include:

- *Food and water:*
 - *Food items may be purchased if there is an advanced approval from the P-Card Program in support of approved business meetings. Only the Chief of a department may issue a request, in writing, via inter-office memo to the P-Card Program requesting the use of a P-Card to purchase food. The request must be approved by the Deputy Chief V/CM Officer and authorized in writing prior to the purchase.*
 - *No consumables (liquid/powder or otherwise) may be obtained on the P-Card without advance approval as explained above.*
 - *Exceptions that have been obtained will be considered valid for the instance described in the memo only.*
 - ***No bottled or distilled water may be purchased on the P-Card.***

However, the Justification Memo submitted on May 3, 2024, did not request approval for the purchase of bottled water. Upon OIG inquiry regarding whether the P-Cardholder obtained separate pre-approval for the purchases, the employee responded, *"No. The memo mentions beverages. We will rewrite the memo for clarification."*

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

Recommendations:

Office of Board Administration

- P-Card Holders and Approvers should review the P-Card Program Rules and Guidelines to ensure compliance by requiring a suitable justification memo that includes all required elements for pre-approval of routine purchases.
- P-Card Holders and Approvers should ensure compliance by requiring a written justification for the pre-approval of restricted item purchases, as outlined in the P-Card Program Rules and Guidelines. The memo should cover up to a one-year period that can be updated and renewed annually. This would allow V/CM to review and approve the justification memo regularly to ensure compliance with applicable P-Card rules and procedures.

2. Non-Compliance with Petty Cash Funds Guidelines (ACC-11)

We examined a *Request to Replenish Petty Cash* form in the amount of \$620.00 that was submitted by Bus Maintenance and approved by Accounts Payable on April 15, 2024. The request was dated January 19, 2024, and submitted with two separate Justification Memos that were dated April 12, 2024. The request was also submitted with two Petty Cash Vouchers for \$300 each, dated February 15, 2024, and March 14, 2024. Also, there was a receipt dated February 28, 2024, for \$20.00, but no Petty Cash Voucher for that amount.

The current Accounting Procedures and Guidelines – Petty Cash Funds (ACC-11) states the following:

*“Emergency business purchases should be approved in advance. If this is not possible, the employee may get post approval of the purchases from their supervisor. The employee then must submit an approved Petty Cash Voucher (Attachment 1), not to exceed the maximum value of \$100.00, to the petty cash custodian within 30 days of the purchase in order to receive petty cash reimbursement. If the amount needed for the emergency purchase exceeds the \$100.00 limit, a justification approved by the department head or division manager must be attached to the invoice. All appropriate original receipts must be attached to the voucher. The signature of the manager who approved the purchase must appear on the voucher. **Petty cash must not be disbursed without an approved petty cash voucher. Vouchers must be retained in order to substantiate the petty cash replenishment.**”*

A petty cash request was not properly supported by one or more petty cash vouchers totaling \$620.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

When we inquired why there was no Petty Cash Voucher submitted to the Petty Cash Custodian, the Custodian replied, *"The cash voucher is an internal control mechanism for when the cash is going to be used by one of our outside divisions/sections. The cash for GRC [Grievance Resolution Committee] is used by employees within our office, as such there hasn't been a need for the voucher."*

Recommendation:

Bus Maintenance

- To ensure compliance with policy requirements, we recommend that all approvers thoroughly review the Accounting Procedures and Guidelines – Petty Cash Funds (ACC-11) and verify that all necessary documentation is provided for the **disbursement** and **replenishment** of Petty Cash funds, which includes petty cash vouchers.

3. Issue with Justification Memo for Exception to Business Travel Guidelines Policy

We examined a Travel and Business Expense (TBE) Report dated April 24, 2024, which was submitted by a DEO of Government Relations for travel from April 15 through April 18, 2024. The TBE Report was submitted with a Justification Memo dated March 20, 2024, requesting the initially planned travel from April 17 to 18, 2024. A subsequent Justification Memo was submitted on April 8, 2024, requesting additional travel from April 15 to 16, 2024, for work-related travel, and an exception for lodging expense over the per diem rate. However, the actual cost of the lodging was more than three times the per diem rate and was not disclosed in the Justification Memo or the accompanying Travel Authorization (TA) request form.

The Metro Business Travel Guidelines (GEN 65) policy states, *"LACMTA will only reimburse a traveler for lodging and meals for domestic travel up to the amounts outlined in IRS Publication 1542."* The policy also requires that *"The traveler must submit an electronic, new and completed TA Request with all applicable information and documents required on the Travel Authorization Checklist (Attachment 2) for each individual trip. LACMTA cannot approve blanket authorization to travel."* The policy further specifies, *"Business travel is booked based on the most economically responsible means to carry out LACMTA business."*

However, the Justification Memo that was submitted on April 8 should have been for a separate and individual trip for travel on April 15-16. Instead, it was used to combine the travel needed for the event on April 16th with the travel required for the event on April 18th. Additionally, a new or separate TA form was not submitted for the additional travel on April 15-16. Instead, the original TA form submitted on March 19 for travel on April 17-18 was edited to include the name of the additional lodging hotel and additional travel dates, but the total lodging cost was not updated to reflect the additional cost of lodging at the additional hotel.

Statutorily Mandated Audit of Miscellaneous Expenses

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Office of the Inspector General

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The allowable lodging per diem rate for the time and location of travel was \$145 per day, yet the daily rate at the lodging hotel used on April 15 was \$413.10, with a total cost of \$480.02 after taxes and fees. The amount for lodging that was disclosed on the submitted TA form was \$480, yet the total lodging cost on the TBE form that was submitted for reimbursement exceeded \$1,000.

Upon OIG inquiry regarding why the cost of the lodging was not included on Justification Memos or the TA form, the employee responded with the following:

“The memo did not include cost of lodging because the TA form includes all cost estimates including lodging. In section 2.1 of Gen 65 the business justification memo must include: specific traveler, purpose of the trip, identify the organization, meeting location and the dates of travel, which we did include. It says it may also include additional requests for approval such as a request for car rental, exception for lodging expense over the per diem rate, personal vehicle use/parking, local lodging, or other special requests but does not state it must include the cost estimate. As the price of hotels frequently fluctuate, we did include a request for an exception to lodging expense.”

The cost for additional days of travel was not provided or seen in the Travel Authorization or in the justification memo, allowing the traveler to incur travel expenses without a manager’s prior notification and approval.

Recommendation:

Government Relations

- We recommend that all approvers thoroughly review the current Metro Business Travel Guidelines (GEN 65) policy to require that traveling employees disclose known or estimated lodging costs in Travel Authorization Request Forms and any required information accompanying Memos of Justification.

OBSERVATIONS

1. P-Card Monthly Spending Limit Exceeded

P-Card Rules and Guidelines state: *“The use of the P-Card is subject to a single transaction limit and monthly spending limit requested by Business Unit management and approved by the Agency Program Coordinator. A written justification for increases on Single Purchase Limits and/or Monthly Cycle Limits must be submitted with a Purchase Card Change form.”*

Statutorily Mandated Audit of Miscellaneous Expenses

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The P-Cardholder for the Transit Security Department has a monthly spending limit of \$15,000. Our review of the May 2024 P-Card log found that the monthly expenditures were over \$36,000. The cardholder provided written documentation that showed a temporary increase in the monthly spending limit to \$75,000 was requested and approved in April 2023 to be in effect through December 31, 2023. However, based on the justification memo submitted to the P-Card Administrator, this temporary increase was supposed to end on December 31, 2023. We inquired whether an extension of the temporary monthly increase was requested, and the cardholder advised that the memo requesting the temporary increase till December 31, 2023, was the last request submitted.

A similar issue was identified during the prior audit of miscellaneous expenses for the period January through March 2024 in Audit Report No. 25-AUD-03 that was issued on December 13, 2024. At that time, recommendations were made to both Transit Security and the Purchase Card Program, and management concurred with those recommendations. As a result, the recurrence of this issue during the current audit period was not considered a separate finding requiring a duplicate recommendation. Implementation of the previously agreed-upon recommendations is expected to enhance Metro's ability to more effectively track and monitor P-Card purchases and associated spending limits. Metro should consider implementing a control over justification memos for approved purchases. Managing prior approved justification memos that have run their course and expired could be better controlled with a periodic review by Metro's V/CM and/or Accounting departments.

2. Turnaround Times for Reimbursement of Travel & Business Expense (TBE) Reports

As part of this audit, we evaluated the timeliness of reimbursements for Travel and Business Expense (TBE) reports, specifically to assess whether employees are experiencing delays or excessive waiting periods after submitting their TBE reports.

To conduct this review, a total of 87 TBE reports from this period were reviewed on an actual basis. Of these, 58 reports (66.7%) resulted in employees receiving reimbursement within 30 days of the initial report submission to the Travel Program Administrator. It was noted, however, that delays in reimbursement are often attributable to reports being submitted without all required supporting documentation. These incomplete submissions can result in processing delays until the documentation is provided and the TBE report is approved.

When measuring turnaround time from the date of TBE report approval, we found that employees were reimbursed within 30 days in 94% of cases. Only five instances were identified where reimbursement occurred more than 30 days after approval.

In the five instances where reimbursement occurred more than 30 days following report approval, two were reimbursed within 35 days. Therefore, only three instances — representing

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Office of the Inspector General

Report No. 25-AUD-04

less than 4% of all TBE reports — involved reimbursements issued more than 35 days after the approval date.

Based on these findings, we do not observe any significant issues related to excessive delays in the processing of TBE reimbursements. The process appears to function effectively when reports are submitted with the necessary documentation.

Travel & Business Expense Turnaround in Days

Reimbursement Turnaround (Days)	After TBE Submission	After TBE Approval
1 - 15	40	70
16-30	18	12
31 +	29	5
Total TBE's	87	87

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.

1. Reviewed Quarter (FY24 Q4) versus Prior Quarter (FY24 Q3) Miscellaneous Expenses

Miscellaneous expenses in the reviewed quarter totaled \$4,172,000, a 111% increase in expenses compared to the third quarter in FY 2024. This was mainly due to an increase in advertising and miscellaneous expenses. Account 50999 (MISC – EXPENSES – OTHERS) for the third quarter of this fiscal year totaled \$740,492 and \$2,382,699 for this current quarter, resulting in a \$1,642,207 (222%) increase in spending. See Table 1.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

Table 1: Reviewed Quarter versus Prior Quarter

Account	Apr-Jun 2024	Jan-Mar 2024	Increase (Decrease)
Advertising	\$ 934,691	\$ 313,294	\$ 621,397
Business Meals	170,124	108,614	61,510
Business Travel	328,761	154,358	174,403
Corporate Membership	139,300	278,224	(138,924)
Employee Relocation	0	81,099	(81,099)
Employee Activities and Recreation	12,418	71,795	(59,377)
Professional Membership	15,661	20,835	(5,174)
Seminar and Conference Fee	148,761	194,607	(45,846)
Miscellaneous (50999) *	2,382,699	740,492	1,642,207
Others (Mileage and Parking, etc.)	39,583	13,405	26,178
Total	\$ 4,172,000	\$ 1,976,723	\$ 2,195,277
Increase			111%

* 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)

The dollar amounts for April - June 2024 have been rounded to the nearest whole dollar.

2. Reviewed Quarter (FY24 Q4) versus Same Quarter of Prior Year (FY23 Q4) Miscellaneous Expenses

Miscellaneous expenses for the reviewed quarter increased by \$1,084,984 or 35% as compared to the same quarter of FY23. This was mainly due to an increase in Account 50999 (Miscellaneous Expenses - Others). Business Travel expenses dropped 54% from the fourth quarter in the prior fiscal year. See Table 2.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

Table 2: Reviewed Quarter versus Same Quarter of Prior Year

Account	Apr-Jun 2024	Apr-Jun 2023	Increase (Decrease)
Advertising	\$ 934,691	\$ 938,669	\$ (3,978)
Business Meals	170,124	174,507	(4,383)
Business Travel	328,761	724,574	(395,813)
Corporate Membership	139,300	126,676	12,624
Employee Relocation	0	0	0
Employee Activities and Recreation	12,418	13,872	(1,454)
Professional Membership	15,661	25,343	(9,682)
Seminar and Conference Fee	148,761	181,484	(32,723)
Miscellaneous (50999) *	2,382,699	876,208	1,506,491
Others (Mileage and Parking, etc.)	39,583	25,683	13,900
Total	\$ 4,172,000	\$ 3,087,016	\$ 1,084,984
Increase Over Same Quarter of Prior Year			35%

3. July 2023 to June 2024 versus July 2022 to June 2023

Miscellaneous expenses for the period July 2023 to June 2024 totaled \$10,624,302, a 17% increase from the period July 2022 to June 2023, where expenses totaled \$9,086,066. In the fourth quarter of each fiscal year, from April to June, Metro's expenses were the highest. (In the fourth quarters of Fiscal Years 2023 and 2024, miscellaneous expenses totaled approximately \$3.1 million and \$4.2 million, respectively. (See Figure 1).

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

**Figure 1: Miscellaneous Expenses per Quarter
July 2023 to June 2024 versus July 2022 to June 2023**

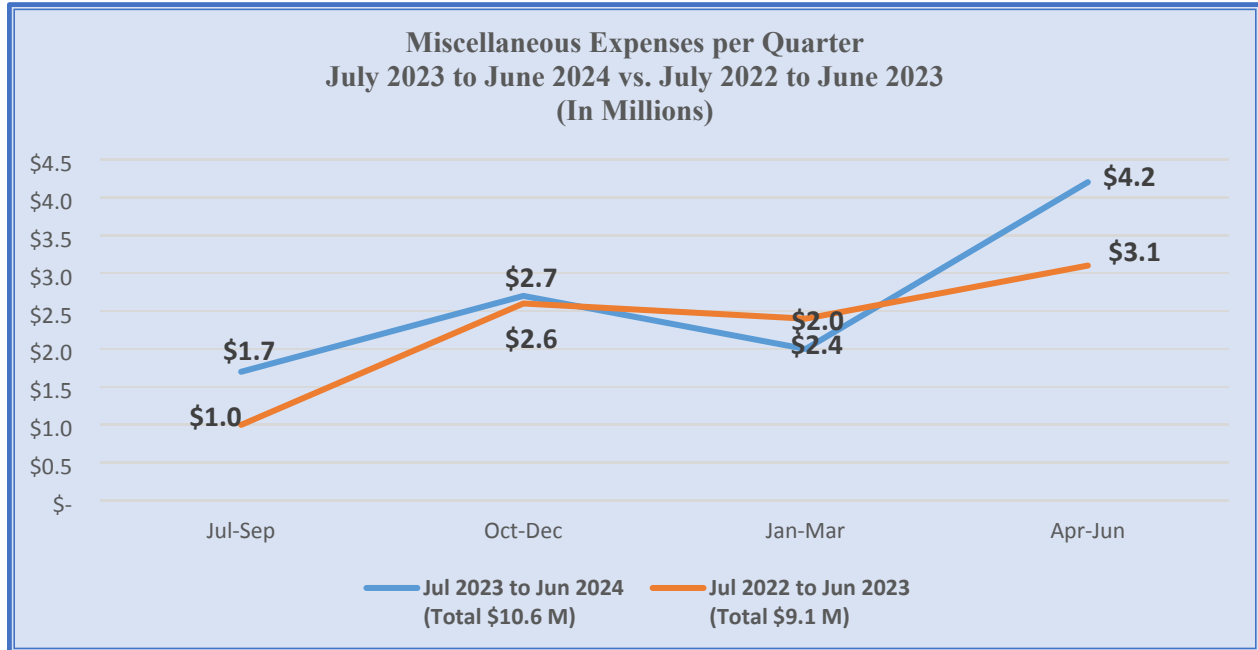
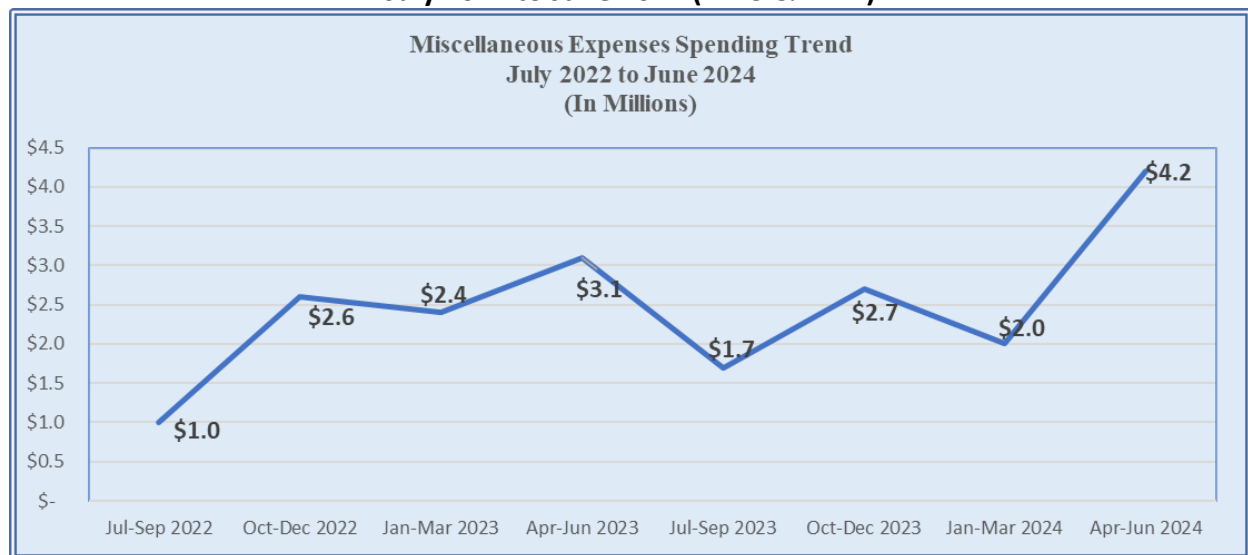


Figure 2 shows the spending trend for miscellaneous expenses for the last two years.

**Figure 2: Miscellaneous Expenses Spending Trend
July 2022 to June 2024 (FY23 & FY24)**



As noted earlier, miscellaneous expenses were highest during the last quarter of each fiscal year. Part of this increase can be attributed to the accrual of expenses in June of each fiscal year that are charged to the respective year's budget. It is a common practice to exhaust budgeted funds

Statutorily Mandated Audit of Miscellaneous Expenses

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in the 4th quarter of a fiscal year to avoid trailing expenses to the following fiscal period. The increase in spending after July through September 2022 was likely attributable to a transitional end to COVID-19.

CONCLUSION

The miscellaneous expenses we reviewed for the quarter of April 1 to June 30, 2024, generally complied with Metro policies and procedures, were reasonable, and were adequately supported by required documents. However, we found exceptions related to Metro's P-Card Rules and Guidelines, Accounting Procedures and Guidelines – Petty Cash Funds (ACC-11), and Business Travel Guidelines (GEN 65).

RECOMMENDATIONS

We recommend the following:

Office of Board Administration

1. P-Card Holders and Approvers should review the P-Card Program Rules and Guidelines to ensure compliance by requiring a suitable justification memo that includes all required elements for pre-approval of routine purchases.
2. P-Card Holders and Approvers should ensure compliance by requiring a written justification for the pre-approval of restricted item purchases, as outlined in the P-Card Program Rules and Guidelines. The memo should cover up to a one-year period that can be updated and renewed annually. This would allow V/CM to review and approve the memo more regularly to oversee whether it complies with applicable rules and policy.

Bus Maintenance

3. To ensure compliance with policy requirements, we recommend that all approvers thoroughly review the Accounting Procedures and Guidelines – Petty Cash Funds (ACC-11) and verify that all necessary documentation is provided for the disbursement and replenishment of Petty Cash funds, which includes petty cash vouchers.

Statutorily Mandated Audit of Miscellaneous Expenses

April 1, 2024 to June 30, 2024

Office of the Inspector General

Report No. 25-AUD-04

Government Relations

4. We recommend that all approvers thoroughly review the current Metro Business Travel Guidelines (GEN 65) policy to require that traveling employees disclose known or estimated lodging costs in Travel Authorization Request Forms and any required information accompanying Memos of Justification.

MANAGEMENT COMMENTS TO RECOMMENDATIONS

On May 27, 2025, we provided Metro Management with our draft report. By June 12, 2025, Metro Management submitted their responses summarizing their corrective actions. See Attachment B.

OIG EVALUATION OF MANAGEMENT RESPONSES

Metro Management 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.

Summary of Sampled Expenses Audited

Account	Account Description	Audit Population	Sample Amount
50213	Training Program	\$ 36,029	\$11,118
50903	Business Meals	170,124	13,457
50905	Corporate Membership	139,300	69,500
50908	Employee Relocation <a>	0	0
50910	Mileage and Parking	3,554	663
50912	Professional Membership	15,661	2,998
50914	Schedule Checkers Travel <a>	0	0
50915	Seminar and Conference Fee	148,761	13,058
50917	Business Travel	328,761	17,876
50918	Advertising	934,691	707,369
50930	Employee Activities & Recreation	12,418	7,073
50999	Other Miscellaneous Expenses	<u>2,382,699</u>	<u>1,726,710</u>
	Total	<u>\$4,172,000</u>	 <u>\$2,569,822</u>

<a> No expenses incurred for this quarter.

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

The dollar amounts for Audit Population have been rounded to the nearest whole dollar.

Management Comments to Draft Report

Office of Board Administration**Metro****Interoffice Memo**

Date	May 28, 2025
To	Yvonne Zheng Sr. Manager, Audit
From	Collette Langston Board Clerk <i>CL</i>
Subject	Response to OIG Audit No. 25-AUD-04

This memo is in response to the Office of the Inspector General audit, 25-AUD-04, which found that the Office of Board Administration was in non-compliance with P-Card rules and guidelines.

As the audit states, the department uses the P-Card to purchase business meals and beverages, such as bottled water, for Committee and Board Meetings. Due to these being restricted items under the P-Card rules and guidelines, an exception memo is submitted annually but as the audit shows, the memo is missing detailed information required to authorize these types of purchases.

Board Administration clarified the memo for FY25, adding additional details as to what types of restricted items would be purchased using the P-Card and will include even more details for FY26. As is Board Administration's standard practice, the memo is updated, reviewed, and signed by the Deputy Chief V/CM annually, mid-June. This will continue to be the department's practice.

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

Management Comments to Draft Report

Operations



Metropolitan Transportation Authority

Metro**Interoffice Memo**

Date	May 28, 2025		
To	Karen Gorman Inspector General		
From	Conan Cheung Chief Operations Officer	Shahrza d Amiri	Digitally signed by Shahrzaad Amiri Date: 2025.06.13 12:58:03 -0700
Subject	Management Response to Draft Report on Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 0224 to June 30, 2024 (Report No. 25-AUD-04)		

Operations Management reviewed the Draft Report Statutorily Mandated Audit of Metro Miscellaneous Expenses April 1, 0224 to June 30, 2024 (Report No. 25-AUD-04). Operations will update and monitor policies and procedures to comply with the recommendations outlined in the draft report for Bus Maintenance. The following identifies actions to be taken by Operations Bus Maintenance to comply with the recommendations from the audit:

Bus Maintenance**Recommendation # 3**

To ensure compliance with policy requirements, we recommend that all approvers thoroughly review the Accounting Procedures and Guidelines – Petty Cash Funds (ACC-11) and verify that all necessary documentation is provided for the disbursement and replenishment of Petty Cash funds, which includes petty cash vouchers.

Management Response: Agree; Management has thoroughly reviewed the Accounting Procedures and Guidelines – Petty Cash Funds (ACC-11). All necessary documentation is now provided for the disbursement and replenishment of Petty Cash funds, which includes petty cash vouchers.

Completion Date: Complete and ongoing

Management Comments to Draft Report

Chief of Staff



Metro

Interoffice Memo

Date	June 12, 2025
To	Karen Gorman Inspector General
From	Nicole Englund Chief of Staff
Subject	Response to Issue 3 of 25-AUD-04 Draft Report on Metro Misc. Expenses April 1 to June 30, 2024

This memo serves as a response to Issue 3 of the 25-AUD-04 Draft Report on Metro Misc. Expenses April 1 to June 30, 2024. We appreciate the opportunity to clarify our process and affirm our commitment to Metro’s Business Travel Guidelines (GEN 65).

Please note that on January 30, 2025, we were informed by the Office of the Inspector General that there is no violation of the policy. In January 2025, I reviewed GEN 65 with our team to ensure full alignment. All business travel is coordinated through Metro’s Travel Department, and our team does not independently modify TA forms any updates are made by the Travel Department following proper approvals.

Regarding the April 15–16 travel, a justification memo was submitted and updated to reflect the change. A request for a lodging exception was included, as available hotel rates in Sacramento during that period were significantly higher due to multiple overlapping events and limited government-rate availability. The Deputy Chief of Staff approved the updated travel and lodging.

Going forward, we will strengthen coordination with the Travel Department to ensure that any exception requests, cost estimates, or lodging rate variances are clearly documented upfront to support policy compliance and reimbursement.

The Metro Government Relations department will continue to comply with the current Metro Business Travel Guidelines (GEN 65) and coordinate all travel through our Travel department.

Thank you.

Final Report Distribution

Board of Directors

Kathryn Barger
Karen Bass
James Butts
Jacquelyn Dupont-Walker
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Janice Hahn
Lindsey Horvath
Holly Mitchell
Ara Najarian
Imelda Padilla
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Metro

Chief Executive Officer
Chief of Staff
Inspector General
Board Clerk
Chief Financial Officer
Chief Operations Officer
Chief Transit Safety Officer (Interim)
Deputy Chief Vendor/Contract Management Officer
Deputy Chief Auditor

Audit of Miscellaneous Expenses April 1 to June 30, 2024

OIG Report No. 25-AUD-04
Karen Gorman, Inspector General

July 17, 2025



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.

Results of Audit

- Staff generally complied with Metro policies and procedures; but OIG found the following issues:
 - Non-Compliance with P-Card Rules and Guidelines due to purchases without proper preapproval
 - Exceptions related to Metro's Petty Cash Funds (ACC-11) Policy due to missing required documentation
 - Issue with Justification Memo for Exception to Business Travel Guidelines (GEN 65)

- ❖ OIG provided 4 recommendations.





Board Report

File #: 2025-0427, File Type: Plan

Agenda Number: 23.

FINANCE, BUDGET, AND AUDIT COMMITTEE JULY 18, 2025

SUBJECT: FISCAL YEAR 2026 AUDIT PLAN

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

ADOPT the Fiscal Year 2026 (FY26) Proposed Annual Audit Plan (Attachment A).

ISSUE

Management Audit Services (MAS) is required to complete an annual agency-wide risk assessment and submit an annual audit plan to the Board of Directors for approval.

BACKGROUND

The Financial Stability Policy, approved in 2007 and last amended in 2022, requires MAS to develop a risk assessment and an annual audit plan (AAP) each year and present it to the Board. It also requires the Finance, Budget, and Audit Committee to provide input and approve the audit plan.

Some projects included in the FY26 AAP are identified as carryovers, meaning they were initiated in FY25 but are expected to be completed in FY26. These projects were not initiated due to resource constraints and additional special review projects requested during FY25.

DISCUSSION

The FY26 AAP was developed with consideration of the current state of the agency and results of the agency-wide risk assessment. The agency-wide risk assessment incorporated research as well as input received from Metro's leadership teams across the agency. MAS leveraged the risk assessment results to prepare an Audit Plan that is flexible, relevant, and risk-based. The Audit Plan includes audit projects that add value, provide actionable information to support agency risk management efforts, and will lead to the achievement of organizational goals aligned with Metro's Vision 2028 Strategic Plan and the CEO 2023 strategic aspiration placemat.

Risk Assessment

MAS staff performed an agency-wide risk assessment between January and April 2025. This assessment is a structured, systematic process that combines research and stakeholder

engagement, serving as the primary basis for selecting internal audit projects that add value and support the agency's objectives. The recognized risks varied in nature, the likelihood of occurrence, and their potential impact on the agency. The agency-wide risk assessment also identified areas of potential future opportunity related to the agency's goals and objectives.

To help MAS understand the various risks the agency currently faces and their potential impacts, MAS incorporated the following foundational principles in the development of the FY26 Audit Plan, which include:

- Identification of auditable units
- Identification of potential risks, including emerging risks
- Categorization of identified risks
- Assessment of the likelihood of identified risks
- Assessment of the impact of identified risks

The following risk categories were considered in the performance of the agency-wide risk assessment:

- Capital Project
- Compliance
- Environmental, Social, and Governance
- Financial
- Human Capital
- Information Technology
- Legal / Regulatory
- Operational
- Public Image / Reputational
- Reporting
- Safety / Security

Enterprise Risk Themes

The agency-wide risk assessment process led to the identification of the core enterprise-risk themes summarized below:

- **Staffing:** Metro leadership across departments expressed concerns about strategic workforce planning efforts. The anticipated completion of various critical projects will require sufficient and adequately trained staff to support service delivery on an expanded rail network. Additionally, the continued development of the Transit Community Public Safety Department is expected to result in a significant increase in staffing levels within a relatively short period, as will the transition of the Ambassador Program from a contracted service to an agency unit. However, the Chief People Office has made significant progress in recruitment activities since the risk assessment interviews were conducted. The CPO initiated a talent acceleration initiative that significantly reduced agency time to hire, lowered the vacancy rate to within acceptable industry standards, filled all existing positions for expansion roles, and enhanced

its recruitment technology by adopting NEOGOV, a public sector recruitment platform. Continued progress in this area is underway to address Metro leadership feedback in the areas of training and development. With the opening of Metro's Talent Hub, a new high-tech professional development training space, CPO can deliver staff training beyond courses mandated by law or regulation and offer career-forward workshops aimed at sharpening skills to build career pathways for employees. As staff vacancies are being filled, MASD proposes examining administrative improvements to review and identify procedural efficiencies and technological options within the Bus Divisions to increase productivity.

- **Public Safety:** Progress has been made in this area, including the hiring of the Chief of Police and Emergency Management to lead the establishment of the Transit Community Public Safety Department. The Emergency Security Operations Center is now open and operational, and the pilot testing of weapon detection systems is proceeding. The presence of uniformed personnel on the Metro system has increased, and partnered efforts have led to enhanced assistance for individuals experiencing homelessness in securing interim or permanent housing. Further gains in public safety are expected as the agency installs taller faregates at more locations in the system, and the TAP-to-Exit pilot program continues to be rolled out to additional locations. Challenges include the opening of several new stations within a short period, which will require increased security coverage, as well as the presence of individuals experiencing homelessness on real estate adjacent to Metro-owned properties, creating enforcement challenges. An analysis of the condition and utilization of Metro's real estate, plus evaluation of safety incident response and physical security monitoring, as carry-over projects, are designed to support existing efforts to improve customer safety
- **Operational:** The agency faces the challenge of hosting several major events in the service area, including the 2026 FIFA World Cup, Super Bowl LXI, and the Summer 2028 Olympic and Paralympic Games. Finding the right balance between ensuring the agency is prepared and positioned to support the success of these events while remaining focused on delivery of core transit services is key. Additionally, with increased staffing needs, streamlining operational processes and improving records management systems are necessary to support these efforts. Ensuring the reliability of the existing bus fleet is maintained through regular maintenance efforts is also essential. Furthermore, accelerating the delivery of customer experience improvements, such as enhanced digital tools for riders, and real-time information at stations is key. As equipment acquisition and facility improvements are underway to help address these challenges, proposed audits on wayside track maintenance and non-revenue vehicle reserve readiness are proposed to evaluate adjacent activities.
- **Capital projects:** As indicated in the FY26 Annual Program Evaluation, the agency currently has a \$33.6 billion capital program encompassing 36 projects. Management identified potential challenges due to the tight skilled labor market for construction which could become even tighter as competition for these resources increases. Specifically, as discussed in the 2025 Metro Construction Market Outlook Special Report, the increased demand for workers in Los Angeles County to support reconstruction efforts from the January 2025 wildfires could result in scarcities. Although most construction trades on Metro projects are skilled/specialized (i.e., tunneling and electrical systems), common trades like carpentry, roofing, plumbing, and heating / ventilation / air condition (HVAC) may still be in high demand. Additionally, as more

Metro projects are expected to be delivered using collaborative delivery methods, such as construction manager/general contractor and progressive design-build, this presents both risks and opportunities for the agency.

- **Financial:** Changes in Federal Transit Administration priorities have the potential to affect the level of federal funding the agency receives. Some stakeholders expressed concern about how shifting trade policy could affect operations and the cost of projects. Also, there was concern about having adequate funding to support the infrastructure augmentation needed to support upcoming major events. Finally, concern was also expressed about the availability of long-term funding to fulfill Metro's zero-emission bus conversion by 2035.
- **Environmental, Social and Governance Risks:** There is continued concern about the potential for cyber-attacks against agency systems and the ability to prevent, detect, and respond to cyber incidents using the latest tools, techniques, and methods. The agency continues to explore ways to strengthen its cybersecurity posture.

There are also unique risks that do not clearly fit into one of the outlined major risk categories, as well as risks that may not have been identified or presented during the agency-wide risk assessment. MAS will continue to assess emerging risks throughout FY26 and, if necessary, adjust the Audit Plan.

Audit Plan

The FY26 Audit Plan is based primarily on the results of the agency-wide risk assessment.

Scores were assigned to individual risks in our risk assessment, with consideration given to the potential likelihood and impact of the individual risks. Identified risks are ranked through assessing the potential severity of a risk event and the probability of its occurrence. This assessment helps prioritize risk for audit focus, with high risk scores leading to the selection of projects for inclusion in the FY26 plan. These scores are displayed in Exhibit 1.



Exhibit 1: FY26 Annual Audit Plan project risk scores

Risk scores were not the only guide used by MAS to select audit projects for the FY26 Audit Plan. Additional factors considered included:

- Perceived strength of management controls
- Prior audits or reviews
- Subject matter expertise/capacity required by MAS to perform an audit or review
- Complexity of the risk area
- Input from senior leadership

Accordingly, the Audit Plan includes audit projects to address areas of moderate to high risk that are expected to add value, mitigate potential future risks, and support the achievement of agency goals and objectives.

Outreach was made to the agency's Senior Leadership Team during the selection of audit projects included in the FY26 Audit Plan to solicit feedback and suggestions about the proposed work. The feedback received was considered and incorporated into the FY26 Proposed Annual Audit Plan (Attachment A).

The FY26 Proposed Annual Audit Plan includes 19 audit projects in three categories: priority, discretionary, and carryover.

- Priority: Audit projects that will be given primary focus during FY26.
- Discretionary: Audit projects that MAS will perform based on the status of priority and carryover projects, and time and resources permitting.
- Carryover: Audit projects initiated in FY25 and will be completed in FY26.

The FY26 Proposed Annual Audit Plan also includes the required Contract and Financial Compliance Audits throughout the year. These audits include contract pre-award and incurred cost audits as requested by Vendor/Contract Management, incurred cost audits of various grant projects, and external financial and compliance audits of Metro and sub-recipients.

Professional audit standards and leading practices suggest that the agency is best served by a dynamic audit plan that can be modified in response to changing business conditions, the discovery of new information, or areas being elevated to priority status based on the needs of the Board of Directors, Chief Executive Officer, and/or senior leadership.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

There are no financial impacts associated with the approval of the FY26 Audit Plan.

EQUITY PLATFORM

The FY26 agency-wide risk assessment and FY26 Proposed Annual Audit Plan considered Environmental, Social, and Governance risks, which encompass equity, that could affect Metro riders, such as possible delays in project upgrades, or potential conditions that could adversely affect the ridership experience. At least three projects included in the FY26 Proposed Annual Audit Plan were included based in part on these factors. Also, in applying an equity lens to the FY26 AAP, MAS will ask departments during the audits whether any applicable and required Metro equity assessments have been completed.

VEHICLE MILES TRAVELED OUTCOME

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

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, since it describes areas to be reviewed in FY26 by MAS with the goal of promoting effective and efficient operations and continuous improvement within the organization. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring

System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects included in the Audit Plan directly or indirectly support various goals outlined in Metro's Vision 2028 Strategic Plan and the CEO's 2023 strategic aspiration placemat.

ALTERNATIVES CONSIDERED

An alternative is not to approve the FY26 Proposed Annual Audit Plan. This is not recommended, as it is a management tool for systematically assigning resources to deliver an agency-wide audit plan in accordance with the Financial Stability Policy. Additionally, developing an annual internal audit plan is consistent with the MAS Audit Charter and Generally Accepted Government Auditing Standards.

NEXT STEPS

Upon Board approval, MAS will develop the FY26 Annual Audit Plan schedule and deliver quarterly status reports to the Board of Directors.

ATTACHMENT

Attachment A - FY26 Proposed Annual Audit Plan

Prepared by: Kimberly L. Houston, Deputy Chief Auditor, (213) 922-4720
Alfred Rodas, Senior Director, Audit, (213) 922-4553

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



Stephanie Wiggins
Chief Executive Officer

FY26 Proposed Annual Audit Plan

Priority Projects**Bus Division Operation Efficiencies**

Office: Operations

Objective: Examine Metro's Bus Division administrative operations and explore ways to build efficiencies into processes and utilize technology, including AI, to accomplish goals.

Non-Revenue Vehicle Reserve Readiness

Office: Operations

Objective: Assess the availability and readiness of the non-revenue vehicle fleet for operational deployment and use.

Wayside Track Maintenance

Office: Operations

Objective: Evaluate how Metro ensures that track maintenance complies with FTA State-of-Good-Repair requirements.

Real Estate Condition and Utilization

Office: Planning and Development

Objective: Determine if Metro has a comprehensive inventory of its real estate and if its system accurately describes and monitors the current utilization of properties.

Measure M Subregional Program (MSP) Performance

Office: Planning and Development

Objective: Evaluate the effectiveness, implementation performance, and subregional project progress to ensure MSP or similar grants are maximizing the program's capacity and adhering to project schedule(s).

Discretionary Projects

Alternative Delivery

Office: Program Management

Objective: Review and evaluate active projects for adherence to the Alternative Project Delivery Manual.

Revenue Bus Reserve Readiness

Office: Operations

Objective: Assess the availability and readiness of the bus fleet to support projected peak passenger demand during future major events.

ADA Improvement Projects

Office: Planning and Development/Chief of Staff

Objective: Examine the methodology used to identify and prioritize Metro locations in need of ADA improvement projects that must be completed in advance of major events.

Carryover Projects

Division 20 Portal Widening Project

Office: Program Management/Operations

Objective: Evaluate the overall project management processes for the Division 20 Portal Widening project.

Gold (L) Line Extension

Office: Program Management/Operations

Objective: Assess the oversight of Program Management and Operations over the Foothill Gold Line Construction Authority's construction efforts and review preparations for operations upon the opening of the Pomona station.

Safety Incident Response

Office: Chief Safety Office/Customer Experience Office

Objective: Assess the sufficiency of policies and procedures for prompt decision making and dispatch of resources to safety-related service requests from employees and the public.

Small Business Enterprise (SBE)/ Disadvantaged Business Enterprise (DBE) Certification Process

Office: Deputy Chief Executive Officer

Objective: Evaluate if DEOD's SBE/DBE certification procedures effectively identify eligible businesses and comply with relevant laws, regulations, and policies.

Physical Security Monitoring Equipment

Office: Operations/Chief People Office

Objective: Assess the adequacy of policies and procedures related to video monitoring equipment at the agency.

Carryover Projects

Employee Health Care Benefits

Office: Chief People Office

Objective: Verify that all active eligible recipients, excluding represented employees and retirees, receiving Metro's health and dental coverage are receiving benefits from their selected providers and that elected coverage corresponds with payroll deductions.

Grant Funding Process

Office: Planning and Development

Objective: Assess whether Metro is adequately allocating its resources to maximize funding identified and received.

Information Technology Governance

Office: Chief People Office/Agency-Wide

Objective: Assess Metro's IT governance effectiveness, including evaluating whether established practices are followed and functioning as intended and the adequacy of the information technology Continuity of Operations Plan.

Employee Pension Benefits

Office: Chief People Office/Strategic Financial Management

Objective: Verify the accuracy of pension payroll deductions and contributions for all active, eligible employees whose pension benefits are covered by the Public Employees' Pension Reform Act (PEPRA).

Purple (D-Line) Extension 1 (PDLE1)

Office: Program Management/Operations

Objective: Evaluate the state of processes and planning for final year activities (testing, certification, training, activation) of PDLE1 transit project prior to the start of revenue operations.

Carryover Projects

East Side Access Improvement Project

Office: Program Management/Customer Experience

Objective: Assess whether the usage of EAIP funds, including grants, complied with applicable terms, conditions, and restrictions, and determine whether the executed scope of the EAIP aligned with the scope described in the Board Report, Grant, and other funding agreements and assess reasons for variances, including change orders.

Contract, Financial and Compliance Audits

Contract Pre-Award Audits

Office: Strategic Financial Management
Objective: Perform pre-award audits for procurements and modifications

Incurred Cost Contract and Grant Audits

Office: Planning and Development / Program Management
Objective: Verify whether costs are reasonable, allowable, and allocable on cost-reimbursable contracts and grants for contractors and grantees, respectively

Financial and Compliance External Audits

Offices: Agencywide
Objective: Complete legally mandated financial and compliance audits

Business Interruption Fund

Offices: Strategic Financial Management
Objective: Verify the Business Interruption Fund (BIF) Administrator's compliance with the Los Angeles County Metropolitan Transportation Authority's (Metro) Business Interruption Fund (BIF) Administrative Guidelines and Fund Disbursement Procedures.

FY 26 Management Audit Services' Annual Audit Plan

Finance, Budget and Audit Committee
July 17, 2025

Kimberly Houston
Alfred Rodas
Lauren Choi



MANAGEMENT
AUDIT SERVICES



Audit Plan Background

Required by:

- Financial Stability Policy
- Audit Charter
- Professional Audit Standards (GIAS & GAS)

Determined by:

- Agency Wide Risk Assessment (AWRA)
- A structured process of research and stakeholder engagement

Risk Types



Key Steps to Preparing the Plan



Proposed Audit Plan

Priority	Discretionary	Carry Over	CFC
Bus Division Operation Efficiencies	Alternative Delivery	Division 20 Portal Widening Project	Contract Pre-Award Audits
Non-Revenue Vehicle Reserve Readiness	Revenue Bus Reserve Readiness	Gold (L) Line Extension	Incurred Cost Contract and Grant Audits
Wayside Track Maintenance	ADA Improvement Projects	Safety Incident Response	Financial and Compliance External Audits
Real Estate Condition and Utilization		Small Business Enterprise (SBE)/Disadvantaged Business Enterprise (DBE) Certification Process	Business Interruption Fund (BIF)
Measure M Subregional Program Performance		Physical Security Monitoring Equipment	
		Employee Health Care Benefits	
		Grant Funding Process	
		Information Technology Governance	
		Employee Pension Benefits	
		Purple (D-Line) Extension 1	
		East Side Access Improvement Project	

Questions



Board Report

File #: 2025-0519, **File Type:** Informational Report

Agenda Number: 24.

FINANCE, BUDGET AND AUDIT COMMITTEE JULY 17, 2025

SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2024

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the fiscal year ended June 30, 2024 (FY24).

ISSUE

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

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

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

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

BACKGROUND

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

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

DISCUSSION

The consolidated audit process includes financial and compliance audits of Local Return programs. With the exception of the Cities of Compton, Huntington Park, and South Pasadena, the County and Cities' financial statements were found to present fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP). The three Cities' Annual Comprehensive Financial Reporting (ACFR) audits were late, which delayed their bank reconciliations and closing processes for Local Return funds. However, the Cities are actively working to update their financial schedules. Although their FY24 closing processes were delayed, the Cities were able to meet other significant compliance requirements, e.g., they submitted all required budget and actual expenditure forms on time and obtained Metro's project approval prior to incurring expenditures. Below is a more detailed summary of the consolidated audit results:

Propositions 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 FY24.

The auditors identified 33 instances of non-compliance for Propositions A and C, consisting of 17 findings that did not result in questioned costs. Sixteen findings with questioned costs totaling

\$280,000 for Proposition A and \$1.2 million for Proposition C represent less than 1% of each total fund reviewed. There were 11 repeat findings from the prior fiscal year's audit as follows:

No.	Jurisdiction	Fund	Finding
1.	Artesia	Prop A	Exceeding 25% Budget Cap
2.	Artesia	Prop A	Late Recreational Transit Form
3.	Baldwin Park	Prop C	Exceeding 25% Budget Cap
4.	Huntington Park	Prop A	Closing Process
5.	Huntington Park	Prop C	Closing Process
6.	Huntington Park	Prop C	Late Recreational Transit Form
7.	La Habra Heights	Prop A	Exceeding 25% Budget Cap
8.	La Habra Heights	Prop A	No prior approval of project for \$24,322.
9.	Lynwood	Prop A	No prior approval of project for \$188,157
10.	Palmdale	Prop C	Lapsed funds of \$56,743.
11.	Palos Verdes Estates	Prop C	Lapsed funds of \$188,565.

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 5, 2025. A Public Hearing was also conducted on June 4, 2025, to receive public input.

The Reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines for FY24 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 FY24.

The auditors found 10 instances of non-compliance for Measure R, consisting of four findings that did not result in questioned costs. Six findings with questioned costs totaling \$4.5 million for Measure R represent less than 3% of the total amount reviewed. There were two repeat findings from the prior fiscal year's audit as follows:

No.	Jurisdiction	Fund	Finding
1.	Huntington Park	Measure R	Closing Process
2.	South Gate	Measure R	No prior approval of project for \$1,769,793.

As required by the Ordinance, the Measure R Local Return audit results were presented to the MRITOC on March 5, 2025. A Public Hearing for MRITOC was also conducted on June 2, 2025, to receive public input. The Ordinance also requires the MRITOC to prepare an annual report for the Metro Board of Directors, presenting the results of the annual audit process and any findings made (Attachment C).

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 FY24.

The auditors found 12 instances of non-compliance for Measure M, consisting of four findings that did not result in questioned costs. Eight findings with questioned costs totaling \$586,000 for Measure M represent less than 1% of the total amount reviewed. There was one repeat finding from the prior fiscal year's audit for the City of Huntington Park related to their year-end closing process.

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 5, 2025. A Public Hearing was also conducted on June 4, 2025, to receive public input. The Ordinance also requires the MMITOC to prepare an annual report for the Metro Board of Directors, presenting the results of the annual audit process and any findings made (Attachment D).

Non-Local Return

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

The auditors found that, except for FAME Assistant Corporation (FAC) for the LIFE program, the schedules/financial statements for the other 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, including 33 findings for the TDA Article 3 program and one finding for Metrolink. There were six repeat findings for the TDA program from the prior fiscal year's audit related to unencumbered fund balances.

Simpson conducted agreed-upon procedures for the LIFE program administrators, FAC, and the

International Institute of Los Angeles (IILA), to assess compliance with eligibility verification requirements for two periods: July-December 2023 and January-June 2024. The engagements, conducted to assist Metro's program manager in effectively managing the program, found that while all sampled documentation was properly maintained, only 42% of patrons confirmed eligibility, with 4% refusing to submit documents, 17% submitting incomplete information, and 37% unresponsive - often due to homelessness or outdated contact details. Following discussions between MAS, the auditors, and the program manager, improvements were made, including the implementation of reminders for patrons to update their contact information. These efforts resulted in increased confirmed eligibility (from 36% to 48%) and a decrease in unresponsiveness (from 42% to 32%) in the second half of FY24.

On May 1, 2024, FAC filed for Chapter 7 bankruptcy, resulting in the termination of its LIFE program operations, financial reporting activities, and administrative functions. Due to the lack of sufficient and appropriate audit evidence, the auditor issued a disclaimer of opinion on FAC's financial statements and compliance. FAC's LIFE program contract ended on June 30, 2024, and key staff transitioned to the remaining LIFE program administrator, IILA, to ensure continuity of services and program administration. As of July 1, 2024, IILA became the sole administrator of the LIFE program across all service areas.

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

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

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

[<https://libraryarchives.metro.net/DB_Attachments/FY24%20Consolidated%20Audit%20-%20Vasquez/>](https://libraryarchives.metro.net/DB_Attachments/FY24%20Consolidated%20Audit%20-%20Vasquez/)

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

[<https://libraryarchives.metro.net/DB_Attachments/FY24%20Consolidated%20Audit%20-%20Simpson/>](https://libraryarchives.metro.net/DB_Attachments/FY24%20Consolidated%20Audit%20-%20Simpson/)

EQUITY PLATFORM

The Consolidated Audit, Financial, and Compliance Reports in this report support compliance with applicable ordinances and guidelines, as well as assist program managers in effectively managing and administering programs that serve all communities throughout the County. There are no known equity impacts or concerns associated with the audit services conducted to complete the FY24 Consolidated Audit.

VEHICLE MILES TRAVELED OUTCOME

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

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

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Staff will continue to work with the respective jurisdictions to resolve the findings. As many of the findings 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 are not resolved will be identified as repeat findings and will escalate in terms of materiality.

ATTACHMENTS

Attachment A - FY24 Proposition A and Proposition C Local Return Reports (Vasquez)

Attachment B - FY24 Proposition A and Proposition C Reports Local Return (Simpson)

Attachment C - FY24 Measure R Annual Report

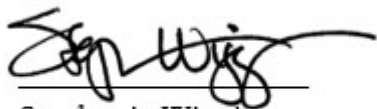
Attachment D - FY24 Measure M Annual Report

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

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

A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



**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, 2024

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2024**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO 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, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and 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, 2024.

Basis for Opinion

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



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

Responsibilities of Management for Compliance

Managements of the County and the Cities are responsible for their compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County and each City's 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 #2024-001 through #2024-015. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-004 and #2024-009 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 #2024-002, #2024-008 and #2024-010 to be significant deficiencies.

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

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



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

Vasquez & Company LLP

Glendale, California
December 31, 2024

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2024**

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2024**

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, 2024**

The audits of the County of Los Angeles and the 39 cities have resulted in 15 findings. The table below summarizes these findings:

Compliance Areas	# 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.	6	Baldwin Park (See Finding #2024-001)	\$ -	\$ 151,000	\$ 151,000
		Culver City (See Finding #2024-006)	-	29,962	29,962
		Lynwood (See Finding #2024-010)	188,157	-	188,157
		Montebello (See Finding #2024-011)	-	20,343	20,343
		Santa Monica (See Finding #2024-012)	5,818	-	5,818
		South Gate (See Finding #2024-013)	-	441,633	441,633
Timely use of funds.	1	Westlake Village (See Finding #2024-015)	-	25,362	25,362
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Baldwin Park (See Finding #2024-002)	-	None	None
		Calabasas (See Finding #2024-003)	None	-	None
		Hidden Hills (See Finding #2024-007)	-	None	None
		South Gate (See Finding #2024-014)	-	None	None
Recreational transit form was submitted on time.	2	Cudahy (See Finding #2024-005)	None	None	None
		Huntington Park (See Finding #2024-008)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	2	Compton (See Finding #2024-004)	None	None	None
		Huntington Park (See Finding #2024-009)	None	None	None
Total Findings and Questioned Costs	15		\$ 193,975	\$ 668,300	\$ 862,275

Details of the above findings are presented in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024**

Finding #2024-001: 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, Existing Fixed Route Service, totaling \$60,000; and b. Project code 107, Dial-A-Ride Service, totaling \$91,000. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditures totaling \$151,000 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 via LRMS and obtained retroactive approval of the budgets for said projects on August 1, 2024.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on August 1, 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, 2024
(Continued)

Finding #2024-002: 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 exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via LRMS for the PCLRF's Project code 705, Street Maintenance. The amount in excess of 25 percent of the approved budget was \$24,821. 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 request through LRMS and obtained retroactive approval of the project from Metro Program Manager. This is a repeat finding from the prior year.
Cause	The City did not anticipate incurring eligible expenditures for more than the approved budget for this project. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2024.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget 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, 2024
(Continued)

Finding #2024-002: PCLRF (Continued)	City of Baldwin Park
Recommendation	We recommend the City submit a revised Form A or submit a budget request via LRMS to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on July 30, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on July 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, 2024
(Continued)**

Finding #2024-003: PALRF	City of Calabasas
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 PALRF's Project code 110 Public Transit Fueling. The amount in excess of 25 percent of the approved budget was \$21,801. 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 request 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 this project. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2024.
Effect	The City's PALRF project expenditure 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 changes 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, 2024
(Continued)

Finding #2024-003: PALRF (Continued)	City of Calabasas
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to the Metro Program Manager and obtained retroactive approval of the budget for said project on November 20, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on November 20, 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, 2024
(Continued)

Finding #2024-004: PALRF and PCLRF	City of Compton
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of the audit on December 24, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations: • Reconciliations of major balance sheet accounts including bank accounts were not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. The audits of the City's financial statements for the fiscal years 2023 and 2024 had not yet been completed because of the clean-up and closing process currently being done. Further, we noted that the separate local return fund bank accounts were combined into the City's pooled cash and investments accounts during FY2024. This violated Metro's mandate to maintain separate bank accounts for local return funds.
Cause	During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-004: PALRF and PCLRF (Continued)	City of Compton
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate. We further recommend that the City reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate. This will also help in monitoring and tracking the activities and balances of local return funds.
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time. The City acknowledges the finding and will recommend to the City Council to reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)**

Finding #2024-005: PALRF and PCLRF	City of Cudahy
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 21, 2024, 37 days after the due date of October 15, 2024.
Cause	Due to changes in Public Works department staffing, there was a transition period that affected the changeover of communication of required reporting with Metro.
Effect	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 Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by October 15 th for each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification on November 21, 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, 2024
(Continued)

Finding #2024-006: PCLRF	City of Culver City
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 expenditure under Proposition C Project code 303, Network-wide Signal System Synch, totaling \$29,962, prior to approval from Metro. Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The project was inadvertently not included in the submitted budget request.
Effect	The City claimed expenditure totaling \$29,962 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 via LRMS and obtained retroactive approval of the budget for said project.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on December 18, 2024. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-007: PCLRF	City of Hidden Hills
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 PCLRF's Project code 806 Round Meadow Road and Mureau Road Landscape Maintenance. The amount in excess of 25 percent of the approved budget was \$5,421. 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 request 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 this project. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2024.
Effect	The City's PCLRF project expenditure 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 changes 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, 2024
(Continued)

Finding #2024-007: PCLRF (Continued)	City of Hidden Hills
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to the Metro Program Manager and obtained retroactive approval of the budget for said project on July 9, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on July 9, 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, 2024
(Continued)

Finding #2024-008: 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 for PALRF on December 11, 2024, 57 days after the due date of October 15, 2024. This is a repeat finding from prior year.
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 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by October 15 th for each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification on December 11, 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, 2024
(Continued)

Finding #2024-009: PALRF and PCLRF	City of Huntington Park
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork on December 24, 2024, the City's year-end closing process was still ongoing for fiscal year 2024. The following critical observations were identified: • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • The beginning fund balances were not reconciled with the prior year's audited reports. • A system issue was discovered, causing balances to not roll over correctly. Accordingly, the audit of the City's financial statements for the fiscal year 2024 was started late because of the ongoing clean-up and closing process. This is a repeat finding from prior year.
Cause	During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-009: PALRF and PCLRF (Continued)	City of Huntington Park
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures should be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are updated and provided timely to the users.
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)**

Finding #2024-010: 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 claimed expenditures under Proposition A Project code 610, Liability Insurance, totaling \$188,157, prior to approval from Metro. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro. This is a repeat finding from prior year.
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, 2024.
Effect	The City claimed expenditures totaling \$188,157 of Proposition A 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.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained a retroactive approval of the budget for said project on November 13, 2024.
Finding Resolved During the Audit	Metro Program Manager granted a retroactive approval of the said project on November 13, 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, 2024
(Continued)

Finding #2024-011: PCLRF	City of Montebello
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 expenditure prior to approval from Metro under Project code 620, Administrative Overhead, totaling \$20,343. Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditure for this project. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditure totaling \$20,343 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 it on Local Return-funded projects.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on September 3, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for said project on September 3, 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, 2024
(Continued)**

Finding #2024-012: PALRF	City of Santa Monica
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 prior to approval from Metro under Project code 610, Direct Administration – Prop A, totaling \$5,818. Although we found the expenditure 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, 2024.
Effect	The City claimed expenditure totaling \$5,818 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 it on Local Return-funded projects.
Management's Response	The City submitted a budget request via LRMS and obtained retroactive approval of the budget for said project on July 30, 2024.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on July 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, 2024
(Continued)

Finding #2024-013: PCLRF	City of South Gate
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures under the following Proposition C projects prior to approval from Metro. c. Project code 302, Replacement of Damaged Traffic Signal Poles at the Intersections, totaling \$194,198; and d. Project code 705, Citywide Roadway Maintenance by City Forces, totaling \$247,435. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditures totaling \$441,633 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 budget requests via LRMS and obtained retroactive approval of the budgets for said projects on October 15, 2024.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on October 15, 2024. No additional follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-014: PCLRF	City of South Gate
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via LRMS for the PCLRF's Project code 715, Illuminated Street Name Sign Replacement. The amount in excess of 25 percent of the approved budget was \$24,139. 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 request through LRMS and obtained a retroactive approval of the project via LRMS.
Cause	The City did not anticipate incurring eligible expenditures for more than the approved budget for this project. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2024.
Effect	The City's PCLRF project expenditure 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 changes in project budget and implement internal controls to ensure compliance with this requirement at all times.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-014: PCLRF (Continued)	City of South Gate
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request via LRMS and obtained retroactive approval of the budget for said project.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on November 7, 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, 2024
(Continued)

Finding #2024-015: PCLRF	City of Westlake Village
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition C funds amounting to \$25,362 which lapsed as of June 30, 2024.
Cause	The City programmed Prop C funding as part of the street work project for FY 2023-24. That work was advertised for bids on February 12, 2024. However, the bid was unsuccessful and the project had to be re-bid on April 24, 2024. This project has subsequently been completed at the beginning of FY 2024-25 and is currently in a close-out process.
Effect	The City did not comply with Proposition C LR 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 already expended these Proposition C funds during FY 2024/25 after the successful re-bid was completed. 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 November 21, 2024, Metro granted an extension of the use of the funds remaining with the City through June 30, 2025. 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
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, 2024



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, 2024**

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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: 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, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2024.

Basis for Opinion

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

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





Responsibilities of Management for Compliance

Management of the Cities are responsible for their compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to each City's 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 #2024-001 through #2024-018. 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 #2024-002, #2023-007 and #2023-012 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 #2024-001, #2024-006, and #2024-010 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.

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, California
December 31, 2024

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2024**

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2024

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, 2024

The audit of the 49 cities have resulted in eighteen (18) findings. The table below summarizes these findings:

Compliance Areas	# 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	Diamond Bar (#2024-004)	\$ -	\$ 51,265	\$ 51,265
		La Habra Heights (#2024-006)	24,322	-	24,322
		Lancaster (#2024-008)	-	6,802	6,802
Timely use of funds.	6	Bradbury (#2024-003)	722	-	722
		Palmdale (#2024-010)	-	56,743	56,743
		Palos Verdes Estates (#2024-012)	-	188,565	188,565
		San Dimas (#2024-013)	-	81,288	81,288
		Signal Hill (#2024-015)	51,315	-	51,315
		South Pasadena (#2024-018)	-	115,558	115,558
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2024-001)	None	-	None
		La Habra Heights (#2024-007)	None	-	None
		Palos Verdes Estates (#2024-011)	None	-	None
		San Gabriel (#2024-014)	-	None	None
Recreational transit form was submitted on time.	2	Artesia (#2024-002)	None	-	None
		Manhattan Beach (#2024-009)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	3	Glendora (#2024-005)	None	None	None
		South Pasadena (#2024-016)	None	None	None
		South Pasadena (#2024-017)	9,375	-	None
Total Findings and Questioned Cost	18		\$ 85,734	\$ 500,221	\$ 576,580

Details of the above findings are presented in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024

PALRF Finding #2024-001	City of Artesia
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 Project Code 155, Youth and Senior Recreation Transportation Services, in the amount of \$17,680. However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$53,169 for the PALRF's Youth and Senior Recreation Transportation Services Project on December 13, 2024. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffing.
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 project expenditures are within the 25 percent cap of 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 overbudget was due to an oversight. In the future, management will ensure that budget amendments are inputted in a timely manner.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 13, 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, 2024
(Continued)

PALRF Finding #2024-002	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, 2024 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 13, 2024. This is a repeat finding from fiscal years 2022 and 2023.
Cause	This was an oversight on the part of the City due to understaffing.
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 the compliance requirements. This includes ensuring the timely submission of all required forms and documentation.
Management's Response	The City was understaffed in the program department. 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 13, 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, 2024
(Continued)

PALRF Finding #2024-003	City of Bradbury
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 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 2021 ending fund balance of Proposition A funds (PALRF) in the amount of \$722 was not fully expended within 3 years as of June 30, 2024, and 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 was not in compliance with the 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 will ensure the remaining funds are used in fiscal year 2025. The City has requested an extension from Metro.
Corrected During the Audit	On November 12, 2024, Metro approved an extension on the usage of lapsed funds until June 30, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PCLRF Finding #2024-004	City of Diamond Bar
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 PCLRF's Annual Battery Back-Up and CCTV Replacement Program Project Code 304 (Project) in the total amount of \$51,265 were incurred prior to Metro's approval. However, the City subsequently received an approved budget in the amount of \$61,000 from Metro on October 15, 2024.
Cause	An oversight occurred in requesting budget approval from Metro for expenditures incurred to the Project was due to a recent transition in staffing within the Finance Department, specifically, the resignation of the Finance Supervisor who was responsible for overseeing Metro expenditures and reporting.
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 it obtains approval from Metro prior to implementing any Proposition C Local Return projects, properly enters the budgeted amount for each project in the Local Return Management System (LRMS) and submits 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 proactively identified the non-compliance issue when Finance staff discovered that expenditures for the Project had occurred prior to receiving Metro's approval. Upon recognizing this oversight, City management promptly sought and obtained retroactive approval from Metro on October 15, 2024, ensuring compliance with the funding requirements. To prevent similar issues in the future, City management is implementing enhanced coordination processes between departments to ensure project carryovers are flagged, and Metro approvals are secured, well in advance of deadlines. This proactive approach reflects the City's commitment to maintaining compliance and improving internal controls.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$61,000 for said project on October 15, 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, 2024
(Continued)

PALRF and PCLRF Finding #2024-005	City of Glendora
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..." In addition, Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: "e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared." Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported.
Condition	The bank reconciliation process was significantly delayed. As of the date of the audit, December 21, 2024, the bank reconciliation had only been completed through November 2023.
Cause	The preparation of the bank reconciliations was delayed due to staff turnover in several supervisory and lead positions within the Finance Department, as well as the transition to a new financial system in mid-December 2023.
Effect	The delay in preparing the bank reconciliations increases the risk of inaccuracies in the financial records, which could lead to misstated financial statements. This also limits the ability to ensure the integrity of cash balances and properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for preparing bank reconciliations, ensuring that they are completed on a timely basis. This should include assigning clear responsibilities and deadlines for staff, as well as providing adequate training on the new financial system. Additionally, management should prioritize the reconciliation process to ensure it is aligned with financial reporting timelines and that any discrepancies are identified and resolved promptly.
Management's Response	The Finance Department is actively working to address the delays in the bank reconciliation process. The City has engaged additional staff resources to assist with the reconciliations and are implementing a more structured approach to ensure timely completion moving forward. The department is also providing additional training on the new financial system to ensure staff is equipped with the necessary tools and knowledge. Management is committed to prioritizing the reconciliation process and aligning it with the overall financial reporting schedule to ensure that all reconciliations are completed accurately and on time.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PALRF Finding #2024-006	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 \$24,322. However, the City subsequently received an approved budget in the amount of \$16,000 from Metro for the PALRF project on November 18, 2024. This is a repeat finding from fiscal year 2023.
Cause	This was an oversight by the City due to personnel 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 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 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 review and ensure that the City obtains prior Metro approval before expenditures are incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of said project on November 18, 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, 2024
(Continued)

PALRF Finding #2024-007	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 107, Dial-A-Ride, by more than 25 percent, amounting to an excess of \$4,322. Subsequently, the City submitted a request to increase the budget from \$16,000 to \$24,322 to Metro, which was approved on December 11, 2024. This is a repeat finding from fiscal years 2022 and 2023.
Cause	This was an oversight by the City due to personnel turnover among administrative staff and management.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget. The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring project expenditures are within 25 percent cap of 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 expenditure of funds.
Management's Response	The City will establish procedures to review and ensure that all budget approvals for all projects are for the proper budget amounts, and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS for Metro's approval.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of \$24,322 for the said project on December 11, 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, 2024
(Continued)

PCLRF Finding #2024-008	City of Lancaster
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 PCLRF's Project Code 720 - 2 Way Stop Round About Conversion Project, in the total amount of \$6,802, were incurred prior to Metro's approval. However, the City subsequently received an approved budget in the amount of \$2,400,000 from Metro on October 10, 2024.
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 take 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 PCLRF projects. Additionally, the City should properly enter the budgeted amount for each project in the 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	The City subsequently entered the required information in the LRMS on October 10, 2024. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PALRF Finding #2024-009	City of Manhattan 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, 2024 deadline for the submission of the Recreational Transit Form. Instead, the City submitted the Recreational Transit Form on December 5, 2024.
Cause	This was an oversight by the City in submitting the Recreational Transit Form before the due date.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15th in accordance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will endeavor to submit the Recreational Transit Form on or before the due date.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 5, 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, 2024
(Continued)

PCLRF Finding #2024-010	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 2021 PCLRF ending fund balance in the amount of \$56,743 was not fully expended within 3 years as of June 30, 2024, and 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 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 if warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved in accordance with the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 13, 2024, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PALRF Finding #2024-011	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 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 470, Member Dues – South Bay Cities COG FY20/21, by more than 25 percent, resulting in an excess of \$461. Subsequently, the City submitted a request to Metro for an increase in the budget from \$10,145 to \$13,142, which was approved on December 16, 2024.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the vacant Finance Director position since March 2023.
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 necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring project expenditures are within the 25 percent cap of Metro’s approved budget. Any projects exceeding this 25 percent cap should be identified and updated in the Local Return Management System (LRMS) to obtain Metro’s approval for any budget changes prior to the expenditure of funds.
Management’s Response	The City agrees with this finding. In the future, the City will review the budget approvals for all projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of \$13,142 for the project on December 16, 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, 2024
(Continued)

PCLRF Finding #2024-012	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 2021 ending fund balance of PCLRF, in the amount of \$188,565, was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 9, 2024, Metro granted the City an extension on the usage of lapsed funds until June 30, 2025. This is a repeat finding from fiscal years 2021, 2022, and 2023.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the vacant Finance Director position since March 2023.
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 the compliance requirements. This includes ensuring that Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City accepts the finding and will ensure the remaining funds are used in the fiscal year 2025. The City has requested an extension from Metro.
Corrected During the Audit	On December 9, 2024, Metro granted the City an extension on the usage of lapsed funds until June 30, 2025. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PCLRF Finding #2024-013	City of San Dimas
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section IV.E.1, "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."
Condition	The City's fiscal year 2021 ending fund balance in the amount of \$81,288 was not expended within 3 years as of June 30, 2024 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, 2025 on November 14, 2024.
Cause	Large road projects along bus routes were budgeted to be completed in the fiscal year 2023-24. However, due to extensive staff time dedicated to assisting with the completion of the Metro Gold Line extension, it caused the work on the street projects to be delayed until the fiscal year 2024-25, warranting the need for an extension. The reserved funds were spent this past summer, with the completion of the Lone Hill Avenue street project.
Effect	The Proposition C Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the 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 C Local Return funds in conjunction with any eligible PCLRF 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	The Finance Department will work closely with the Public Works Department to determine the expected work completion of the budgeted projects. The City will pivot funding to address other needs that the City may have to utilize the lapsing funds in a timely manner prior to the end of the fiscal year.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PCLRF Finding #2024-014	City of San Gabriel
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 for PCLRF's Pavement Management System Project Code 765 in the amount of \$2,440. However, the City submitted a request to increase the budget and Metro approved it in the amount of \$29,000 on October 7, 2024.
Cause	The City received a late invoice in September 2024, which was an expenditure related to the fiscal year 2023-24. The invoice was not anticipated and was far past the deadline to request a budget adjustment approval from Metro.
Effect	The City's 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 update in the LRMS to obtain Metro's approval for the change in project budget prior to the expenditure of funds.
Management's Response	If the expenditures of a project are expected to exceed the Metro-approved budget, the City will ensure to seek approval for a budget increase before incurring any additional costs in the future.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of said project on October 7, 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, 2024
(Continued)

PALRF Finding #2024-015	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 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 2021 ending fund balance of Proposition A funds (PALRF) in the amount of \$51,315 was not fully expended within 3 years as of June 30, 2024, and 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 was not in compliance with the 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	On January 19, 2024, the City received an email from Metro regarding the potential lapsing calculations in the LRMS and believed it aligned with the requirements to avoid lapsing funds. Subsequently, Metro granted an extension on the usage of the lapsed funds. While the LRMS serves as an informational tool, the City will continue to conduct internal reviews of the lapsing status to ensure it remains on track, funds are utilized in a timely manner, and compliance with guidelines is maintained.
Corrected During the Audit	On November 14, 2024, Metro approved an extension on the usage of lapsed funds until June 30, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PALRF and PCLRF Finding #2024-016	City of South Pasadena
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	As of the date of the audit, December 18, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations including: (a) The beginning fund balances for PALRF and PCLRF were not reconciled with the prior year's audited financial statements. (b) A detailed breakdown of expenditures charged to the PALRF for the fiscal year ended June 30, 2024 was not provided. (c) No bank reconciliation was prepared as of June 30, 2024.
Cause	During the fiscal year ended June 30, 2024, management experienced significant turnover in key personnel within the Finance and Public Works departments. This disruption impacted the oversight of the local return funds and Metro-related projects, leading to delays in critical reconciliations, account analyses, and the preparation of necessary documentation required by both management and the auditors.
Effect	Without supporting documentation and reconciliations, variances remained between amounts recorded in the City's general ledger and those reported to Metro. This increases the risk of: (a) Inaccurate or misstated financial records and reports. (b) Noncompliance with applicable local return guidelines.
Recommendation	We recommend that management prioritize and complete the year-end closing process promptly to address the identified issues. Specifically, management should: 1. Ensure that all beginning fund balances are reconciled with the prior year's audited financial statements. 2. Provide a detailed breakdown of expenditures charged to the local return funds for the fiscal year, along with the necessary supporting documentation for verification. 3. Complete all required bank reconciliations for the fiscal year. Management should implement a structured approach with clear responsibilities and timelines to ensure that these tasks are completed accurately and in a timely manner. Regular process reviews and oversight should be conducted to ensure all necessary actions are taken before finalizing the year-end closing.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

PALRF and PCLRF Finding #2024-016 (Continued)	City of South Pasadena
Management's Response	The City has engaged an external CPA firm to assist with year-end closing activities, including preparing bank reconciliations and supporting the City during the audit process. Management is prioritizing this effort, recognizing its significant impact on all the funds within the City's general ledger. While some progress has been made, the year-end closing process, along with the necessary adjustments, is expected to be completed by February 2025.

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, 2024
(Continued)

PALRF Finding #2024-017	City of South Pasadena
Compliance Reference	According to Proposition A & C Local Return Guidelines, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	To ensure the propriety of expenditures charged to the Proposition A Local Return Funds, payroll expenses should be adequately supported by payroll registers, timesheets, activity or labor distribution reports, or other official documentation that provides sufficient detail regarding the nature of the charges. However, we identified discrepancies between the employees' recorded working hours on the timesheets, the hourly rates listed on the Employee Action Form (EAF), and the amounts recorded in the general ledger. These discrepancies resulted in a total variance of \$9,375 for the following pay periods: (a) August 13, 2023: A difference of \$1,964 (b) December 3, 2023: A difference of \$1,276 (c) February 11, 2024: A difference of \$4,600 (d) April 21, 2024: A difference of \$1,535
Cause	During the fiscal year ended June 30, 2024, management experienced significant turnover in key personnel within the Finance and Public Works departments. This disruption impacted the oversight of the local return funds and Metro-related projects, leading to delays in critical reconciliations, account analyses, and the preparation of necessary documentation required by both management and the auditors.
Effect	The payroll cost claimed under the Proposition A Local Return Fund projects may include expenditures which may not be allowable to Proposition A project expenditures. This resulted in questioned costs of \$9,375 for the PALRF.
Recommendation	We recommend that the City reimburse \$9,375 to the PALRF account in accordance with the Guidelines. Additionally, we recommend that the City revise its labor cost reporting procedures to ensure that all labor charges to the PALRF are supported by proper documentation, including timesheets, Employee Action Forms (EAFs), and other relevant records reflecting both actual working hours and the accurate hourly rates used for calculation.

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, 2024
(Continued)

PALRF and PCLRF Finding #2024-017 (Continued)	City of South Pasadena
Management's Response	The City has engaged an external CPA firm to assist with year-end closing activities, including resolving payroll-related issues, performing account analyses, and supporting the City during the audit process. Management is prioritizing this effort, recognizing its significant impact on all the funds within the City's general ledger. While some progress has been made, the year-end closing process, along with the necessary adjustments, is expected to be completed by February 2025.

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, 2024
(Continued)

PCLRF Finding #2024-018	City of South Pasadena
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section IV.E.1, "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."
Condition	The City's fiscal year 2021 ending fund balance in the amount of \$115,558 was not expended within 3 years as of June 30, 2024 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, 2025 on December 16, 2024.
Cause	The City had requested a capital reserve for PCLRF project in February 2024. Due to the City's misunderstanding of the potential lapsed balance, the amount placed on capital reserve fell short, resulting in an untimely use of funds.
Effect	The Proposition C Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the 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 C Local Return funds in conjunction with any eligible PCLRF 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	The City will continue to monitor and communicate with Metro regularly to ensure lapsed funding will not occur in the future. If there is potential for lapsing of funds, the City will request Metro for the extension of the use of lapsed funds in a timely manner.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2025 on December 16, 2024. No follow-up is required.



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MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FY24 MEASURE R AUDITS

INTRODUCTION

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

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

THE AUDITS

The Independent Auditor's reports on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the fiscal year ending June 30, 2024.

The audits of compliance with the Measure R Local Return Guidelines of the County and 88 Cities found ten (10) instances of non-compliance within ten (10) jurisdictions. Audit findings were in three basic categories as follows:

- **Failure to Obtain Approval Before Incurring Expenses:** Five (5) cities failed to obtain approval before incurring expenditures. Cities are required to obtain project approval prior to expending funds by submitting the project name, amount of Measure R Local Return funds to be budgeted for the project, project description, and justification, which is necessary for the project to be reviewed by Metro for Measure R Local Return eligibility per the Local Return Guidelines. The findings have been resolved as the Cities subsequently submitted the required forms and obtained retroactive approvals from Metro.
- **Timely Use of Funds:** One (1) City not spending funds within the five-year period allotted. The finding has been resolved as the City was granted an extension to utilize the lapsed funds.
- **Inadequate accounting procedures, record keeping, and/or documentation:** Three (3) cities failed to complete year-end accounting closing processes. One (1) city failed to conduct a timely bank reconciliation process. Cities are required to maintain proper accounting records and documentation. The Cities are in the process of correcting their procedures and the auditors will verify whether corrective actions have been properly implemented by the Cities during the fiscal year 2025 audit.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the audit reports in February 2025. Each member of the Committee reviewed the reports, and the Committee met on March 5, 2025, during which the Committee received a formal presentation from the three contracted auditor firms on their respective audit reports.

The Committee asked about and received satisfactory responses regarding Cities' failure to complete the year-end financial closing process. The Committee was satisfied with the audit reports.

MEASURE R OVERSIGHT COMMITTEE FINDINGS

- 1) The audits were performed in accordance with the Ordinance that the voters approved in 2008;
- 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the fiscal year ending June 30, 2024; and
- 3) The County and Cities complied, in all material respects, with the Measure R Ordinance and guidelines that are applicable to the Measure R Local Return program for the fiscal year ending June 30, 2024.

The audits resulted in 10 instances of non-compliance in 10 local jurisdictions including two (2) material weaknesses and one (1) significant deficiency in internal controls over compliance.

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

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

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

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

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

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

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

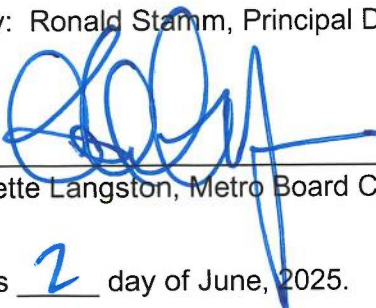
The audits were performed in accordance with the Ordinance that the voters approved in 2008;

Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ending June 30, 2024; and

The County and Cities complied with the Ordinance requirements that are applicable to the Measure R Local Return program for the fiscal year ending June 30, 2024, however, the audits found two (2) material weaknesses and one (1) significant deficiency in internal control over compliance. All but four (4) compliance issues have been resolved. Metro staff is working with the jurisdictions to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:



Collette Langston, Metro Board Clerk

Adopted this 2 day of June, 2025.

Los Angeles County
Metropolitan Transportation Authority

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

**For the Fiscal Year Ended June 30, 2024
(With Comparative Totals For 2023)**



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

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Independent Auditor's Report

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

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

Opinion

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2024, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the LACMTA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure R Fund is intended to present the revenues and expenditures attributable to the Measure R Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2024, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

Responsibility of Management for the Schedule of Measure R Revenues and Expenditures

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

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

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

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

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

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

Required Supplementary Information

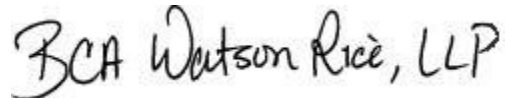
Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedule. Such information is the responsibility of management and, although not a part of the basic Schedule, is required by the Governmental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

Prior Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 28, 2023. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2024, is consistent, in all material respects, with the audited Schedule from which it has been derived.

Other Reporting Required by Government Auditing Standards

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

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

Torrance, CA
December 2, 2024

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

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

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

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

1. Organization

General

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

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

Measure R

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

2. Summary of Significant Accounting Policies

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (Continued)

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

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (Continued)

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

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

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

Leases

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

LACMTA is a lessee for a noncancellable lease of office space recorded under the Measure R fund. At the commencement of a lease, LACMTA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payment made at or before the lease commencement date, plus certain indirect costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

LACMTA determines the discount rate it uses to discount the expected lease payments to the present value. LACMTA uses the interest rate charged by the lessor as the discount rate. When the interest rate is not provided in the lease agreement, LACMTA uses its estimated incremental borrowing rate as the discount rate for leases. The future lease payments expected to be made are discounted using the interest rate implicit in the lease agreement given an average lease term of 5 to 7 years. The lease terms and lease payments used are those that are stated in the executed agreement. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the LACMTA is reasonably certain to exercise.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (Continued)

Leases (continued)

LACMTA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease assets and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The aforementioned accounting practice is in conformity with GASB 87, *Leases*.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

The amounts shown for 2023 in the accompanying Schedule are included only to provide a basis for comparison with 2024 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

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

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

4. Intergovernmental Transactions

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

5. Operating Transfers

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

6. Leases

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

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

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

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

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

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

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2024, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. Contingent Liabilities

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

10. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through December 2, 2024, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the fiscal year ended June 30, 2024
(Amounts expressed in thousands)

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2024, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated December 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Torrance, California
December 2, 2024



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

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

Report on Compliance

Opinion on Measure R Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the *Traffic Relief and Rail Expansion Ordinance No. 08-01* (the Ordinance) applicable to LACMTA's Measure R revenues and expenditures for the fiscal year ended June 30, 2024.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the fiscal year ended June 30, 2024.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

Torrance, California
December 2, 2024

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

None noted.

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

None noted.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2024.

Basis for Opinion

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



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-001 through #2024-006. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-002 and #2024-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2024-006 to be a significant deficiency.

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

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



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

Vasquez & Company LLP

Glendale, California
December 31, 2024

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNSDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2024**

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

SUMMARY OF AUDIT RESULTS

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2024

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

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

Details of the above findings are presented in Schedule 2.

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

Finding #2024-001	City of Carson
Compliance Reference	Section B (II)(1) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures prior to approval from Metro under Project code 730, PW1617 - Leonardo Drive, totaling \$757,313. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The budget was reset and reprogrammed to carryover for FY 23-24 at year end since no expenditures were incurred in FY2022-23. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditure totaling \$757,313 of Measure R funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on September 17, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for said project on September 17, 2024. No additional follow up is required.

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

Finding #2024-002	City of Compton
Compliance Reference	Measure R Local Return Guidelines Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of the audit, on December 24, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations: • Reconciliations of major balance sheet accounts including bank accounts were not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. The audits of the City's financial statements for the fiscal years 2023 and 2024 had not yet been completed because of the clean-up and closing process currently being done. Further, we noted that the separate local return fund bank accounts were combined into the City's pooled cash and investments accounts during FY2024. This violated Metro's mandate to maintain separate bank accounts for local return funds.
Cause	During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

Finding #2024-002 (Continued)	City of Compton
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate. We further recommend that the City reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate. This will also help in monitoring and tracking the activities and balances of local return funds.
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time. The City acknowledges the finding and will recommend to the City Council to reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate.

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

Finding #2024-003	City of Culver City
Compliance Reference	Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditure under Project code 705, Culver City Street Improvements, totaling \$73,479, prior to approval from Metro. Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The project was inadvertently not included in the submitted budget request. This project was included in the budget request for FY 2022-2023. Due to the resignation of a key staff member, the project was not added to the FY 2023-2024 budget request.
Effect	The City claimed expenditure totaling \$73,479 of Measure R LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management's Response	The City submitted a budget request via LRMS on December 11, 2024. Moving forward, the City will ensure that budget requests are made timely to Metro and match the City's approved construction in progress (CIP) budget.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on December 18, 2024. No additional follow-up is required.

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

Finding #2024-004	City of Huntington Park
Compliance Reference	Measure R Local Return Guidelines Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork, on December 24, 2024, the City's year-end closing process was still ongoing for fiscal year 2024. The following critical observations were identified: • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • The beginning fund balances were not reconciled with the prior year's audited reports. • A system issue was discovered, causing balances to not roll over correctly. Accordingly, the audit of the City's financial statements for the fiscal year 2024 was started late because of the ongoing clean-up and closing process. This is a repeat finding from prior year.
Cause	During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

Finding #2024-004 (Continued)	City of Huntington Park
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures should be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are updated and provided timely to the users.
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

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

Finding #2024-005	City of Maywood
Compliance Reference	Section B (II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Program Guidelines states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year.” “Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.”
Condition	The City claimed expenditures under the following projects prior to approval from Metro. a. Project code 302, HSIP Cycle 11 Traffic Signal Improvements, totaling \$51,524; and b. Project code 780, Gateway COG I-710 Corridor planning FY 23-24, totaling \$10,000. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro’s approval until after June 30, 2024.
Effect	The City claimed expenditures totaling \$61,524 of Measure R LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management’s Response	The City submitted a budget request via LRMS and obtained retroactive approval of the budgets for said projects on September 25, 2024.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on September 25, 2024. No additional follow-up is required.

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

Finding #2024-006	City of South Gate
Compliance Reference	Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year. "Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."
Condition	The City claimed expenditures for the following MRLRF projects with no prior approval from Metro: a. Project code 715, Citywide Residential Resurfacing Phase II, totaling \$83,643; b. Project code 720, Firestone Blvd Median Island Alameda/LA, totaling \$1,369,552; and c. Project code 730, Alameda St. Complete Street, totaling \$316,598. Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro. This is a repeat finding from prior year.
Cause	The projects were inadvertently not included in the submitted Expenditure Plan (Form One).
Effect	The City claimed expenditures totaling \$1,769,793 with no prior approval from Metro. Lack of prior approval results in noncompliance.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.

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

Finding #2024-006 (Continued)	City of South Gate
Management's Response	The City submitted budget requests via LRMS and obtained retroactive approval of the budgets for said projects on October 15, 2024.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on October 15, 2024. No additional follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2024.

Basis for Opinion

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

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-001 through #2024-004. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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



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

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

A handwritten signature in black ink that reads "Simpson & Simpson".

Los Angeles, California
December 31, 2024

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2024

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2024**

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

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

Details of the above findings are presented in Schedule 2.

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

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

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

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

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

Finding #2024-003	City of Lancaster
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The expenditures for the MRLRF's Project Code 720, 16ZZ001 - Safer Street Action Plan, in the amount of \$31,949, were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$1,057,000 from Metro for said MRLRF project on October 10, 2024.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any MRLRF projects, properly enters the budgeted amount for each project in the LRMS and submits it before the requested due date so that the City's expenditures of MRLRF are in accordance with Metro's approval and the Measure R Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures are incurred.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 10, 2024. No follow up is required.

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

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

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

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



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MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE OF METRO ANNUAL REPORT ON FISCAL YEAR 2024 MEASURE M AUDITS

INTRODUCTION

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

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

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

THE AUDITS

The Independent Auditors' reports on the Measure M Special Revenue Fund found that Metro, the County, and the Cities complied in all material respects with the Ordinance requirements applicable to the Measure M revenues and expenditures for the fiscal year ended June 30, 2024.

The audits of compliance with the Measure M Local Return Guidelines of the County and 88 Cities found twelve (12) instances of non-compliance within eleven (11) jurisdictions. Audit findings were in three basic categories as follows:

- **Failure to Obtain Approval Before Incurring Expenses:** Five (5) 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.
- **Timely Use of Funds:** Three (3) findings of Cities not spending funds within the five-year period allotted. The findings have been resolved as the Cities were granted extensions to utilize the lapsed funds.

- Inadequate accounting procedures, record keeping, and/or documentation: Three (3) cities failed to complete year-end accounting closing processes. One (1) city failed to conduct a timely bank reconciliation process. Cities are required to maintain proper accounting records and documentation. The Cities are in the process of correcting their procedures and the auditors will verify whether corrective actions are properly implemented by the Cities during the fiscal year 2025 audit.

MEASURE M OVERSIGHT COMMITTEE REVIEW

The Measure M Oversight Committee received the three audit reports in February 2025. The Committee reviewed the reports and met on March 5, 2025. At that meeting, the Committee received a formal presentation of the audit reports from each of the three audit firms.

The Committee asked about and received satisfactory responses regarding Cities' failure to complete the year-end financial closing process, as well as whether there are any actions staff can take to ensure compliance. 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, 2024; 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, 2024.

The audits found twelve (12) instances of non-compliance within eleven (11) local jurisdictions, which have been resolved or are in the process of being resolved.

**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:

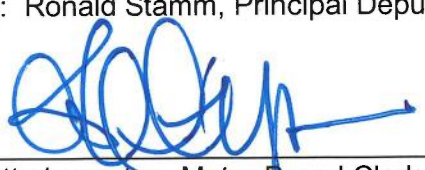
The audits were performed in accordance with the Ordinance that the voters approved in 2016;

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, 2024;

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, 2024. The audits found twelve (12) instances of non-compliance in eleven (11) local jurisdictions, including two (2) material weaknesses in internal controls over compliance. All but four (4) compliance issues have been resolved. Metro staff is working with the jurisdictions to resolve the remaining issues.

Prepared by: Ronald Stamm, Principal Deputy County Counsel

Signed:



Collette Langston, Metro Board Clerk

Adopted this 4 day of June 2025.

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, 2024
(With Comparative Totals For 2023)**



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

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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, 2024, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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, 2024, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

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, 2024, 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 28, 2023. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2024, is consistent, in all material respects, with the audited Schedule from which it has been derived.

Other Reporting Required by Government Auditing Standards

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

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

Torrance, California

December 2, 2024

Los Angeles County Metropolitan Transportation Authority

Measure M Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024
(With Comparative Totals for 2023)
(Amounts expressed in thousands)

	2024	2023
Revenues		
Sales tax	\$ 1,091,069	\$ 1,106,177
Intergovernmental	586	1,581
Investment income	44,748	29,304
Net appreciation (decline) in fair value of investments	11,077	(1,647)
Total revenues	1,147,480	1,135,415
Expenditures		
Administration and other transportation projects	60,985	64,634
Transportation subsidies	412,446	346,936
Debt and interest expenditures		
Principal	1,500	-
Total expenditures	474,931	411,570
Excess of revenues over expenditures	672,549	723,845
Other financing sources (uses)		
Transfers in	32,524	837
Transfers out	(685,259)	(685,159)
Total other financing sources (uses)	(652,735)	(684,322)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 19,814	\$ 39,523

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

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

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

1. **Organization**

General

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

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

Measure M

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

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

2. **Summary of Significant Accounting Policies**

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (Continued)

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

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

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

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (Continued)

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

Investment income and net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by State statutes. For the fiscal year ended June 30, 2024, the Measure M fund had an investment income of \$44,748 and a net appreciation in the fair value of investments of \$11,077. The net appreciation in investments was mainly due to an increase in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

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

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

The amounts shown for 2023 in the accompanying Schedule are included only to provide a basis for comparison with 2024 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles in the United States of America.

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

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

4. Debt

The debt principal payment of \$1,500 represents the repayment of an advance provided by the County of Los Angeles to cover the costs associated with the High Desert Intercity Rail Corridor Service Development Planning Study. This study aimed to evaluate the feasibility of a new high-speed intercity passenger rail service connecting the future Virgin Train USA Southern California Station in the Victor Valley to the Palmdale Transportation Center. LACMTA utilized the advance while awaiting funding and budget authority for Measure M allocations. On January 19, 2024, LACMTA repaid the \$1,500 advance to the County of Los Angeles.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2024

5. Intergovernmental Transactions

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

6. 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.

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

The Measure M fund at June 30, 2024 had an excess of revenues over expenditures and other financing uses of \$19,814 primarily due to investment earnings. The foregoing factors contributed to the increase in Measure M Fund balance from \$1,150,955 to \$1,170,769 at June 30, 2024.

8. Audited Financial Statements

The audited financial statements for the Measure M Special Revenue Fund for the fiscal year ended June 30, 2024, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. Contingent Liabilities

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

10. Subsequent Events

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through December 2, 2024, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,091,069	\$ (108,931)
Intergovernmental	51,848	51,848	586	(51,262)
Investment income	-	-	44,748	44,748
Net appreciation in fair value of investments	-	-	11,077	11,077
Total revenues	1,251,848	1,251,848	1,147,480	(104,368)
Expenditures				
Administration and other transportation projects	226,665	156,998	60,985	96,013
Transportation subsidies	471,560	472,632	412,446	60,186
Debt and interest expenditures				
Principal	-	-	1,500	(1,500)
Total expenditures	698,225	629,630	474,931	154,699
Excess of revenues over expenditures	553,623	622,218	672,549	50,331
Other financing sources (uses)				
Transfers in	38,306	38,306	32,524	(5,782)
Transfers out	(658,057)	(658,057)	(685,259)	(27,202)
Total other financing sources (uses)	(619,751)	(619,751)	(652,735)	(32,984)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (66,128)	\$ 2,467	\$ 19,814	\$ 17,347

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, 2024
(Amounts expressed in thousands)

Subfund	Programs	Final Budget	Actual	Variance with Final Budget
	<u>Program:</u>			
<i>Transit Operating and Maintenance</i>	Metro Rail Operations	\$ -	\$ 64,835	\$ (64,835)
	Transit Operations	276,006	247,770	28,236
	ADA Paratransit	23,640	21,494	2,146
<i>Transit/First/ Last Mile (Capital)</i>	Transit Construction	390,268	360,698	29,570
	Metro State of Good Repair	18,653	(633)	19,286
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway Construction	300,640	222,383	78,257
	Active Transportation Program	21,052	3,701	17,351
<i>Local Return/ Regional Rail</i>	Local Return	188,940	182,700	6,240
	Regional Rail - Metrolink	14,423	21,263	(6,840)
	Total program	<u>1,233,622</u>	<u>1,124,211</u>	<u>109,411</u>
<i>Administration</i>	Administration	17,759	3,455	14,304
	Total	<u>\$ 1,251,381</u>	<u>\$ 1,127,666</u>	<u>123,715</u>

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Fund Balances by Subfund and Programs
For the Fiscal Year Ended June 30, 2024
(Amounts expressed in thousands)

Subfund	Programs	Beginning Balance, July 1, 2023	Revenues			Expenditures/Uses of Funds				Fund Balance
			Revenue Allocations	Other Revenues	Total Revenues	Admin	Local Return/ Transportation Subsidies	Transfers-out/ Capital Projects	Transfers-in/ Capital Projects	
<i>Transit Operating & Maintenance</i>	Program:									
	Metro Rail Operations	\$ 10,106	\$ 53,735	\$ 993	\$ 54,728	\$ -	\$ -	\$ (64,834)	\$ -	\$ -
	Transit Operations	393,297	214,941	15,957	230,898	-	(83,999)	(163,772)	-	376,424
	ADA Paratransit	9,432	21,494	531	22,025	-	-	(21,494)	-	9,963
<i>Subtotal</i>		412,835	290,170	17,481	307,651	-	(83,999)	(250,100)	-	386,387
<i>Transit/First/ Last Mile (Capital)</i>	Transit Construction	3,808	376,397	2,100	378,497	(19,819)	(14,674)	(328,990)	2,785	21,607
	Metro State of Good Repair	32,786	21,494	1,667	23,161	-	-	632		56,579
<i>Subtotal</i>		36,594	397,891	3,767	401,658	(19,819)	(14,674)	(328,358)	2,785	78,186
<i>Highway, Active Transportation, Complete Streets (Capital)</i>	Highway Construction	616,737	183,034	30,484	213,518	(35,265)	(128,761)	(81,718)	23,361	607,872
	Active Transportation Program	67,661	21,494	3,388	24,882	(2,358)	(365)	23,705	(24,683)	88,842
<i>Subtotal</i>		684,398	204,528	33,872	238,400	(37,623)	(129,126)	(58,013)	(1,322)	696,714
<i>Local Return/ Regional Rail</i>	Local Return	-	182,700	-	182,700	-	(182,700)	-	-	-
	Regional Rail - Metrolink	10,112	10,747	365	11,112	(1,588)	(1,947)	(48,788)	31,061	(38)
<i>Subtotal</i>		10,112	193,447	365	193,812	(1,588)	(184,647)	(48,788)	31,061	(38)
<i>Administration</i>	Total program	1,143,939	1,086,036	55,485	1,141,521	(59,030)	(412,446)	(685,259)	32,524	1,161,249
		7,016	5,619	340	5,959	(3,455)	-	-	-	9,520
	Grand Total	<u>\$ 1,150,955</u>	<u>\$ 1,091,655</u>	<u>\$ 55,825</u>	<u>\$ 1,147,480</u>	<u>\$ (62,485)</u>	<u>\$ (412,446)</u>	<u>\$ (685,259)</u>	<u>\$ 32,524</u>	<u>\$ 1,170,769</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2024, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated December 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the Schedule, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Torrance, California
December 2, 2024

**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, 2024.

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, 2024.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

Torrance, California
December 2, 2024

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

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure 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, 2024



**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, 2024

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

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE 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, 2024 (collectively, the Requirements). Compliance area tested and related findings 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, 2024.

Basis for Opinion

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

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



Responsibilities of Management for Compliance

Managements of the County and the Cities are responsible for their compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County and each City's Measure 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 #2024-001 through #2024-007. Our opinion is not modified with respect to these matters.



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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. 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 #2024-001 and #2024-005 to be material weaknesses.

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

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

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

**Glendale, California
December 31, 2024**

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

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNDALE
24. CITY OF LYNWOOD
25. CITY OF MALIBU
26. CITY OF MAYWOOD
27. CITY OF MONTEBELLO
28. CITY OF MONTEREY PARK
29. CITY OF PICO RIVERA
30. CITY OF POMONA
31. CITY OF ROSEMEAD
32. CITY OF SAN FERNANDO
33. CITY OF SANTA FE SPRINGS
34. CITY OF SANTA MONICA
35. CITY OF SOUTH EL MONTE
36. CITY OF SOUTH GATE
37. CITY OF VERNON
38. CITY OF WALNUT
39. CITY OF WEST HOLLYWOOD
40. CITY OF WESTLAKE VILLAGE

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2024**

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, 2024**

The audits of the County of Los Angeles and 39 cities have resulted in seven (7) findings. The table below summarizes these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Culver City (See Finding #2024-003)	\$ 311,950	\$ 311,950
		Maywood (See Finding #2024-006)	2,288	2,288
		South Gate (See Finding #2024-007)	9,123	9,123
Timely use of funds.	2	Cudahy (See Finding #2024-002)	119,107	119,107
		Hidden Hills (See Finding #2024-004)	20,019	20,019
Accounting procedures, record keeping and documentation are adequate.	2	Compton (See Finding #2024-001)	None	None
		Huntington Park (See Finding #2024-005)	None	None
Total Findings and Questioned Costs	7		\$ 462,487	\$ 462,487

Details of the above findings are presented in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024**

Finding #2024-001	City of Compton
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of the audit, on December 24, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations: • Reconciliations of major balance sheet accounts including bank accounts were not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. The audits of the City's financial statements for the fiscal years 2023 and 2024 had not yet been completed because of the clean-up and closing process currently being done. Further, we noted that the separate local return fund bank accounts were combined into the City's pooled cash and investments accounts during FY2024. This violated Metro's mandate to maintain separate bank accounts for local return funds.
Cause	During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

Finding #2024-001 (Continued)	City of Compton
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate. We further recommend that the City reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate. This will also help in monitoring and tracking the activities and balances of local return funds.
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time. The City acknowledges the finding and will recommend to the City Council to reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate.

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

Finding #2024-002	City of Cudahy
Compliance Reference	Section XXV Lapsing Requirements of Measure M Local Return Guidelines states that "Measure M LR funds have five (5) years to be expended. Funds must be expended within five years of the last day of the fiscal year in which funds were originally allocated or received. A First- In-First-Out (FIFO) method of calculation will be used to determine any lapsing of funds. The Measure M LR allocation, interest income and other income earned from LR projects (such as revenues from advertising) which are not expended within the allocated time, will consequently lapse, and be returned to Metro upon request, for reallocation to Jurisdictions on a per capita basis."
Condition	The City has unused Measure M funds amounting to \$119,107 which lapsed as of June 30, 2024.
Cause	Due to changes in Public Works department staffing there was a transition period that affected the timing of certain funding sources claims.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Measure M funds are used timely.
Management's Response	On December 13, 2024, the City requested an extension for the use of the funds from the LA Metro Program Manager.
Finding Corrected During the Audit	On December 18, 2024, Metro Program Manager granted an extension for the use of the lapsed funds on or by June 30, 2025. No additional follow-up is required.

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

Finding #2024-003	City of Culver City
Compliance Reference	Section XXV Administrative, Reporting Requirements, Expenditure Plan (8/1 Table) of the Measure M Local Return Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year". "Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".
Condition	The City claimed expenditures for the following MMLRF projects with no prior approval from Metro: a. Project code 715, Traffic Signal Fiber Optic Upgrades, totaling \$37,584; and b. Project code 780, Bicycle/Pedestrian Action Plan Implementation, totaling \$274,366. 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 in the submitted budget request.
Effect	The City claimed expenditures totaling \$311,950 of Measure M LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.
Management's Response	The City submitted budget requests via LRMS and obtained retroactive approval of the budgets for said projects.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on December 18, 2024. No additional follow-up is required.

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

Finding #2024-004	City of Hidden Hills
Compliance Reference	Section XXV Lapsing Requirements of Measure M Local Return Guidelines states that "Measure M LR funds have five (5) years to be expended. Funds must be expended within five years of the last day of the fiscal year in which funds were originally allocated or received. A First- In-First-Out (FIFO) method of calculation will be used to determine any lapsing of funds. The Measure M LR allocation, interest income and other income earned from LR projects (such as revenues from advertising) which are not expended within the allocated time, will consequently lapse, and be returned to Metro upon request, for reallocation to Jurisdictions on a per capita basis."
Condition	The City has unused Measure M funds amounting to \$20,019 which lapsed as of June 30, 2024.
Cause	The Round Meadow Road/Mureau Road Intersection Pedestrian and Bikepath Landscaping project was not started. Due to the unexpected late start of this project, funds were not spent as expected.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Measure M funds are used timely.
Management's Response	The City expects to use up the Measure M funds during FY 2024/25. 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 July 5, 2024, Metro Program Manager granted an extension for the use of the lapsed funds on or by June 30, 2025. No additional follow-up is required.

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

Finding #2024-005	City of Huntington Park
Compliance Reference	Measure M Local Return Guidelines Section XXV states that, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	As of the date of audit fieldwork, on December 24, 2024, the City's year-end closing process was still ongoing for fiscal year 2024. The following critical observations were identified: • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • The beginning fund balances were not reconciled with the prior year's audited reports. • A system issue was discovered, causing balances to not roll over correctly. Accordingly, the audit of the City's financial statements for the fiscal year 2024 was started late because of the ongoing clean-up and closing process. This is a repeat finding from prior year.
Cause	During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

Finding #2024-005 (Continued)	City of Huntington Park
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures should be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are updated and provided timely to the users.
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

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

Finding #2024-006	City of Maywood
Compliance Reference	Section XXV of Measure M Guidance states “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year. A sample of Form M-One is shown in Attachment C.2. Form M-One provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year.”
Condition	The City claimed expenditure prior to approval from Metro under Project code 180, Orange Line Development Authority Membership, totaling \$2,288. Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditure for this project. The City was not able to submit a budget request for Metro’s approval until after June 30, 2024.
Effect	The City claimed expenditure totaling \$2,288 of Measure M 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 project.
Management’s Response	The City submitted a budget request via LRMS and obtained retroactive approval of the budgets for said project on September 25, 2024.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on September 25, 2024. No additional follow-up is required.

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

Finding #2024-007	City of South Gate
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 expenditure for MMLRF Project code 640, Administrative Allocation, totaling \$9,123 with no prior approval from Metro. Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The project was inadvertently not included in the submitted Expenditure Plan (Form M-one).
Effect	The City claimed expenditures totaling \$9,123 with no prior approval from Metro. Lack of prior approval results in noncompliance.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.
Management's Response	The City submitted a budget request via LRMS and obtained retroactive approval of the budget for said project on October 15, 2024.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on October 15, 2024. No additional follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Simpson & Simpson, LLP
Certified Public Accountants

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

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE 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, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2024.

Basis for Opinion

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

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



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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-001 through #2024-005. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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



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

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

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
December 31, 2024

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

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

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2024

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, 2024**

The audit of the 49 cities have resulted in five (5) findings. The table below summarize these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Artesia (#2024-001)	\$ 981	\$ 981
		Temple City (#2024-005)	14,000	14,000
Accounting procedures, record keeping and documentation are adequate.	2	Glendora (#2024-002)	None	None
		South Pasadena (#2024-004)	None	None
Timely use of funds.	1	South Pasadena (#2024-003)	108,778	108,778
Total Findings and Questioned Costs	5		\$ 123,759	\$ 123,759

Details of the above findings are presented in Schedule 2

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

Finding #2024-001	City of Artesia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st.” In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MMLRF's Project Code 630, General Program Administration, in the amount of \$981, were incurred prior to Metro’s approval. However, the City subsequently received budget approval from Metro for the same amount on December 13, 2024.
Cause	This was an oversight on the part of the City due to understaffing.
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 it obtains approval from Metro prior to implementing any Measure M Local Return projects, properly enters the budgeted amount for each project in the LRMS and submits it before the requested due date so that the City’s expenditures of Measure M 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 are incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of said project on December 13, 2024. 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, 2024
(Continued)

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

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

Finding #2024-003	City of South Pasadena
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Local Return Administrative, Lapsing Requirement, "Measure M LR funds have five (5) years to be expended. Funds must be expended within five years of the last day of the fiscal year in which funds were originally allocated or received."
Condition	The City's fiscal year 2019 ending fund balance in the amount of \$108,778 was not expended within 5 years as of June 30, 2024 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, 2025 on December 16, 2024.
Cause	The City had requested a capital reserve for MMLRF project in February 2024. Due to the City's misunderstanding of the potential lapsed balance, the amount placed on capital reserve fell short, resulting in an untimely use of funds.
Effect	The Measure M Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the Measure M 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 Measure M Local Return funds in conjunction with any eligible MMLRF projects and submit its Form M-II (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	The City will continue to monitor and communicate with Metro regularly to ensure lapsed funding will not occur in the future. If there is potential for lapsing of funds, the City will request Metro for the extension of the use of lapsed funds in a timely manner.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Measure M Local Return funds until June 30, 2025 on December 16, 2024. 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, 2024
(Continued)

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

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

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

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

Finding #2024-005	City of Temple City
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 City incurred expenditures prior to receiving approval from Metro for MMLRF’s Project Code 640, SGVCOG VMT Analysis, in the amount of \$14,000. However, the City subsequently received an approved budget in the amount of \$14,000 from Metro on September 27, 2024.
Cause	Due to the change in the City’s personnel, along with the oversight of management, the City was not able to request a budget approval from Metro prior to incurring expenditures on the project.
Effect	The City did not comply with the Guidelines as the 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 in the LRMS and submits 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	In the future, the City’s Director will coordinate with the staff and review the Metro budget to ensure all expenditures have the proper budget prior to the end of the fiscal year.
Corrected During the Audit	Metro Program Manager granted retroactive approval of said project on September 27, 2024. No follow-up is required.



Metro[®]

**MANAGEMENT
AUDIT SERVICES**

Fiscal Year 2024 Consolidated Audit

Finance, Budget and Audit Committee

July 17, 2025

Kimberly Houston, Deputy Chief Auditor

Lauren Choi, Senior Director, Audit



MANAGEMENT AUDIT SERVICES

Issue



Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company and Simpson and Simpson, certified public accountants, for FY24



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

Highlights of Requirements

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

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

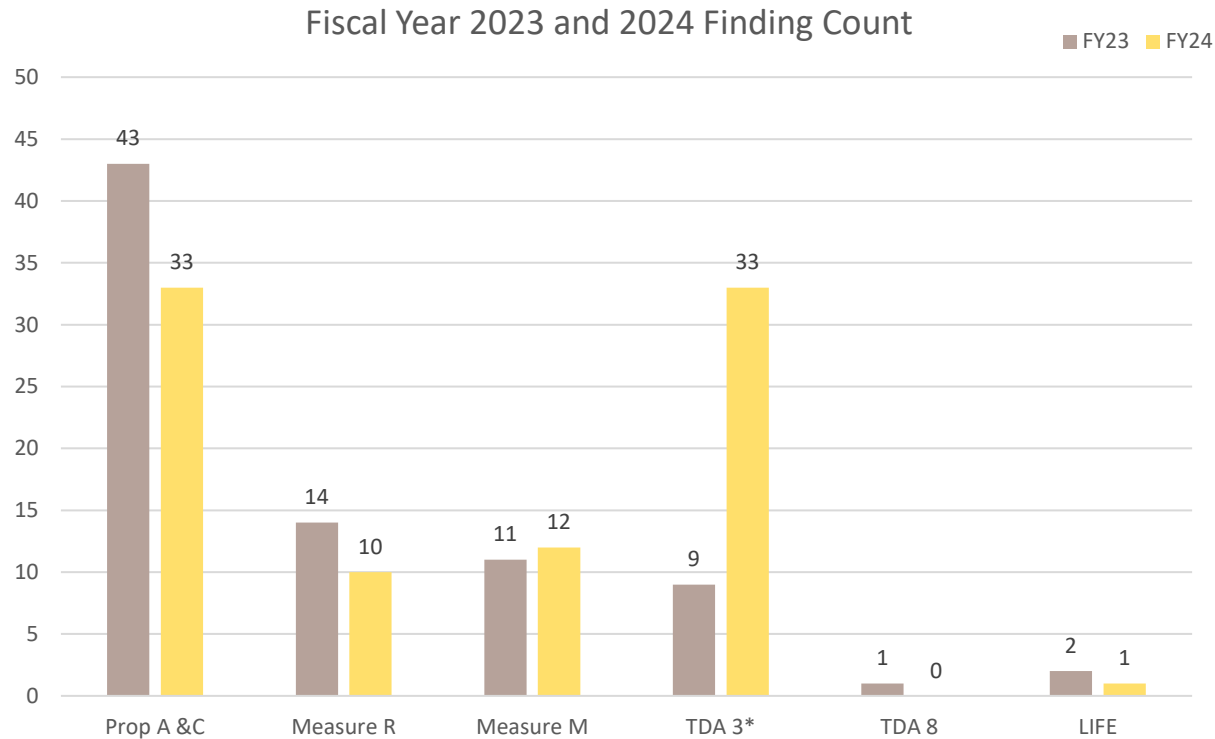
General Assessment

With the exceptions of the Cities* of Compton, Huntington Park and South Pasadena and FAME Assistant Corporation (FAC**) for the LIFE program, 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 FY24.

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

** FAC filed for Chapter 7 bankruptcy and was not able to provide audit documents.

Findings



*Local Programming in collaboration with ITS implemented the online Local Return Management System (LRMS) and also conducted the Consolidated Audit Workshop on 5/28/2025 to train and help jurisdictions to comply with the guidelines/requirements.

Questions



Board Report

File #: 2025-0451, **File Type:** Informational Report

Agenda Number: 25.

FINANCE, BUDGET AND AUDIT COMMITTEE JULY 17, 2025

SUBJECT: FISCAL YEAR 2022 to 2024 TRIENNIAL PERFORMANCE REVIEW

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the report on the:

- A. Fiscal Year 2022 to 2024 Triennial Performance Reviews of Los Angeles County Transit Operators, and Metro Operations (Attachment A); and
- B. Fiscal Year 2022 to 2024 Triennial Performance Review of Metro as the Regional Transportation Planning Agency (RTPA) (Attachment B).

ISSUE

The State Transportation Development Act (TDA) requires Triennial Performance Reviews of Transit Operators and RTPAs. The FY 2022 to 2024 Triennial Performance Review Reports are completed, and this report presents the results of the reviews.

BACKGROUND

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires Metro to conduct an independent performance review of all Los Angeles County Transit Operators receiving TDA Article 4 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The TDA also requires that regional transportation planning agencies (RTPAs) undergo an independent performance review, focusing particularly on the planning roles. The review is conducted every three years, and Metro must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that Metro may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

DISCUSSION

Under contract to Metro, the firm of BCA Watson Rice, LLP independently conducted the FY 2022 to 2024 Performance Reviews of the Transit Operators, Metro Operations and Metro as the RTPA for Los Angeles County. The following summarizes the scope of the reviews:

Reviews of Los Angeles County Transit Operators and Metro Operations

The following Los Angeles County transit operators were included in these reviews:

- Antelope Valley Transit Authority (AVTA)
- Arcadia Transit
- City of Redondo Beach - Beach Cities Transit
- Claremont Dial-A-Ride
- Commerce Transit
- Culver City Bus
- Foothill Transit
- Gardena Transit
- LA County Metropolitan Transportation Authority Operations
- La Mirada Transit
- Long Beach Transit
- Los Angeles Department of Transportation (LADOT)
- Montebello Bus Lines
- Norwalk Transit System
- Santa Clarita Transit
- Santa Monica's Big Blue Bus (BBB)
- Torrance Transit
- City of Burbank
- City of Glendale
- City of Los Angeles - Community DASH Services
- Pasadena Transit

The FY 2022 to 2024 Performance Reviews included all areas that the State mandates. Areas reviewed were:

- Verification of TDA data collection and reporting requirements
- Compliance with (PUC) requirements
- Progress in implementing prior review recommendations
- Review of TDA performance indicator trend analysis
- High level functional area performance review

In addition, operators' data submitted for Metro's Transit Performance Measurement Program (TPM) was reviewed. Metro uses the TPM data to allocate transit subsidy funds to Los Angeles County Transit Operators, including Metro Operations.

Progress on Implementing Prior Review Recommendations

The prior review found that all operators needed to work with Metro, as the RTPA, to clarify proper fund source reporting in their agency's annual performance monitoring reports which have been implemented.

Compliance with Requirements

The Los Angeles County Transit Operators and Metro Operations are in full compliance with requirements as defined in the Public Utilities Code, the California Code of Regulations, and other relevant state and federal laws and compliance requirements reviewed as part of this Triennial Review.

Key LA County Transit Operator Accomplishments

- AVTA, Burbank, Foothill Transit, Glendale, LADOT, Long Beach and Pasadena purchased new electric and/or CNG buses, with one agency, AVTA, completing a full conversion to an electric fleet.
- Arcadia and Beach Cities Transit completed service operations studies.
- Two operators implemented enhanced customer information services: Claremont implemented a mobility manager program and Culver City launched an ambassador program.
- Norwalk implemented new measures to improve system safety.
- Commerce, Gardena and Torrance expanded dial-a-ride and/or micro transit service.
- Santa Monica improved wait-times by using a Transportation Network Company for dial-a-ride trips.
- Montebello completed the installation of a new system to improve communication between their buses and dispatchers.
- Santa Clarita opened the Vista Canyon Multi-Modal Center that includes a Metrolink rail station and bus transfer station.

Key Metro Operations Accomplishments

- Metro hired more than 1,000 additional bus and rail operators since the pandemic to maintain service and prevent service disruptions.
- Metro has continued to increase ridership following the pandemic. Bus service was fully restored in December of 2022.
- Metro has focused on increasing participation in its reduced fare programs. In 2023, the GoPass pilot program saw over a 50% increase in usage. Additionally, Metro introduced a fare-capping policy where riders who pay with a TAP card will not have to pay more than \$5 per day or \$18 over seven days.
- Metro's K Line opened in 2022 (Expo/Crenshaw to Westchester/Veterans) and was extended in 2024 to Aviation/Century.
- The Regional Connector Project was completed in January 2023 with revenue operations beginning in June 2023.

Findings and Recommendations

This review of the LA County Transit Operators and Metro Operations included no recommendations and found all agencies to be in compliance with program requirements. Attachment A provides an Executive Summary of the FY2022 to 2024 Triennial Performance Review reports for transit operators and Metro operations.

Review of Metro as the Regional Transportation Planning Agency (RTPA)

The review of Metro as the RTPA included:

- Progress on implementing prior review recommendations
- Compliance with PUC requirements
- Review of Metro Functions
- Findings and Recommendations

Progress on Implementing Prior Review Recommendations

The prior review of Metro as the RTPA included one recommendation to clarify for operators the proper fund source reporting in their agency's annual performance monitoring reports to Metro which has been implemented.

Compliance with Requirements

Metro is in full compliance with requirements as defined in the Public Utilities Code, the California Code of Regulations, and other relevant state and federal laws and compliance requirements reviewed as part of this Triennial Review.

Review of Metro Functions

Key conclusions from the review of Metro functions include:

- Metro planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial period.
- Metro effectively and efficiently administered transportation funds for the region during the triennium including clear identification of guidelines or requirements, appropriate tracking and certifying of the use of funds, reasonable flexibility, and coordination and assistance to municipal operators receiving funds.
- Metro continues to be effective in planning, designing, and constructing a rail transit system for Los Angeles County.
- Metro's Government Relations function provides a well-focused, well structured, comprehensive and effective legislative proponent and analysis for Metro.
- Metro meets or exceeds its obligations to support and improve air quality in the Southern California region and the regional Air Quality Management Plan (AQMP).
- Metro has met legislatively mandated responsibilities related to planning for coordination and improvement of social service transportation services.
- Metro's administrative funds were adequately and effectively allocated to achieve Metro's

stated goals through the budget process.

- Metro’s budget development process incorporated the processes and practices to provide an effective budget for the organization.
- Metro has multiple internal controls approaches and systems in place to safeguard its assets from error, loss, theft, misuse, misappropriation, and fraud.
- Metro has adequate accounting procedures and properly accounts for and makes available monthly its fund balances.
- Metro has established an organization structure that provides an effective framework of functional areas within which individuals can achieve the organization’s goals.

Findings and Recommendations

This review of Metro as the RTPA included no recommendations and found Metro to be in compliance with program requirements. This is the third consecutive Triennial Performance Review of Metro as the RTPA in which no findings were found. Attachment B provides an Executive Summary of the FY2022 to 2024 Triennial Performance Review of Metro as the RTPA.

EQUITY PLATFORM

In compliance with State requirements, completion of the Triennial Performance Review enables the programming of funds to eligible transit operators to support their service operations and capital improvements throughout the region. The review allows for the annual allocation of TDA, STA and Proposition A equivalent funding intended to enhance mobility for transit users, and individuals with disabilities. Through the process of public input and engagement, local decision-making, and project implementation, transit operators have control to appropriately and equitably address the needs of their communities. Regarding Metro Service Operations, through the hiring of more than 1,000 additional bus and rail operators since the COVID pandemic during the review period, Metro has maintained services and prevented service disruptions. Additionally, Metro has focused on increasing ridership participation in its reduced fare programs which is a significant equity commitment to transit users in the Los Angeles County region. Finally, in the review of Metro as the RTPA, the consultants noted that the Metro Vision 2028 Strategic Plan and Equity Platform Framework used for goal setting and process monitoring provides a “well-founded, well-structured and strong direction” for the agency.

VEHICLE MILES TRAVELED OUTCOME

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

VMT.

While this item does not directly encourage taking transit, sharing a ride or using active transportation, it is a vital part of Metro's operations, as it is a future funding requirement and it provides transparency and accountability. Because the Metro Board has adopted an agency-wide VMT reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from the highway performance monitoring system data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports the following goals of the Strategic Plan by performing the performance review required to ensure funding is made available for local transit operations and capital improvements:

- Goal 1: Provide high-quality mobility options that enable people to spend less time traveling
- Goal 2: Deliver outstanding trip experiences for all users of the transportation system
- Goal 5: Provide responsible, accountable, and trustworthy governance within the Metro organization

NEXT STEPS

As required by PUC §99246, staff will transmit the FY 2022 to 2024 Triennial Performance Review reports to the State Department of Transportation. Copies of the reports are available upon request.

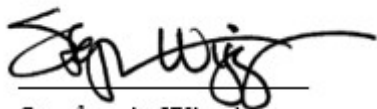
ATTACHMENTS

Attachment A - FY 2022 to 2024 Performance Review Executive Summary - Transit Operators & Metro Operations

Attachment B - FY 2022 to 2024 Performance Review Executive Summary - Metro as RTPA

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A handwritten signature in black ink, appearing to read 'Step Wiggins', written over a horizontal line.

Stephanie Wiggins
Chief Executive Officer

Executive Summary

Legislative Mandate

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires Metro to conduct an independent performance review of all Los Angeles County Transit Operators receiving TDA Article 4 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The review is conducted every three years, and Metro must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that Metro may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

The three-year period reviewed is from July 1, 2022 through June 30, 2024 and included a review of the following:

- *Compliance* - ensuring compliance with applicable PUC and California Code of Regulations requirements.
- *Data Collection and Reporting* - verification of TDA data collection and reporting procedures.
- *Prior Review Recommendations* - reporting on implementation of the prior triennial performance review recommendations.
- *Performance Trends* - summaries of performance indicators for the review period.
- *Functional Review* - high-level review of key functional areas surveyed as part of the process of conducting the review, resulting in suggestions for operational and management improvements.

Municipal Operators

Summary of Key Findings

The municipal operators met all applicable compliance requirements. Municipal operators' data reporting was mostly consistent with inconsistencies primarily in reporting local and auxiliary revenues and employee full-time equivalents (FTEs) on Transit Performance Measurements (TPM) reports. We recommended that the operators work with Metro to address these reporting issues to enable more consistent reporting. The municipal operators implemented or made progress toward implementation all prior triennial review recommendations

Key Challenges

Addressing the challenges of the post-pandemic environment was a top priority for most transit operators during the triennial review period. The following is a summary of key

post-pandemic challenges faced by transit agencies:

- *Reduced Ridership* – As transit agencies emerged out of the pandemic, they were faced with changes in ridership and commuting patterns. A growing percentage of the population now has the option of working from home for at least a portion of the time, which has altered the numbers of people riding transit.
- *Workforce Shortages* – Transit agencies experienced workforce shortages during the pandemic and many of those shortages continue today, especially among bus operator positions.
- *Fiscal Challenges* – As ridership declined nationwide, farebox revenues similarly declined. A spike in inflation following the pandemic also impacted on both personnel and supply costs resulting in further economic hardship to the agencies.
- *Supply Chain Shortages* – Transit agencies have been facing supply chain shortages that have limited their ability to procure vehicles and have increased vehicle maintenance costs.

Key Accomplishments

Each Municipal Operator had their own unique set of accomplishments during the review period. Listed below are examples of these accomplishments:

- *AVTA* – Completed the electrification of their entire fleet as of March 2022.
- *Arcadia Transit* – Conducted a full review of its fixed route and demand response system including a robust public outreach campaign to better understand the transit needs of its residents.
- *Beach Cities Transit* – Completed an operations study that included a comprehensive overview of its service and operating environment.
- *Burbank* – Procured and received six new CNG buses during the review period.
- *Claremont* – Hired “mobility managers” to more actively market Dial-A-Ride services to both seniors, but also adults and youth within the community.
- *Commerce* – Expanded Dial-A-Ride service so that it is no longer limited to medical related trips and can be accessed by seniors and special needs riders for all trips within 10 miles of City Hall
- *Culver City* – CityBus established an Ambassador program in 2024 to assist riders while on the system and provide a visible presence to deter criminal activity.
- *Foothill Transit* – Expanded its fuel cell bus infrastructure expansion including the purchase of 33 hydrogen fuel cell battery vehicles (with an additional 19 buses have been procured, but not yet delivered).
- *Gardena* – Developed a new on-demand micro transit service called Bolt serving the City of Gardena, Hawthorne, Alondra Park and Del Aire.

- *Glendale* – Completed procurement for a series of electric buses to be delivered in 2025.
- *La Mirada* -- Translated all its outreach and marketing publications into Korean and Spanish.
- *LADOT* – Completed conversion of its DASH and Commuter Express fleets to be 100% clean fueled, including vehicles powered by compressed natural gas (CNG), liquid propane gas (LPG), and electric powered vehicles.
- *Long Beach Transit* -- Expanded its electric bus fleet by receiving 34 electric buses and completing a procurement for 30 additional electric buses.
- *Montebello* -- Completed the implementation of an Avail system to allow better communication between buses and dispatchers.
- *Norwalk* -- Implemented several safety and security features including installing piloting cockpits and working with Los Angeles Sheriff's Department to implement routine patrols of its fixed route bus lines.
- *Pasadena* – Adopted a zero-emissions bus roll-out plan and procured its first zero emissions buses.
- *Santa Clarita* -- Opened the Vista Canyon Multi-Modal Center that includes a Metrolink rail station and bus transfer station
- *Santa Monica* – Transitioned its demand response services to Lyft and wait times for the service have been reduced.
- *Torrance* – Developed a new micro transit service called Connect Torrance fully implemented in 2025.

Metro Operations

Summary of Key Findings

Metro Operations met all applicable compliance requirements. Additionally, Metro's data reporting was largely consistent. Metro Operations implemented all prior triennial performance review recommendations.

Key Challenges

Similar to the municipal operators, Metro Operations was forced to address numerous challenges associated with a post-pandemic environment that impacted commuting patterns and transit ridership trends. The following is a summary of some of the key challenges unique to Metro during the review period:

- Metro experienced staffing shortages for both rail and bus operators during the triennial period. Metro implemented several changes to its recruitment process including conducting their own recruitment fairs that involved large-scale hiring events where applicants were able to complete their application, perform an

agility test, undergo a medical test and fingerprinting, and participate in an interview, all in one session.

- Safety and security issues continued to be a concern during the triennial period. Criminal activity peaked during the review period resulting in a “surge” of law enforcement activity on the system.
- Metro, like many other agencies, experienced supply chain issues for parts and vehicles. These supply chain issues required Metro to qualify new part sources to address their maintenance needs.
- Ridership on Bus Rapid Transit and Heavy Rail experienced slower returns in ridership based on changes in commuting patterns and work from home options for some workers. Metro has adjusted schedules and frequencies to meet the needs of its ridership to rebuild its ridership.

Key Accomplishments

Metro Operations had a series of significant accomplishments during the review period including:

- Continued progress on major capital projects including:
 - Metro’s K Line opened in 2022 (Expo/Crenshaw to Westchester/Veterans) and was extended in 2024 to Aviation/Century.
 - Regional Connector Project - Completed in January 2023 with revenue operations beginning in June 2023
 - Airport Metro Connector (development jointly with LAWA) – Project under construction
 - Purple Line Extension Sections 1, 2 & 3 – Project under construction
- Ridership has grown substantially during the review period (FY21 to FY24):
 - Bus service was fully restored in December of 2022 and ridership increased by 52.7%
 - Rapid bus ridership has grown by 49.3%
 - Heavy rail has recovered slightly slower than fixed route with a 20.9% growth
 - Light rail which suffered significant losses in ridership in FY20 and FY21, has grown by 89.3%
- Metro hired more than 1,000 additional bus and rail operators since the pandemic to maintain service and prevent service disruptions.

- Metro has focused on increasing participation in its reduced fare programs. In 2023, the GoPass pilot program saw over a 50% increase in usage. Additionally, Metro introduced a fare-capping policy where riders who pay with a TAP card will not have to pay more than \$5 per day or \$18 over seven days.
- Metro Micro is an on-demand rideshare service that is operating within eight designated zones within LA County.

Countywide Performance

The following is a summary of system trends for the Municipal Operators and Metro Operations. These trends show the general change in performance related to the overall Countywide system. There are several key takeaways from these metrics:

- Ridership has rebounded significantly during the review period for both the Municipal Operators and Metro Operations. The Municipal Operators saw a 45.6% rise in Unlinked Passengers. Metro Operations saw a 54.5% increase over its total system which included a 52.7% increase in its fixed route operations, a 49.3% increase in its rapid bus service, a 20.9% increase in heavy rail, and an 89.3% increase in its light rail service.
- Cost per Vehicle Service Hour across the Municipal Operators (12.9%) rose on average less than the consumer price index over the same period (15.0%). While overall operating cost for all Municipal Operators rose by 26.7%, this was balanced by a 12.3% rise in Vehicle Service Hours. Similarly, for Metro Operations, the Cost per Vehicle Service Hour rose only 10.0% during the review period.
- Cost per Passenger dropped for Municipal Operators by 13.0% due to the surge in ridership and operating cost increases below the consumer price index. Similarly, Metro's Cost per Passenger dropped by 6.3% over the review period.

Table 1 below provides a summary of the total system for Municipal Operators:

Table 1: Municipal Operators					
System-Wide Performance					
	Base Year				Percent Change
					from Base Year
Performance Measure	FY21	FY22	FY23	FY24	to FY24
Key Base Measures					
Operating Costs	\$563,541,952	\$592,316,484	\$640,354,991	\$714,107,456	26.72%
Vehicle Service Hours	3,783,501	3,944,161	4,045,170	4,247,318	12.26%
Unlinked Passengers	44,986,323	56,760,787	60,872,829	65,496,058	45.59%
Efficiency Measures					
Cost per Vehicle Service Hour	\$148.95	\$150.18	\$158.30	\$168.13	12.88%
Cost per Passenger	\$12.53	\$10.44	\$10.52	\$10.90	-12.96%
Passengers per Vehicle Service Hour	11.89	14.39	15.05	15.42	29.69%

Table 2 below provides a summary of performance metrics for Metro Operations. It is important to note that Metro's numbers reflect its total system which includes fixed route bus, rapid bus, heavy rail and light rail services. As the costs associated with operating heavy rail and light rail are higher, the efficiency measures related to Cost per Passenger and Vehicle Service Hour will appear higher than the Municipal Operators.

Table 2: Los Angeles County Metro					
System-Wide Performance					
	Base Year				Percent Change
					from Base Year
Performance Measure	FY21	FY22	FY23	FY24	to FY24
Key Base Measures					
Operating Costs	\$1,665,761,075	\$1,801,365,190	\$2,196,624,387	\$2,412,173,133	44.81%
Vehicle Service Hours	6,072,876	7,020,753	7,553,381	7,993,921	31.63%
Vehicle Service Miles	78,935,771	88,461,984	95,936,057	101,605,446	28.72%
Unlinked Passengers	195,547,433	254,688,124	276,302,447	302,048,999	54.46%
Full Time Equivalents (FTEs)**	3,114	3,526	3,788	4,051	30.09%
Efficiency Measures					
Cost per Vehicle Service Hour	\$274.30	\$256.58	\$290.81	\$301.75	10.01%
Cost per Passenger	\$8.52	\$7.07	\$7.95	\$7.99	-6.25%
Passengers per Vehicle Service Hour	32.20	36.28	36.58	37.78	17.34%

**FTEs refer to the number of Bus, Heavy Rail and Light Rail operators as reported in the State Controller's Report.



Executive Summary

Background, Scope and Methodology

The California Public Utilities Code requires all Regional Transportation Planning Entities (RTPE) to conduct an independent Triennial Performance Review in order to be eligible for Transportation Development Act (TDA) funding. In July 2024, Metro selected BCA Watson Rice, LLP to conduct a Triennial Performance Review of itself as the RTPE and operator, as well as the twenty-one municipal operators to which Metro allocates funding. This Triennial Performance Review covers a three-year period ending June 30, 2024.

This Triennial Performance Review was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The review methodology for this Triennial Performance Review of Metro as the RTPE included four tasks:

1. Project Initiation
2. Initial Review
3. Detailed Review
4. Documentation of Performance Audit Results

This Triennial Performance Review included the following elements:

1. Compliance Requirements
2. Follow-up of Prior Recommendations
3. Review of Metro Functions
4. Findings and Recommendations

Key Challenges

Some of the key challenges faced by Metro during the triennium include:

- Planning for upcoming special events in Los Angeles including the 2026 World Cup, 2027 Super Bowl, and 2028 Olympics and Paralympics. With no parking allowed at the event venues, game enhanced transit service to bring people from park and ride and hubs to the events, and substantial regional planning and coordination is required. Funding these planning and coordination efforts is also a challenge.



- Increases in project costs due to inflation, competition for limited construction resources with other major infrastructure projects, increases in property values and related increases in cost associated with acquiring needed Rights of Way for transit expansion projects.
- Labor shortages in operations, professional staff, and construction laborers. Turnover of senior staff has made it difficult to replace needed experience and knowledge. Metro has many vacant positions, and hiring process is time intensive.
- Meeting zero emissions requirements for buses given the current state of the bus manufacturing industry and their ability to deliver the needed zero emission buses.
- Safety on the Metro System continues to be a challenge, including homelessness in and around Metro facilities and operations.

Key Accomplishments

It is also important to consider the accomplishments achieved by Metro during the same three-year period. These accomplishments include:

- Continued progress on major capital projects including:
 - Metro's K Line opened in 2022 (Expo/Crenshaw to Westchester/Veterans) and was extended in 2024 to Aviation/Century.
 - Regional Connector Project - Completed in January 2023 with revenue operations beginning in June 2023
 - Airport Metro Connector (development jointly with LAWA) – Project under construction
 - Purple Line Extension Sections 1, 2 & 3 – Project under construction
- Ridership has grown substantially during the review period (FY21 to FY24):
 - Bus service was fully restored in December of 2022 and ridership increased by 52.7%
 - Rapid bus ridership has grown by 49.3%
 - Heavy rail has recovered slightly slower than fixed route with a 20.9% growth
 - Light rail which suffered significant losses in ridership in FY20 and FY21, has grown by 89.3%
- Improved Metro's ability to successfully deliver its large capital construction projects through improved program management, implementation of the Early Intervention Team (EIT), and refined standard operating procedures and protocols.
- Implemented the NextGen Bus Plan designed to innovate the current bus system to meet the needs of current and future riders.



- Completed draft East San Fernando Valley full funding grant agreement document submittal.
- Approved the establishment of an internal Transit Public Safety Department as an alternative to the existing multi-agency law enforcement services provided under contract following completion of an in-house public safety department implementation plan.
- Implemented the Ambassador Program to support riders on Metro buses, trains and stations, connect riders to resources and report maintenance and safety concerns.
- Expanded the successful GoPass program to provide free rides for students K-12 and students in city and vocational colleges resulting in over 40 million student TAP transactions recorded in the last three years.
- Improved Metro's Low-Income Fare is Easy (LIFE) Program by creating 20-Ride Pass, good on Metro and 14 other TAP participating transit operators, enabling partnership with the Los Angeles County Department of Public Social Services (DPSS) to enroll participants into the LIFE Program automatically and launching autoloading for LIFE customers.
- Established a pilot drone program to inspect Metro owned properties and rights-of-way to ensure compliance with annual inspection requirements.
- Acquired all the rights-of-way needed for Purple Lines 1 and 2, as well as for regional rail, and implemented a new right of way and property management system.
- Increased focus on diversity, equity and inclusion, with a focus on equity within all of Metro services, making sure planning, design and construction are viewed from an equity lens and to make sure all get access to the services Metro provides.
- Developed a very strong Executive Leadership Team for support and partnership, focused on doing the right things and working together.
- Revised and strengthened the ethics approach for the Metro Board including revised rules and expanded role for the Metro Ethics Officer.
- Received grant funding to build mobility hubs with retail and food outlets as well as bike access as part of transportation demand management efforts.
- Worked with Metrolink to increase service to North County and working to improve integration of the Metrolink system with Metro.
- Implemented improvements identified in the 2020 Customer Experience Plans and developed plans for 2022 and 2023 identifying key priorities and initiatives to improve the overall rider experience.



- Expanded multidisciplinary (MDT) teams consisting of mental health clinicians, formerly homeless individuals, and key staff to help the unhoused find temporary or permanent housing services and link them to other programs.
- Developed 35 projects under the Joint Development Policy and Transit Oriented Communities (TOC) Implementation Plan to support land use development around stations and develop affordable housing on Metro property.
- Adopted First/Last Mile Guidelines to further integrate first/last mile planning into Metro's overall transit project delivery.
- Developed an Adopt-a-Bike program to give residents in need the opportunity to obtain free bikes that have been unclaimed with over 1,000 bikes being distributed.

Compliance Requirements

To determine Metro's compliance with requirements the review team identified key compliance requirements, discussed compliance requirements with Metro representatives, and gathered and reviewed documentary evidence of compliance. Metro was found to be in compliance with all applicable requirements evaluated as part of this Triennial Performance Review.

Follow-Up of Prior Recommendations

The prior Triennial Performance Review completed in 2022 included the following recommendation:

Metro should work with members of the Bus Operations Subcommittee (BOS) and other regional service coordination bodies to clarify the definition of "local subsidy" as it relates to Transit Performance Measures (TPM) reporting and subsequent calculations of farebox recovery ratios. These discussions should include discussions on required Maintenance of Effort funding to ensure that system-generated local contribution requirements are met.

This recommendation was implemented for the FY24 Fund Allocation Procedure (FAP) cycle. The TPM form's Auxiliary Revenue line item was updated to "Auxiliary Revenue/Subsidy." This updated definition and inclusions for this TPM line item were sent to the BOS members.



Review of Metro Functions

The following sections discuss the results of the review of Metro functions.

Planning and Programming of Transportation Funds

The planning and programming of transportation funds in Los Angeles County has challenges unlikely to be found elsewhere including programming authority for numerous distinct local, state, and federal sources of funds. Each of these have varying combinations of revenue predictability, eligible uses, project submission requirements, evaluation criteria, rules for allocating funds below the County level, and time limitations for programming and spending.

Within this context, successfully planning and programming transportation funds requires several key elements including accurately forecasting available funds, developing criteria for evaluating funding choices, evaluating capital funding requests, and balancing revenue and expenditures. Metro routinely conducts multi-year planning and programming that requires the agency to make assumptions and consequent predictions about how these funds will change.

The review team concluded Metro has planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial period.

Transportation Funds Administration

Metro administers several funds. Successful administration of these funds requires several elements including clear identification of guidelines or requirements, appropriate tracking and certifying of the use of funds, reasonable flexibility, and coordination and assistance to municipal operators receiving funds.

The review team concluded that Metro has developed approaches to each of these elements, and effectively and efficiently administered transportation funds for the region during the triennium.

Rail Construction Program

Metro is responsible for planning and building the Metro Rail transit system. This undertaking includes alternative analysis, design, construction, and pre-start-up operations of the project. Metro is delivering the largest transportation infrastructure program in the country with a FY24 program size of up to \$26.8 billion, a 13.1% increase



from FY23, and a portfolio of more than 70 projects. The program has been experiencing construction market pressures from labor shortages, material costs, and market risks. Updated economic projections indicate that these challenges will continue and will continue to drive construction inflation. A list of the Metro Rail Transit System projects, including current status and target dates is provided in the body of the report.

Metro has implemented several practices to accelerate rail construction including life cycle costing, project labor agreements, programs to work with communities affected by rail construction, involving operations in the early stages of project design, consolidating construction contracts, revised authority for certain change orders, implementation of strict ethics requirements for employees and contractors, and development of a detailed Project Management Plan. During FY 2023 Metro expanded its efforts to accelerate rail construction with the implementation of the Early Intervention Team (EIT). The EIT is led by the Deputy Chief Executive Officer.

The EIT increases cross-collaboration across Metro's development and delivery teams to improve delivery outcomes across Metro's portfolio of interrelated and complex capital projects. This is especially important given the magnitude of projects being developed and delivered in the near-term, as well as providing necessary transportation infrastructure in service to the 2028 Olympic and Paralympic Games.

The review team concluded that Metro continues to be effective in planning, designing, and constructing a rail transit system for Los Angeles County.

Legislative Proponent and Analysis (Government Relations)

Metro's ability to plan, program and deliver transportation services is greatly impacted by federal, state and local legislation. Having an effective legislative proponent and analysis program is essential to Metro's ongoing ability and success in delivering transportation services to Los Angeles County.

Metro has an effective government relations function that includes a clear scope and direction, active monitoring of legislative initiatives and activities and active pursuit and advocacy of legislative priorities and positions in coordination with others.

The review team concluded Metro's Government Relations function provides a well-focused, well structured, comprehensive and effective legislative proponent and analysis for Metro.



Air Quality Management Plan (AQMP)

The Air Quality Management Plan is a regional blueprint for achieving the federal air quality standards and healthful air. The South Coast Air Quality Management District (SCAQMD) is responsible for clean air in the South Coast Air Basin, an area that includes Orange County and the non-desert portions of Los Angeles, Riverside and San Bernardino counties. The SCAQMD develops the AQMP, with the most recent plan published in 2022. The 2022 AQMP represents a comprehensive analysis of emissions, meteorology, regional air quality modeling, regional growth projections, and the impact of existing and proposed control measures.

Metro's role in the AQMP and the Federal Transportation Improvement Program (FTIP) is to develop and implement transportation projects and strategies that reduce vehicle miles traveled and related emissions. These strategies were submitted to SCAG and included in the Connect SoCal Regional Transportation Plan (RTP) and FTIP developed by SCAG.

The review team concluded Metro meets or exceeds its obligations to support and improve air quality in the Southern California region and the regional Air Quality Management Plan (AQMP). A list of the projects included in the 2023 FTIP that are the responsibility of Metro are provided in the body of the report.

Consolidated Transportation Services Agency (CTSA)

The Consolidated Transportation Services Agency (CTSA) was originally created by the Social Services Transportation Improvement Act in 1979 to coordinate and improve social service transportation services. Metro has taken or directed several key actions to fulfill its CTSA responsibilities including designating Access Services (Access) as the CTSA for Los Angeles County in 1994, developing the *Public Transit-Human Services Transportation Action Plan for Los Angeles County* in 2015, and released the updated Coordinated Public Transit – Human Services Transportation Plan in March 2021 covering the period from 2021 to 2024.

Access also developed and released an updated strategic plan in 2021 as the "Access Short-Range Strategic Plan 2022-26." The Strategic Plan identified challenges and developed responses to ensure continued customer satisfaction with Access' services. During the triennium, Access undertook several initiatives to make progress toward the goals established in the strategic plan, including Travel Mode Study 2023, the Scheduled Trip Demand Forecasting FY 2025–FY 2034 and the 2024 Biennial Customer Satisfaction Survey.



The review team concluded Metro has met legislatively mandated responsibilities related to planning for coordination and improvement of social service transportation services.

Management Performance

The review of Metro's management performance included a review of Metro's goal setting and monitoring including related policy decisions, Metro's governance structure and the role of the Board in providing leadership, and allocation of administrative funds.

Metro's goal setting and monitoring processes through the Metro Vision 2028 Strategic Plan and the Equity Platform Framework provide well-founded, well-structured and strong direction for the Metro Board and agency. In addition, Metro implemented several shorter term strategic planning initiatives during the triennium. These include the *2023 Employee Survey*, the *Metro CEO 2023 Strategic Aspiration Placemat*, the Board Planning Session, Metro's Customer Experience Plans and Progress Reports, and Metro's Equity Platform Framework.

Metro's Board of Directors guides the agency's priorities, projects and activities, and includes 13 members who represent areas throughout Los Angeles County. The Metro Board's governance approach and structure, including the use of committees and advisory bodies, provides Metro with an effective leadership and decision-making system.

The review team concluded Metro's goal setting and monitoring provide well-structured and strong direction. Metro's governance structure provides Metro with an effective leadership and decision-making system. Metro's administrative funds are adequately and effectively allocated in order to achieve Metro's stated goals.

Internal Administration

This review of Metro's internal administration included determining if the budget is being used as an effective management tool, if internal controls are adequate and provide appropriate information to management, if accounting procedures are adequate to make fund balances available, and if the organization and reporting structure could be improved.

A good budget process is a broadly defined process that has political, managerial, planning, communication, and financial dimensions. A good budget process incorporates a long-term perspective, establishes linkages to broad organizational goals, focuses budget decisions on results and outcomes, and involves and promotes effective communication with stakeholders.



The review team concluded Metro's budget development process incorporates the key characteristics necessary to provide an effective budget for the organization.

Internal controls are designed to safeguard organization's assets from error, loss, theft, misuse, misappropriation, and fraud. Effective programs of internal controls provide reasonable assurance that these objectives are met consistently. These internal controls include the Metro Ethics Department, Metro Management Audit Services Department, and the Office of Inspector General. The review team concluded that Metro has multiple internal controls approaches and systems in place to safeguard its assets from error, loss, theft, misuse, misappropriation, and fraud.

Formal documentation of accounting policies and procedures is an essential component in providing effective controls over accounting and financial reporting, as well as providing a comprehensive framework of internal controls. The review team concluded Metro has adequate accounting procedures and properly accounts for and makes available monthly its fund balances.

An organization's structure should provide a framework of functional areas within which individuals can achieve the organization's goals. An effective organization structure clearly reflects the priorities of the organization, facilitates effective service delivery and problem solving, ensures consistency of direction and management control, minimizes obstacles and barriers to performance, and stimulates a culture of shared accomplishment and teamwork.

During the triennium, Metro did not have any major reorganizations, but did have some notable changes including implementation of the Early Intervention Team to improve capital construction project delivery, and the decision to establish an internal Transit Public Safety Department as an alternative to the existing multi-agency law enforcement services provided under contract. The review team concluded Metro has established an organization structure that provides an effective framework of functional areas within which individuals can achieve the organization's goals.

Findings and Recommendation

We find the Los Angeles Metro, functioning as the RTPE, to be in compliance with the requirements of the Transportation Development Act. In addition, Metro generally functioned in an efficient, effective, and economical manner during the triennial period.

Los Angeles Metro State Triennial Performance Reviews Fiscal Years 2022-24

Metro Finance, Budget and Audit Committee

July 17, 2025



Background and Scope

1. California Transportation Development Act (TDA) requires Triennial Performance Reviews of Transit Operators and RTPAs
2. Includes independent performance review of all 21 Los Angeles County Transit Operators including Metro
3. Also requires Metro undergo an independent performance review as the regional transportation planning agency (RTPA)
4. Must be completed and sent to Caltrans for Metro to receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County

Operator Review Areas



- Verification of TDA data collection and reporting requirements
- Compliance with (PUC) requirements
- Progress in implementing prior review recommendations
- Review of TDA performance indicator trend analysis
- High level functional area performance review

Operator Review Key Conclusions

- TDA data collection and reporting requirements met by all operators
- All operators are in compliance with (PUC) requirements
- All operators fully implemented or made progress on prior review recommendations
- TDA performance indicator trend analysis shows some improvements by all operators
- Functional area performance review shows some improvements by all operators

Metro as the RTPA Review Areas

- Compliance Requirements
- Follow-up of Prior Recommendations
- Metro Functions
 - Planning and Programming of Transportation Funds
 - Transportation Funds Administration
 - Rail Construction Program
 - Legislative Proponent and Analysis (Government Relations)
 - Air Quality Management Plan (AQMP)
 - Consolidated Transportation Services Agency (CTSA)
 - Management Performance

Metro as the RTPA Review Key Conclusions



- Metro in compliance with all requirements
- Metro implemented prior recommendations
- Metro functioned in an efficient, effective, and economical manner
- Metro has effective systems and processes in place for accomplishing its responsibilities and functions
- No findings or recommendations