



Metro

## Board Report

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

**File #:** 2022-0086, **File Type:** Informational Report

**Agenda Number:** 3.

### MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MARCH 2, 2022

**SUBJECT: MEASURE M 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 M 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 M Ordinance and Measure M 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 M Ordinance and Measure M Local Return Guidelines for the Fiscal Year ended June 30, 2021, completed by Simpson & Simpson, CPAs (Simpson).

#### **ISSUE**

On November 9, 2016, Los Angeles County voters approved Measure M that imposed a half-cent transaction and use tax for transportation and the indefinite extension of an existing half-cent sales tax (Measure R) also dedicated to transportation and originally set to expire in 2039. Measure M, also known as the Los Angeles County Traffic Improvement Plan Ordinance (Ordinance), establishes an Independent Taxpayer 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 completed 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 must be provided to the Oversight Committee in order for the Oversight Committee to determine whether LACMTA and local subrecipients have complied with the Measure M 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 M 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 M 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 M 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 M Ordinance and Measure M Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure M 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, which could have a direct and material effect on the Measure M Local Return program occurred.

Vasquez concluded that the County and the Cities, complied in all material respects with the requirements in the Ordinance that are applicable to the Measure M 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. Resolution of the instances of noncompliance is discussed in another item within this agenda titled Measure M Local Return Compliance Status.

In all material respects, Simpson concluded that the Cities complied with the requirements in the Ordinance applicable to the Measure M Local Return program for the fiscal year ended June 30, 2021. Simpson found six (6) instances of noncompliance, which are summarized in Schedule 2 of Attachment C. Resolution of the instances of noncompliance is discussed in another item within this agenda titled Measure M Local Return Compliance Status.

## **NEXT STEPS**

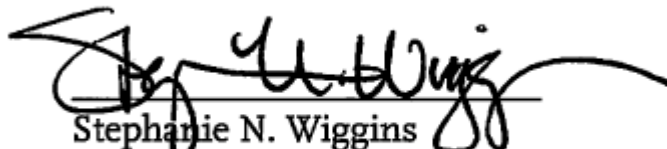
A public hearing will be scheduled.

**ATTACHMENT(S)**

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

Prepared by: Lauren Choi, Sr. Director, Audit, (213) 922-3926  
Monica Del Toro, Audit Support Manager, (213) 922-7494

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



Stephanie N. Wiggins  
Chief Executive Officer

*Los Angeles County*  
**Metropolitan Transportation Authority**

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

**For the Fiscal Year Ended June 30, 2021  
(With Comparative Totals For 2020)**



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

**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, 2021  
(With Comparative Totals for 2020)

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## **Independent Auditor's Report**

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

### **Report on the Schedule of Measure M Revenues and Expenditures**

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, 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 M 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 M 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 9 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 M 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 M 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.

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

Torrance, CA  
November 8, 2021



**Los Angeles County Metropolitan Transportation Authority**  
**Measure M 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)**

	<b>2021</b>	<b>2020</b>
Revenues		
Sales tax	\$ 911,235	\$ 820,724
Intergovernmental	7,005	8,432
Investment income	6,004	15,968
Net appreciation (decline) in fair value of investments	(5,420)	5,450
	<hr/>	<hr/>
Total revenues	918,824	850,574
	<hr/>	<hr/>
Expenditures		
Administration and other	31,881	27,787
Transportation subsidies	223,876	213,149
	<hr/>	<hr/>
Total expenditures	255,757	240,936
	<hr/>	<hr/>
Excess of revenues over expenditures	663,067	609,638
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers out	(624,082)	(656,362)
	<hr/>	<hr/>
Proceeds from long term debt	1,500	-
	<hr/>	<hr/>
Total other financing sources (uses)	(622,582)	(656,362)
	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 40,485</u>	<u>\$ (46,724)</u>

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

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

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

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

**1. Organization**

**General**

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

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

**Measure M**

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

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**  
**June 30, 2021**

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**2. Summary of Significant Accounting Policies (Continued)**

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

**Fund Accounting**

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

**Basis of Accounting**

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

**Budgetary Accounting**

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

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

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

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

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

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**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, 2021, the Measure M fund had investment income of \$6,004 and net decline in fair value of investments of \$5,420. The net decline in investments was mainly due to a decrease in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

**Use of Estimates**

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

**Comparative Financial Data**

The amounts shown for 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 M Special Revenue Fund**

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

**4. Intergovernmental Transactions**

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

**5. Operating Transfers**

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

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

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**6. Proceeds from Long Term Liabilities**

The proceeds from long term liabilities represents funds received from County of Los Angeles for the High Desert Intercity Rail Corridor Service Development Planning Study (HDIRCSD) to assess a new intercity passenger high speed rail service from the future Virgin Train USA (VTUSA) Southern California Station in the Victor Valley to the Palmdale Transportation Center (PTC). The HDIRCSD planning study was approved by the Board on 08-04-20. Metro shall repay the amount to the County from the HDC Measure M allocation by December 2023 pending availability of funding.

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

The Measure M fund at June 30, 2021 had an excess of revenues over expenditures and other financing uses of \$40,485 due to higher sales tax revenues resulting from increase in consumer spending and decrease in transfers out for funding of capital projects mostly for the Expo/Blue Line Light Rail Vehicle, Westside Subway Extension Section 3 and Airport Metro Connector Construction resulting in an increase in Measure M Fund balance from \$631,957 to \$672,442 at June 30, 2021.

**8. Audited Financial Statements**

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

**9. Contingent Liabilities**

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

**10. COVID-19 Impact and Considerations**

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

**11. Subsequent Events**

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 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 M Special Revenue Fund  
Schedule of Revenues and Expenditures – Budget and Actual  
For the Fiscal Year Ended June 30, 2021  
(Amounts expressed in thousands)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Sales tax	\$ 778,101	\$ 778,101	\$ 911,235	\$ 133,134
Intergovernmental	5,146	5,146	7,005	1,859
Investment income	-	-	6,004	6,004
Net decline in fair value of investments	-	-	(5,420)	(5,420)
Total revenues	783,247	783,247	918,824	135,577
Expenditures				
Administration and other	42,543	48,788	31,881	16,907
Transportation subsidies	203,641	204,041	223,876	(19,835)
Total expenditures	246,184	252,829	255,757	(2,928)
Excess of revenues over expenditures	537,064	530,418	663,067	132,649
Other financing sources (uses)				
Transfers in	866	866	-	(866)
Transfers out	(658,077)	(658,077)	(624,082)	33,995
Net transfers	(657,211)	(657,211)	(624,082)	33,129
Proceeds from long term liabilities	-	-	1,500	1,500
Total other financing sources (uses)	(657,211)	(657,211)	(622,582)	34,629
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (120,147)	\$ (126,793)	\$ 40,485	\$ 167,278

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

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

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

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure M Revenues and Expenditures with the compliance requirements described in the *Los Angeles County Traffic Improvement Plan* (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 M Revenues and Expenditures.

***Auditor's Responsibility***

Our responsibility is to express an opinion on LACMTA's compliance with the Measure M 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 M 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 M Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

***Opinion on Measure M 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 M 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 M 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 *Los Angeles County Traffic Improvement Plan*, 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 M 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 M Special Revenue Fund  
Summary of Current Year Audit Findings  
For the Fiscal Year Ended June 30, 2021

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None noted.

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

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None noted.



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

### **Report on Compliance**

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, 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 M 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 M 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 M 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 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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2021-001, that we consider to be a significant deficiency.



The City's response to the finding identified in our audits 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 &amp; Company LLP".

**Glendale, California**  
**December 30, 2021**

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

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

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, 2021**

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

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding No. Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended with Metro's approval.	3	Calabasas (See Finding #2021-001)	\$ 39,196	\$ 39,196
		Lawndale (See Finding #2021-002)	354,334	354,334
		Montebello (See Finding #2021-003)	4,019	4,019
<b>Total Findings and Questioned Costs</b>	<b>3</b>		<b>\$ 397,549</b>	<b>\$ 397,549</b>

Details of the findings are in Schedule 2.

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

<b>Finding #2021-001</b>	<b>City of Calabasas</b>
<b>Compliance Reference</b>	<p>Section XXV Administrative, Reporting Requirements, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines states that, "To maintain legal eligibility and meet Measure M 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 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".</p>
<b>Condition</b>	<p>The City claimed expenditures under MMLRF Project Code 640, Direct Administration, totaling \$39,196 with no prior approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior year's audit.</p>
<b>Cause</b>	The City was in transition staff wise. Information was not properly communicated.
<b>Effect</b>	The City claimed expenditures totaling \$39,196 prior to approval from Metro. Lack of prior approvals results in non-compliance with the Guidelines.
<b>Recommendation</b>	We recommend the City establish procedures to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.
<b>Management's Response</b>	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 M-funded projects.
<b>Finding Corrected During the Audit</b>	Metro Program Manager granted a retroactive approval of said project on November 23, 2021. 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, 2021**  
**(Continued)**

<b>Finding #2021-002</b>	<b>City of Lawndale</b>
<b>Compliance Reference</b>	<p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1<sup>st</sup> of each year".</p> <p>"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".</p>
<b>Condition</b>	<p>The City claimed expenditures for the following MMLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> <li>a. Project 705, Street Improvements, totaling \$354,000; and</li> <li>b. Project 640, Administration, totaling \$334.</li> </ul> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
<b>Cause</b>	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
<b>Effect</b>	The City claimed expenditures totaling \$354,334 prior to approval from Metro. Lack of prior approval results in noncompliance.
<b>Recommendation</b>	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.



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

<b>Finding #2021-002 (Continued)</b>	<b>City of Lawndale</b>
<b>Management's Response</b>	The City agrees with the auditor's findings and recommended actions to establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects. The City will establish internal controls to ensure that prior to the City budgeting a project or expenditure, that the project or expenditure be approved by Metro. This will prevent requisitions/purchase orders and expenditures to being incurred prior to Metro approval.
<b>Finding Corrected During the Audit</b>	Metro Program Manager granted a retroactive approval of the said projects on October 13, 2021. 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, 2021**  
**(Continued)**

<b>Finding #2021-003</b>	<b>City of Montebello</b>
<b>Compliance Reference</b>	<p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1<sup>st</sup> of each year".</p> <p>"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."</p>
<b>Condition</b>	<p>The City claimed expenditures for the following MMLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> <li>a. Project Code 490, Sales Tax Revenue Bonds, totaling \$1,570;</li> <li>b. Project Code 640, Finance Overhead, totaling \$1,573;</li> <li>c. Project Code 705, Weimar Way (Avenida La Merced to Los Amigos), totaling \$91;</li> <li>d. Project Code 705, Beverly Terrace (Maple to Park), totaling \$224;</li> <li>e. Project Code 705, Holger Drive (Victoria to Forbes), totaling \$91; and</li> <li>f. Project Code 705, Oakwood Avenue (Montebello to Spruce), totaling \$470.</li> </ul> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
<b>Cause</b>	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
<b>Effect</b>	The City claimed expenditures totaling \$4,019 prior to approval from Metro. Lack of prior approval results in noncompliance.

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

<b>Finding #2021-003 (Continued)</b>	<b>City of Montebello</b>
<b>Recommendation</b>	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.
<b>Management's Response</b>	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.
<b>Finding Corrected During the Audit</b>	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 M ORDINANCE AND  
MEASURE M 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 M Local Return Fund  
Consolidated Audit Report  
Fiscal Year Ended June 30,2021**

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS  
FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

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

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

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

### **Report on Compliance**

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 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 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 M 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 M 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 #2021-006. 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 M 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.

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 under 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Cost (Schedule 2) as Findings #2021-003 and 2021-004 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 that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority  
Measure M 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 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, 2021**

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, 2021**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 6 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended with Metro's approval.	3	Downey (#2021-003) La Mirada (#2021-005) Temple (#2021-006)	\$ 454,680 215,823 5,000	\$ 454,680 215,823 5,000
Expenditure Plan (Form M-One or electronic equivalent) was submitted on time.	1	Claremont (#2021-002)	None	None
Expenditure Report (Form M-Two or electronic equivalent) was submitted on time.	1	Bradbury (#2021-001)	None	None
Accounting procedures, record keeping, and documentation are adequate.	1	Glendora (#2021-004)	None	None
<b>Total Findings and Questioned Costs</b>	<b>6</b>		<b>\$ 675,503</b>	<b>\$ 675,503</b>

Details of the findings are in Schedule 2.

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

<b>Finding #2021-001</b>	<b>City of Bradbury</b>
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M- Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 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 M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a 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 M Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2021**  
**(Continued)**

<b>Finding #2021-002</b>	<b>City of Claremont</b>
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements - Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year."
Condition	<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 on the part of the City.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City's expenditures of Measure M 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 M Local Return Fund**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2021**  
**(Continued)**

<b>Finding #2021-003</b>	<b>City of Downey</b>
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	<p>The expenditures for MMLRF's Project Code 720, CIP 17-10: Stewart and Gray Signalization and Safety Improvements, in the amount of \$454,680 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$454,680 from Metro for the MMLRF 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 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, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City’s management agrees with the finding. In the future, the City will review all MMLRF 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 M Local Return Fund**  
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**Fiscal Year Ended June 30, 2021**  
**(Continued)**

<b>Finding #2021-004</b>	<b>City of Glendora</b>
Compliance Reference	The Measure M Local Return Guidelines, Section XXV: Program Objective, states, "The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to cities and County of Los Angeles (Jurisdictions) may be used for purposes other than transportation purposes." and Audit Requirements, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation..."
Condition	<p>During our payroll testing, the City did not provide the timesheets but only provided the Special Funding Time Certification (Certification) which is 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 MMLRF project for all payroll periods during the fiscal year 2020-21.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> <li>a) December 27, 2020</li> <li>b) January 10, 2021</li> <li>c) January 24, 2021</li> <li>d) June 27, 2021</li> </ul> <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 that 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 M Local Return Fund**  
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**Fiscal Year Ended June 30, 2021**  
**(Continued)**

<b>Finding #2021-005</b>	<b>City of La Mirada</b>
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 302, Rosecrans Avenue Corridor Traffic Signal Update, in the amount of \$215,823. However, the City subsequently received an approved budget amount of \$220,000 from Metro for the MMLRF project on August 27, 2021.
Cause	When the FY 2020-21 Capital Improvement Project (CIP) was adopted, the Rosecrans Avenue Corridor Traffic Signal Update project was estimated to be completed in fiscal year 2019-20. Therefore, the project was not carried over to the following year. During the close of fiscal year 2020-21, the expenditures for the project were identified and a project approval request form was immediately submitted to Metro.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred before 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. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st 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 staff will submit project approval requests to Metro prior to funding a project. The City staff will also review expenditure activity during the fiscal year to ensure that projects have been approved and sufficient budget amount was requested to Metro in the LRMS database.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said expenditures on August 27, 2021. No follow-up is required.

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

Finding #2021-006	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 705, San Gabriel Valley Council of Governments VMT Mitigation, in the amount of \$5,000. However, the City subsequently received an approved budget amount of \$5,000 from Metro for the MMLRF 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 MMLRF projects.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred before Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MMLRF projects.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on December 2, 2021. No follow-up is required.