



Board Report

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Agenda Number: 3.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE MARCH 31, 2022

SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2021

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year ended June 30, 2021, completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2021, completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2021, completed by Simpson & Simpson, CPAs (Simpson).

ISSUE

On November 4, 2008, Los Angeles County voters approved Measure R that imposed a 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 (LACMTA) complies with the terms of the Ordinance. The oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee in order for the Oversight Committee to determine whether the LACMTA and local subrecipients have complied with the Measure R requirements. In addition, the Ordinance requires that Metro hold a public hearing to obtain the public's input on the audit results.

DISCUSSION

The following summarizes the independent auditor's report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund:

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinance. BCA conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that BCA plan and perform the audit to obtain reasonable assurance whether the Schedule of Measure R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinance for the fiscal year ended June 30, 2021.

The following summarizes the independent auditor's report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure R sales tax revenues used by the County of Los Angeles (County) as well as the 88 cities (Cities). The firms conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance and the Measure R Local Return Guidelines which could have a direct and material effect on the Measure R Local Return program occurred.

Vasquez concluded that the County and the Cities complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2021. Vasquez found three (3) instances of noncompliance, which are summarized in Schedule 2 of Attachment B.

In all material respects, Simpson concluded that the Cities complied with the requirements in the Ordinance and the Measure R Local Return Guidelines applicable to the Measure R Local Return program for the fiscal year ended June 30, 2021. Simpson found seven (7) instances of noncompliance, summarized in Schedule 2 of Attachment C.

NEXT STEPS

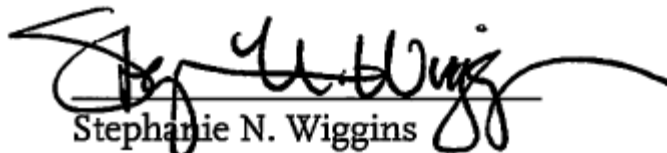
A public hearing will be scheduled.

ATTACHMENT(S)

- A. Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year Ended June 30, 2021 (BCA)
- B. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson and Simpson)

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Reviewed by: Shalonda Baldwin, Executive Officer, Administration, (213) 418-3265



Stephanie N. Wiggins
Chief Executive Officer

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, 2021
(With Comparative Totals For 2020)**



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Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Schedule of Revenues and Expenditures	
Schedule of Revenues and Expenditures	3
Notes to the Schedule of Revenues and Expenditures for Measure R Special Revenue Fund.....	4
Required Supplemental Information	
Schedule of Revenues and Expenditures - Budget and Actual For the fiscal year ended June 30, 2021	8
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Compliance	
Independent Auditor's Report on Compliance with Requirements Applicable to Measure R Revenues and Expenditures in Accordance with the <i>Traffic Relief and Rail Expansion Ordinance</i>	11
Summary of Current Year Audit Findings	13
Status of Prior Year Audit Findings	14

Independent Auditor's Report

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

Report on the Schedule of Measure R Revenues and Expenditures

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, 2021, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

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

LACMTA's 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; this includes 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 Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 8 be presented to supplement the Schedule. Such information, 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

As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure R Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2021, 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.

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 16, 2020. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements 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 November 8, 2021, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.



Torrance, CA
November 8, 2021

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2021
(With Comparative Totals for 2020)
(Amounts expressed in thousands)

	2021	2020
Revenues		
Sales tax	\$ 912,444	\$ 823,382
Intergovernmental	51,815	8,988
Investment income	2,838	8,239
Net appreciation (decline) in fair value of investments	(3,957)	3,462
	<hr/>	<hr/>
Total revenues	963,140	844,071
	<hr/>	<hr/>
Expenditures		
Administration and other	167,159	139,674
Transportation subsidies	340,962	342,714
	<hr/>	<hr/>
Total expenditures	508,121	482,388
	<hr/>	<hr/>
Excess of revenues over expenditures	455,019	361,683
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	11,510	14,447
Transfers out	(573,426)	(381,380)
	<hr/>	<hr/>
Total other financing sources (uses)	(561,916)	(366,933)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (106,897)</u>	<u>\$ (5,250)</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
June 30, 2021

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

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

1. Organization

General

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

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

Measure R

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

2. Summary of Significant Accounting Policies

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2021

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2021

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Appreciation in Fair Value of Investments

Investment income and net appreciation 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, 2021, the Measure R fund had investment income of \$2,838 and net decline in fair value of investments of \$3,957. The net decline in fair value of investments were mainly due to a decrease in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

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

Comparative Financial Data

The amounts shown for 2020 in the accompanying Schedule are included only to provide a basis for comparison with 2021 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

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

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

4. Intergovernmental Transactions

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

5. Operating Transfers

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2021

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

The Measure R fund at June 30, 2021 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$106,897, mainly due to acquisition of property for the Link Union Station Project and an increase of transfers out on major projects such as the Westside Subway Extension, resulting in a decrease in Measure R Fund balance from \$330,128 to \$223,231.

7. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2021 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

8. 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.

9. COVID-19 Impact and Considerations

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. LACMTA expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

10. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 8, 2021, the date the schedule was issued. No subsequent events occurred that require recognition or additional disclosure in the schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the fiscal year ended June 30, 2021
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 778,101	\$ 778,101	\$ 912,444	\$ 134,343
Intergovernmental	106,068	106,068	51,815	(54,253)
Investment income	-	-	2,838	2,838
Net decline in fair value of investments	-	-	(3,957)	(3,957)
Total revenues	884,169	884,169	963,140	78,971
Expenditures				
Administration and other	198,967	247,902	167,159	80,743
Transportation subsidies	342,183	350,034	340,962	9,072
Total expenditures	541,150	597,936	508,121	89,815
Excess of revenues over expenditures	343,019	286,233	455,019	168,786
Other financing sources (uses)				
Transfers in	15,292	15,292	11,510	(3,782)
Transfers out	(508,202)	(508,202)	(573,426)	(65,224)
Total other financing sources (uses)	(492,909)	(492,909)	(561,916)	(69,007)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (149,891)	\$ (206,677)	\$ (106,897)	\$ 99,780

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

Measure 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, 2021, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of the amounts 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
November 8, 2021

**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

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure R Revenues and Expenditures with the compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) for the fiscal year ended June 30, 2021.

Management's Responsibility

LACMTA's management is responsible for compliance with the requirements of laws and regulations applicable to the Measure R Revenues and Expenditures.

Auditor's Responsibility

Our responsibility is to express an opinion on LACMTA's compliance with the Measure R Revenues and Expenditures based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on Measure R Revenues and Expenditures occurred. An audit includes examining, on a test basis, evidence about the LACMTA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the Measure R Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Measure R Revenues and Expenditures

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure R Revenues and Expenditures for the fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the LACMTA's internal control over compliance with the requirements that could have a direct and material effect on the Measure R Revenues and Expenditures as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the *Traffic Relief and Rail Expansion Ordinance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the LACMTA's 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 a compliance requirement 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 of the Measure R Revenues and Expenditures 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.



Torrance, California
November 8, 2021

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2021

None noted.

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

None noted.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2021**

TABLE OF CONTENTS

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

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

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

Report on Compliance

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, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective management of the County and the Cities.

Auditor's Responsibility

Our responsibility is to express opinions on the County and each City's compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about the County and each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of the County's and each City's compliance with the Guidelines and Requirements.



Opinion

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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and 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 #2021-001 through #2021-003. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

The management of the County and each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered the County and each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's and each City's 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 a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance 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 requirements 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2021-002, that we consider to be a material weakness.



The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Vazquez & Company LLP".

**Glendale, California
December 30, 2021**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2021**

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

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2021**

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, 2021**

The audits of the County of Los Angeles and 39 cities have resulted in 3 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Agoura Hills (See Finding #2021-001)	\$ 4,063	\$ 4,063
		Calabasas (See Finding #2021-002)	29,039	29,039
		Montebello (See Finding #2021-003)	24,988	24,988
Total Findings and Questioned Costs	3		\$ 58,090	\$ 58,090

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021**

Finding #2021-001	City of Agoura Hills
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline 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.</p> <p>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.</p>
Condition	<p>The City claimed expenditures for MRLRF Project Code 705, Sidewalk Repairs, amounting to \$4,063 prior to approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro.</p>
Cause	Due to unanticipated work related to the Sidewalk Repairs project.
Effect	The City claimed expenditures totaling \$4,063 prior to approval from Metro. Lack of prior approvals results in noncompliance.
Recommendation	We recommend the City establish procedures and implement internal controls to ensure that approval is obtained from Metro prior to spending on any local return-funded projects.
Management's Response	<p>The City concurs with the finding that a budget request should have been submitted to Metro for approval.</p> <p>The City continues to reevaluate the processes that are in place to ensure budgets are submitted for all projects to Metro timely.</p>
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of said projects on November 23, 2021. 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, 2021
(Continued)

Finding #2021-002	City of Calabasas
Compliance Reference	<p>Section B(II)(1) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to Metro an Expenditure Plan (Form One) annually by August 1st of each year.</p> <p>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.</p>
Condition	<p>The City claimed expenditures under MRLRF Project Code 630, Direct Administration, totaling \$29,039 with no prior approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro.</p> <p>This is a repeat finding from prior years' audits.</p>
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed expenditures totaling \$29,039 prior to approval from Metro. Lack of prior approvals results in noncompliance 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 any Measure R-funded projects.
Management's Response	The City agrees with the findings. The City will establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said project on November 23, 2021. 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, 2021
(Continued)

Finding #2021-003	City of Montebello
Compliance Reference	<p>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.</p> <p>"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."</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project Code 380, Traffic Engineering Studies, totaling \$4,610; b. Project Code 490, Sales Tax Revenue Bonds, totaling \$1,535; c. Project Code 630, Administrative Overhead, totaling \$15,100; d. Project Code 630, Finance Overhead, totaling \$2,275; e. Project Code 705, Los Amigos Avenue (Welmar to Las Flores, totaling \$976; f. Project Code 705, Hay Street (Garfield to Sly City Limit), totaling \$366; and g. Project Code 705, Beverly Terrace (Maple to Park), totaling \$126. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
Effect	The City claimed expenditures totaling \$24,988 prior to approval from Metro. Lack of prior approval results in noncompliance with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)**

Finding #2021-003 (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. No additional follow up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



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, 2021**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES	1
List of Package B Jurisdictions	4
Compliance Area Tested	5
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	6
Schedule 2 - Schedule of Findings and Questioned Costs	7



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

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

Report on Compliance

We have audited the compliance of the forty-nine (49) 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 and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' management.

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



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Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and 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 #2021-001 through #2021-007. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified 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 under the Guidelines and Requirements 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 under the Guidelines and Requirements 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 Finding #2021-004 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 and Requirements 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 #2021-003 and #2021-005 to be significant deficiencies.

The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subject to the 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 on internal control over compliance and the results of that testing based on the requirements of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading 'Simpson & Simpson' in a cursive script.

Los Angeles, California
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2021**

- | | |
|----------------------------------|-----------------------------------|
| 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, 2021

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, 2021**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 7 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Downey (#2021-003) Temple City (#2021-007)	\$ 34,312 2,500	\$ 34,312 2,500
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	1	Claremont (#2021-002)	None	None
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	1	Bradbury (#2021-001)	None	None
Accounting procedures, record keeping, and documentation are adequate.	3	Downey (#2021-004) Glendora (#2021-005) Glendora (#2021-006)	25,885 None 8,647	- None -
Total Findings and Questioned Costs	7		\$ 71,344	\$ 36,812

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021**

Finding #2021-001	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2021 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 20, 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a staff turnover during fiscal year 2021 and the new management team was unaware of compliance requirements of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 20, 2021. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)**

Finding #2021-002	City of Claremont
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II. 1), Expenditure Plan (Form One): "Jurisdictions shall submit to Metro an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	<p>The City did not meet the August 1, 2020 deadline for submitting the Expenditure Plan in the Local Return Management System (LRMS).</p> <p>In FY2021, Metro extended August 1, 2020 deadline to October 1, 2020, to facilitate a smooth LRMS transition. However, the City updated the information in the LRMS on October 16, 2020.</p>
Cause	This was due to an oversight of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City's expenditures of Measure R Local Return Funds will be in accordance with Metro's approval and the guidelines.
Management's Response	The City concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 16, 2020. 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, 2021
(Continued)

Finding #2021-003	City of Downey
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	<p>The expenditures for MRLRF's Project Code 720, CIP 17-09: Paramount Boulevard Signalization and Safety Enhancements, in the amount of \$34,312 were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$34,312 from Metro for the MRLRF project on November 16, 2021.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The request for the budget approval from Metro for this project was overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Measure R Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all MRLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 16, 2021. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-004	City of Downey
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, the LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state, “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 80px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-004 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 630 in the amount of \$25,885 were based on estimated percentages on MRLRF activity rather than the employee's actual hours worked on the project. Although the City provided a time study listing for the employees charged to MRLRF, the salaries and benefits were based on estimated percentages. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2020-21.</p> <p>This is a repeat finding from the prior five fiscal years.</p>
Cause	<p>The City allocated the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations were used in prior fiscal years. Additionally, the City believed the estimated percentages charged to the funds for salaries and benefit expenses were still less than the actual costs incurred for the programs.</p>
Effect	<p>The payroll costs claimed under the MRLRF projects may include expenditures which may be disallowed Measure R project expenditures. This resulted in questioned cost of \$25,885.</p>
Recommendation	<p>We recommend that the City reimburse its MRLRF account for \$25,885. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the program.</p>
Management's Response	<p>The City's management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the programs. Although the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program since fiscal year 2019-20, the City plans to have an outside agency perform a cost allocation study to help determine a more appropriate allocation of the salaries and benefits to the funds in fiscal year 2021-22. The study is estimated to begin in February 2022 and to be completed by July 1, 2022.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-005	City of Glendora
Compliance Reference	The Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”
Condition	<p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet that is signed by both the employee and the employee’s supervisor. The Certification is prepared annually and provides the hours worked by the employee on MRLRF projects for all pay periods during the fiscal year 2020-21.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) December 27, 2020 b) January 10, 2021 c) January 24, 2021 d) June 27, 2021 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October 2021, which were four to ten months after the fact.</p> <p>This is a repeat finding from prior fiscal year.</p>
Cause	During fiscal year 2020-21, the Finance division experienced staff turnovers and the City staff who was directly involved in the preparation of the annual Certifications was on leave for four months from June 2021 through September 2021. Due to the turnover and the absence of the City staff, the Certifications were not prepared and signed by both employees and supervisors in a timely manner.
Effect	Without employees and supervisors preparing the timecards/certifications in a timely manner, the City may be unable to substantiate the actual hours worked by the employees who were charged to the programs. Untimely support for salaries could result in disallowed costs.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the Certifications at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds’ projects.
Management’s Response	The City will re-evaluate the preparation of the Certifications process to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time, either monthly or quarterly.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-006	City of Glendora
Compliance Reference	The Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”
Condition	<p>During fiscal year 2020-21, the City recorded expenditures to MRLRF’s Street Repair and Maintenance Project Code 705 in the amount of \$38,874 which were contributions to the pension plan that was provided through CalPERS. The contributions were based on CalPERS employer rate of 10.502% multiplied by the employees’ gross salaries.</p> <p>Based on our calculation, we determined that the City over-allocated \$8,647 of pension contributions to MRLRF.</p>
Cause	This is the first year that the City allocated debt service payments to the Pension Obligation Bonds outside of the issuance year. The City estimated the allocations based on trends and analysis, but did not establish a system to allocate the payments of the actual pension costs to the affected funds.
Effect	The unsupported pension benefits allocated to MRLRF resulted in questioned costs of \$8,647.
Recommendation	We recommend that the City reimburse its MRLRF account for \$8,647. In addition, we recommend that the City strengthen its controls over the allocation of pension costs by using the proper basis, the actual salaries charged to the fund multiplied by the appropriate employer rate provided by CalPERS.
Management’s Response	The City plans to reimburse its MRLRF account in the amount of \$8,647 in January 2022. Also, the City will continue to monitor and evaluate the process for charging pension benefits to ensure that the proper debt service payments are allocated to the City funds, including the local return funds.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-007	City of Temple City
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The expenditures for MRLRF's Project Code 705, San Gabriel Valley Council of Governments Vehicle Miles Traveled (VMT) Analysis, in the amount of \$2,500 were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$2,500 from Metro for the MRLRF project on December 2, 2021.
Cause	Due to the mitigated coronavirus (COVID-19) protocols, the City staff were not able to coordinate their efforts to obtain approval prior to incurring expenditures on MRLRF projects.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Measure R Local funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MRLRF projects.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on December 2, 2021. No follow-up is required.