



## Board Report

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Agenda Number: 3.

### INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE MARCH 6, 2024

**SUBJECT: PROPOSITION A AND PROPOSITION C AUDITS OF FISCAL YEAR 2023**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds for the Fiscal Year ended June 30, 2023, completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2023, completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2023, completed by Simpson & Simpson, CPAs (Simpson).

#### **ISSUE**

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 Ordinances related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee so that the Oversight Committee can determine whether the LACMTA and local subrecipients have complied with the Proposition A and Proposition C requirements.

#### **BACKGROUND**

In November of 1998, Los Angeles County voters passed the MTA Reform and Accountability Act of 1998. This Act requires the completion of an independent audit to determine compliance by LACMTA with the provisions of Propositions A and C since the effective dates of each ordinance through June 30, 1998, and then annual audits thereafter.

#### **DISCUSSION**

The following summarizes the independent auditor's report on Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds:

Management Audit Services (MAS) contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinances and the MTA Reform and Accountability Act of 1998. 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 about whether the Schedules of Proposition A and Proposition C Revenues and Expenditures (Schedules) are free of material misstatement.

The auditors found that the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinances and the MTA Reform and Accountability Act of 1998 for the fiscal year ended June 30, 2023.

The following summarizes the independent auditor's reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines:

MAS contracted with two firms, Vasquez and Simpson, to conduct the audits of Proposition A and Proposition C sales tax revenues used by the County of Los Angeles (County) as well as the 88 cities (Cities). The firms conducted the audits 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 Ordinances and the Proposition A and Proposition C Local Return Guidelines which could have a direct and material effect on the Proposition A and Proposition C Local Return programs occurred.

Vasquez concluded that the County and the 39 Cities complied in all material respects, with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines that are applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2023. Vasquez found 13 instances of noncompliance, which are summarized in Schedule 2 of Attachment B.

Simpson concluded that the 49 Cities complied, in all material respects, with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines that are applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2023. Simpson found 30 instances of noncompliance, which are summarized in Schedule 2 of Attachment C.

**NEXT STEPS**

As required by the Proposition A and Proposition C Ordinances, a public hearing will be scheduled.

**ATTACHMENT(S)**

- A. Independent Auditor's Report on Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds for the Fiscal Year Ended June 30, 2023 (BCA)
- B. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Vasquez)
- C. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Simpson and Simpson)

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

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**Independent Auditor's Report  
On Schedule of Revenues and Expenditures  
For  
Proposition A and Proposition C  
Special Revenue Funds**

**For the Fiscal Year Ended June 30, 2023  
(With Comparative Totals For 2022)**



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**Los Angeles County Metropolitan Transportation Authority**  
Proposition A and Proposition C  
Special Revenue Funds  
For the Year Ended June 30, 2023

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## **Independent Auditor's Report**

Independent Citizens' Advisory and Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

### **Report on the Audit of the Schedules of Proposition A and Proposition C Revenues and Expenditures**

#### ***Opinion***

We have audited the accompanying Schedules of Proposition A ("Ordinance No. 16") and Proposition C ("Ordinance No. 49") Revenues and Expenditures (the Schedules) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedules, which collectively comprise LACMTA's basic Schedules as listed in the table of contents.

In our opinion, the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As discussed in Note 3 to the Schedules, the accompanying Schedule of Revenues and Expenditures of Proposition A and Proposition C Funds are intended to present the revenues and expenditures attributable to the Proposition A and Proposition C Funds. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2023, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

#### ***Responsibility of Management for the Schedules of Proposition A and Proposition C Revenues and Expenditures***

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

### ***Auditor's Responsibilities for the Audit of the Schedules of Proposition A and Proposition C Revenues and Expenditures***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic Schedules. Such information is the responsibility of management and, although not a part of the basic Schedules, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic Schedules 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 Schedules, and other knowledge we obtained during our audit of the basic Schedules. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Prior-Year Comparative Information***

We have previously audited the Schedules of Proposition A and Proposition C Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 17, 2022. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited Schedule from which it has been derived.

*BCA Watson Rice, LLP*

Torrance, CA  
November 28, 2023



**Los Angeles County Metropolitan Transportation Authority**  
Proposition A Special Revenue Fund  
Schedule of Revenues and Expenditures  
For the Fiscal Year Ended June 30, 2023  
(With Comparative Totals for 2022)  
(Amounts expressed in thousands)

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	<u>2023</u>	<u>2022</u>
Revenues		
Sales tax	\$ 1,111,178	\$ 1,091,206
Investment income	23,625	2,995
Net appreciation (decline) in fair value of investments	4,963	(14,208)
	<u>1,139,766</u>	<u>1,079,993</u>
Total revenues		
Expenditures		
Transportation subsidies	414,284	391,927
	<u>414,284</u>	<u>391,927</u>
Total expenditures		
Excess of revenues over expenditures	<u>725,482</u>	<u>688,066</u>
Other financing sources (uses)		
Transfers out	(1,187,908)	(83,191)
	<u>(1,187,908)</u>	<u>(83,191)</u>
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (462,426)</u>	<u>\$ 604,875</u>

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

**Los Angeles County Metropolitan Transportation Authority**  
Proposition C Special Revenue Fund  
Schedule of Revenues and Expenditures  
For the Fiscal Year Ended June 30, 2023  
(With Comparative Totals for 2022)  
(Amounts expressed in thousands)

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	<b>2023</b>	<b>2022</b>
Revenues		
Sales tax	\$ 1,111,177	\$ 1,091,203
Intergovernmental	6,399	9,390
Investment income	23,543	3,035
Net decline in fair value of investments	(1,511)	(13,706)
	<hr/>	<hr/>
Total revenues	1,139,608	1,089,922
	<hr/>	<hr/>
Expenditures		
Administration and other	51,591	38,483
Transportation subsidies	618,058	518,937
Debt and interest expenditures		
Principal	1,328	-
Interest and fiscal charges	4	-
	<hr/>	<hr/>
Total expenditures	670,981	557,420
	<hr/>	<hr/>
Excess of revenues over expenditures	468,627	532,502
	<hr/>	<hr/>
Other financing sources (uses)		
Transfers in	155,615	73,349
Transfers out	(571,414)	(84,799)
Inception of long-term SBITAs	1,319	-
Right to use SBITAs	(1,319)	-
	<hr/>	<hr/>
Total other financing sources (uses)	(415,799)	(11,450)
	<hr/>	<hr/>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 52,828</u>	<u>\$ 521,052</u>

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

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Special Revenue Funds**  
**Notes to the Schedule of Revenues and Expenditures**  
**June 30, 2023**

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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 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, nearly one-third of California's residents - live, work, and play within its 1,433-square-mile service area. LACMTA employs approximately 10,000 people full-time and part-time in a broad range of technical specialties and services.

**Proposition A**

The Proposition A Fund is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on August 20, 1980. Revenues collected are required to be allocated in the following manner: 25% to local jurisdictions for local transit; 35% for transit-related construction projects, debt service payments, and operation of rail rapid transit systems; and 40% for public transit purposes at the discretion of LACMTA.

**Proposition C**

The official name of this special revenue fund is the "Los Angeles Anti-Gridlock Transit Improvement Fund". This fund is used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on August 8, 1990. Revenues collected are required to be allocated in the following manner: 5% to improve and expand rail and bus security; 10% for Commuter Rail and construction of Transit Centers, Park-and-Ride lots, and Freeway Bus Stops; 20% to local jurisdictions for public transit and related services; 25% for essential County-wide transit-related improvements to freeways and state highways; and 40% to improve and expand rail and bus transit County-wide.

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Special Revenue Funds**  
**Notes to the Schedule of Revenues and Expenditures**  
**June 30, 2023**

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**2. Summary of Significant Accounting Policies**

The Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds 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:

**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 Funds to account for Proposition A and Proposition C 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 (primarily from sales tax) 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 Schedules.

**Los Angeles County Metropolitan Transportation Authority**  
Proposition A and Proposition C Special Revenue Funds  
Notes to the Schedule of Revenues and Expenditures  
June 30, 2023

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

**Investment Income and Net Decline in Fair Value of Investments**

Investment income and the 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, 2023, Proposition A and Proposition C Special Revenue Funds had investment income of \$23,625 and \$23,543, respectively, and a net appreciation in fair value of investments of \$4,963 for Proposition A and a net decline in fair value of investments of \$1,511 for Proposition C. The net appreciation/decline in the fair value of investments were mainly due to an increase/decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

**Use of Estimates**

The preparation of the Schedules 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.

**Subscription Based Information Technology Arrangement (SBITA)**

Effective July 1, 2022, LACMTA implemented GASB Statement No. 96, the new accounting standard on subscription-based information technology arrangements (SBITA). GASB 96 is a set of accounting standards that governs the accounting and financial disclosure of cloud-based software subscription payments. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, Leases, with the underlying foundation that SBITAs are financing, with the exceptions for short-term SBITAs, contracts that only provide support or maintenance services, licensing arrangements that provide a perpetual license, and SBITAs that are considered exclusions from scope under the new standard.

With the implementation of GASB 96, LACMTA has recorded an intangible right-to-use subscription asset in the government-wide financial statements, equal to the initial amount of subscription liability, payments made to a SBITA vendor before the commencement of the subscription term, and the capitalizable of any implementation costs. It is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. An amortization expense is recognized representing the decrease in the useful life of the right-to-use subscription-based information technology arrangement assets and is being reported as an outflow of resources. Subscription assets are reported with other capital assets and subscription liabilities are reported separately on the Statement of Net Position in the government-wide financial statements.

The subscription liability is measured at the present value of future payments expected to be made at the commencement of the contract term. The future payments are discounted using the interest rate the SBITA vendor charges or implicit in the contract, or the government's estimated incremental borrowing rate. When the interest rate is not provided by the SBITA, LACMTA uses its estimated incremental borrowing rate of 2.31% as the discount rate given an average contract

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Special Revenue Funds**  
**Notes to the Schedule of Revenues and Expenditures**  
**June 30, 2023**

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

**Subscription Based Information Technology Arrangement (SBITA)**

term of 2 to 5 years. The subscription liability is reduced as payments are made and interest expense is recognized as an outflow of resources in governmental funds.

A SBITA modification is accounted as a separate SBITA if the SBITA modification gives the government additional subscription assets and if the increase in subscription payments for those additional subscription assets are not unreasonable. If SBITA modifications are not accounted for separately, then there will be a remeasurement of the subscription liability. The subscription asset is adjusted by the difference between the remeasured liability and the liability immediately before the SBITA modification. However, if the change reduces the carrying value of the subscription asset to zero, any remaining amount should be reported as an inflow of resources. Changes in exercised options, discount rates, or events resulting in the extension or termination of the SBITA are subject to a remeasurement of the subscription liability.

**Comparative Financial Data**

The amounts shown for 2022 in the accompanying Schedules are included only to provide a basis for comparison with 2023 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

**3. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds**

The Schedules are intended to reflect the revenues and expenditures of Proposition A and Proposition C funds only. Accordingly, the Schedules do not purport to, and do not, present fairly the financial position of the LACMTA or changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted 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 Proposition A and Proposition C Special Revenue Funds have been made in accordance with all expenditure requirements of both Proposition A and Proposition C Ordinances.

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Special Revenue Funds**  
**Notes to the Schedule of Revenues and Expenditures**  
**June 30, 2023**

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**6. Subscription-based Information Technology Arrangement (SBITA)**

LACMTA, as a subscriber, has entered into SBITAs for the use of software, access to vendors' databases, and use of vendors' computing power and storage. In fiscal year 2023, principal and interest payments of \$1,328 and \$4, respectively, represent the total amount of SBITA payments per executed contract.

The amount of \$1,319 was allocated to Proposition C, which was treated as other financing sources (uses) in the Proposition C schedule of revenues and expenditures for the fiscal year ended June 30, 2023. The amount was measured based on the present value of future SBITA payments expected to be made during the contract period.

As of June 30, 2023, the future payments under the SBITAs are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 27	\$ 1	\$ 28
Total	<u>\$ 27</u>	<u>\$ 1</u>	<u>\$ 28</u>

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

The Proposition A Fund at June 30, 2023 had a deficit of revenues and other financing sources over expenditures and other financing uses of \$462,426 due to higher transfers out for operating and capital projects, and higher expenditures due to an increase in subsidy claims. The foregoing factors contributed to the decrease in fund balance in Proposition A Fund balance from \$1,079,459 to \$617,033 as of June 30, 2023.

The Proposition C Fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of \$52,828 primarily due to transfers in from other local funds. The foregoing factors contributed to the increase in the Proposition C Fund balance from \$993,075 to \$1,045,903 as of June 30, 2023.

**8. Audited Financial Statements**

The audited financial statements for Proposition A and Proposition C Special Revenue Funds for the fiscal year ended June 30, 2023 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Special Revenue Funds**  
**Notes to the Schedule of Revenues and Expenditures**  
**June 30, 2023**

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**9. Contingent Liabilities**

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

**10. Subsequent Events**

In preparing the Schedules of Proposition A and Proposition C Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 28, 2023, the date the schedules were available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that required recognition or additional disclosure in the schedules.



**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A Special Revenue Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2023**  
(Amounts expressed in thousands)

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
Revenues				
Sales tax	\$ 1,031,800	\$ 1,031,800	\$ 1,111,178	\$ 79,378
Investment income	-	-	23,625	23,625
Net decline in fair value of investments	-	-	4,963	4,963
Total revenues	1,031,800	1,031,800	1,139,766	107,966
Expenditures				
Transportation subsidies	394,125	394,125	414,284	(20,159)
Total expenditures	394,125	394,125	414,284	(20,159)
Excess of revenues over expenditures	637,675	637,675	725,482	87,807
Other financing sources (uses)				
Transfers out	(283,744)	(283,744)	(1,187,908)	(904,164)
Total other financing sources (uses)	(283,744)	(283,744)	(1,187,908)	(904,164)
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 353,931</u>	<u>\$ 353,931</u>	<u>\$ (462,426)</u>	<u>\$ (816,357)</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition C Special Revenue Fund**  
**Schedule of Revenues and Expenditures – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2023**  
(Amounts expressed in thousands)

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues				
Sales tax	\$ 1,031,800	\$ 1,031,800	\$ 1,111,177	\$ 79,377
Intergovernmental	15,003	15,003	6,399	(8,604)
Investment income	-	-	23,543	23,543
Net decline in fair value of investments	-	-	(1,511)	(1,511)
Total revenues	1,046,803	1,046,803	1,139,608	92,805
Expenditures				
Administration and other	82,791	78,150	51,591	26,559
Transportation subsidies	638,739	638,739	618,058	20,681
Debt and interest expenditures				
Principal	-	-	1,328	(1,328)
Interest and fiscal charges	-	-	4	(4)
Total expenditures	721,530	716,889	670,981	45,908
Excess of revenues over expenditures	325,273	329,914	468,627	138,713
Other financing sources (uses)				
Transfers in	217,865	217,865	155,615	(62,250)
Transfers out	(566,727)	(566,727)	(571,414)	(4,687)
Inception of long-term SBITAs	-	-	1,319	1,319
Right to use SBITAs	-	-	(1,319)	(1,319)
Total other financing sources (uses)	(348,862)	(348,862)	(415,799)	(66,937)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (23,589)	\$ (18,948)	\$ 52,828	\$ 71,776



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

Independent Citizens' Advisory and 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 Schedules of Revenues and Expenditures (the Schedules) for Proposition A and Proposition C Special Revenue Funds of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedules, which collectively comprised LACMTA's basic Schedules, and have issued our report thereon dated November 28, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the Schedules, we considered the LACMTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, 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 Schedules will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the LACMTA's Schedules are 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 amounts on the Schedules. 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 28, 2023



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**Independent Auditor's Report on Compliance with Requirements  
Applicable to Proposition A and Proposition C Revenues and Expenditures in  
Accordance with the MTA Reform and Accountability Act of 1998,  
Ordinance No. 16 and Ordinance No. 49**

Independent Citizens' Advisory and Oversight Committee  
Los Angeles County Metropolitan Transportation Authority

**Report on Compliance**

***Opinion on Proposition A and Proposition C Revenues and Expenditures***

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the *MTA Reform and Accountability Act of 1998* (the Act), *Ordinance No. 16 (Proposition A)* and *Ordinance No. 49 (Proposition C)* applicable to LACMTA's Proposition A and Proposition C revenues and expenditures for the fiscal year ended June 30, 2023.

In our opinion, LACMTA complied, in all material respects, with the compliance requirements referred to above that are applicable to Proposition A and Proposition C revenues and expenditures for the fiscal year ended June 30, 2023.

***Basis for Opinion***

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

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

***Responsibility of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Report on Internal Control over Compliance***

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

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

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

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

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

Torrance, California  
November 28, 2023

**Los Angeles County Metropolitan Transportation Authority**  
Proposition A and Proposition C Special Revenue Funds  
Summary of Current Year Audit Findings  
For the Fiscal Year Ended June 30, 2023

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None noted.



**Los Angeles County Metropolitan Transportation Authority**  
Proposition A and Proposition C Special Revenue Funds  
Status of Prior Year Audit Findings

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None noted.



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

**TO THE LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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

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

**Report on Compliance**

***Opinion***

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

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

***Basis for Opinion***

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



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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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



### **Other Matters**

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

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



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

*Vasquez & Company LLP*

Glendale, California  
December 29, 2023



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

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

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Local Return Funds**  
**Compliance Area Tested**  
**Fiscal Year Ended June 30, 2023**

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

## **SUMMARY OF AUDIT RESULTS**

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

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

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

Details of the above findings are in Schedule 2.

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

<b>Finding #2023-001: PCLRF</b>	<b>City of Azusa</b>
<b>Compliance Reference</b>	<p>Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects".</p> <p>"Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria."</p> <p>"A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840."</p>
<b>Condition</b>	<p>The City did not submit a current Pavement Management System (PMS) certification during FY 2022/23. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 29, 2021 has a September 2019 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2023.</p> <p>A PMS Certification is required for the following PCLRF Project code 705, Foothill Boulevard Street Improvements project.</p>
<b>Cause</b>	There was a turnover in permanent staff and a turnover in consultants.
<b>Effect</b>	The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any local return funds spent on the projects may be required to be returned to the Local Return Funds.

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

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

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

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

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

<b>Finding #2023-003: PALRF and PCLRF</b>	<b>City of Baldwin Park</b>
<b>Compliance Reference</b>	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
<b>Condition</b>	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request via LRMS for the following projects:</p> <ul style="list-style-type: none"> <li>a. PALRF's Project code 170, Bus Shelter Maintenance. Amount in excess of 25 percent of the approved budget was \$3,039;</li> <li>b. PALRF's Project code 215, CNG Station. Amount in excess of 25 percent of the approved budget was \$36,463; and</li> <li>c. PCLRF's Project code 705, Street Name/Roadway Signs. The amount in excess of 25 percent of the approved budget was \$3,603.</li> </ul> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
<b>Cause</b>	The City did not anticipate incurring eligible expenditures for more than the approved budget for these projects. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2023.



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

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

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

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

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

<b>Finding #2023-005: PALRF</b>	<b>City of Huntington Park</b>
<b>Compliance Reference</b>	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
<b>Condition</b>	<p>The City claimed expenditures under Project Code 155, Special Event Transit, totaling \$7,674 prior to approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.</p>
<b>Cause</b>	The City did not anticipate incurring eligible expenditures for this project. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
<b>Effect</b>	The City claimed expenditures totaling \$7,674 of Proposition A LR funds prior to approval by Metro. The City did not comply with the Guidelines.
<b>Recommendation</b>	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on a Local Return-funded project.
<b>Management's Response</b>	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the budget for said project on December 12, 2023.
<b>Finding Corrected During the Audit</b>	Metro Program Manager granted retroactive approval of the said project on December 12, 2023. No additional follow-up is required.

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

<b>Finding #2023-006: PALRF and PCLRF</b>	<b>City of Huntington Park</b>
<b>Compliance Reference</b>	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
<b>Condition</b>	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the following projects:</p> <ul style="list-style-type: none"> <li>a. PALRF's Project code 105, Fuel for Fixed Route and Dial-A-Ride. Amount in excess of 25 percent of the approved budget was \$188; and</li> <li>b. PCLRF's Project code 107, Fuel for Fixed Route and Dial-A-Ride. The amount in excess of 25 percent of the approved budget was \$63.</li> </ul> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
<b>Cause</b>	The City did not anticipate incurring eligible expenditures more than the approved budget for these projects. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2023.
<b>Effect</b>	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.

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

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

**Los Angeles County Metropolitan Transportation Authority**  
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**(Continued)**

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

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

<b>Finding #2023-008: PALRF</b>	<b>City of Huntington Park</b>
<b>Compliance Reference</b>	Proposition A and Proposition C Local Return Guidelines Section V, state that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
<b>Condition</b>	<p>As of the date of audit fieldwork, the City's year-end closing process is still ongoing. We noted the following observations:</p> <ul style="list-style-type: none"> <li>• Reconciliation of major balance sheet accounts including bank accounts was not yet completed.</li> <li>• Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances.</li> <li>• Beginning fund balances were not reconciled with the prior year's audited reports.</li> </ul> <p>Accordingly, the audits of the City's financial statements for fiscal years 2022 and 2023 have not yet started because of the clean-up and closing process currently being done.</p>
<b>Cause</b>	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
<b>Effect</b>	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

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



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

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

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Local Return Funds**  
**Schedule of Findings and Questioned Costs**  
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**(Continued)**

<b>Finding #2023-0010: PCLRF</b>	<b>City of Lynwood</b>
<b>Compliance Reference</b>	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
<b>Condition</b>	<p>The City claimed expenditures under Proposition C prior to approval from Metro for the following projects:</p> <ul style="list-style-type: none"> <li>a. Project code 780, Administration and Monitoring, totaling \$3,776;</li> <li>b. Project code 805, ATP Cycle 2 Linkage to CC, totaling \$3,040; and</li> <li>c. Project code 805, Bike Trail Extension (Design and Construction), totaling \$56,246.</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 did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2023.
<b>Effect</b>	The City claimed expenditures totaling \$63,062 of Proposition C funds prior to approval by Metro. The City did not comply with the Guidelines.
<b>Recommendation</b>	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Local Return Funds**  
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**Fiscal Year Ended June 30, 2023**  
**(Continued)**

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

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

<b>Finding #2023-011: PALRF</b>	<b>City of Lynwood</b>
<b>Compliance Reference</b>	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
<b>Condition</b>	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or Budget Request via LRMS for the PALRF Project code 105, Fixed Bus Route. The amount in excess of 25 percent of the approved budget was \$50,788.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
<b>Cause</b>	The City was in transition staff-wise. Information was not properly communicated.
<b>Effect</b>	The City's PALRF project expenditures exceeded 25 percent of the approved project budget prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
<b>Recommendation</b>	We recommend the City submit revised Form A's or submit Budget Requests via LRMS to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.

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

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

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

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

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Local Return Funds**  
**Schedule of Findings and Questioned Costs**  
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**(Continued)**

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



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

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**



Simpson & Simpson, LLP  
Certified Public Accountants

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

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

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

**Report on Compliance**

***Opinion***

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

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

***Basis for Opinion***

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

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



### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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



### ***Other Matters***

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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



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

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

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

Los Angeles, California  
December 29, 2023

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

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

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Local Return Funds**  
**Compliance Area Tested**  
**Fiscal Year Ended June 30, 2023**

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



## **SUMMARY OF AUDIT RESULTS**

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

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 30 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRf	
Funds were expended with Metro's approval and were not substituted for property tax.	7	Alhambra (#2023-001) Artesia (#2023-006) Bradbury (#2023-007) Downey (#2023-011) La Habra Heights (#2023-016) Rolling Hills (#2023-025) Rolling Hills Estates (#2023-027)	\$ 1,160,382 - - 215,316 15,036 58,400 15,686	\$ - 29,105 604 - - - -	\$ 1,160,382 29,105 604 215,316 15,036 58,400 15,686
Timely use of funds.	3	El Segundo (#2023-013) Palmdale (#2023-022) Palos Verdes Estates (#2023-024)	470,845 - -	- 496,812 198,744	470,845 496,812 198,744
Administrative expenses are within the 20% cap.	2	Arcadia (#2023-003) Burbank (#2023-010)	3,848 -	58,789 305,448	62,637 305,448
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	Alhambra (#2023-002) La Habra Heights (#2023-017)	None None	None -	None None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	1	Bradbury (#2023-008)	None	None	None

(Continued)

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

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	5	Artesia (#2023-004) Bradbury (#2023-009) La Habra Heights (#2023-018) Palos Verdes Estates (#2023-023) Rolling Hills (#2023-026)	None None None None None	None None None None None	None None None None None
Recreational transit form was submitted on time.	8	Artesia (#2023-005) El Segundo (#2023-012) Glendora (#2023-014) Long Beach (#2023-020) Los Angeles (#2023-021) San Dimas (#2023-028) Signal Hill (#2023-029) Temple City (#2023-30)	None None None None None None None None	- - - - - - - -	None None None None None None None None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	La Habra Heights (#2023-019)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	1	Glendora (#2023-015)	None	-	None
<b>Total Findings and Questioned Cost</b>	<b>30</b>		<b>\$ 1,939,513</b>	<b>\$ 1,089,502</b>	<b>\$ 3,029,015</b>

Details of the findings are in Schedule 2.

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

<b>PALRF Finding #2023-001</b>	<b>City of Alhambra</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	<p>The expenditures for the PALRF Project Code 210, 2021-2022 Purchase of two ACT Transit Buses, in the total amount of \$1,160,382 were incurred prior to Metro's approval.</p> <p>However, the City subsequently received an approved budget in the amount of \$1,160,375 from Metro on October 5, 2023.</p>
Cause	The City assumed that the project was previously approved by Metro prior to expenditures being incurred.
Effect	The City did not comply with the Guidelines as expenditures for the PALRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition A Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition A Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City agrees with this finding. The City will closely monitor that all of the projects are approved and ensure that the expenditures are not incurred prior to Metro's approval.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval in the amount of \$1,160,375 for the said project on October 5, 2023. No follow-up is required.

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

<b>PALRF &amp; PCLRF Finding #2023-002</b>	<b>City of Alhambra</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	<p>The City exceeded more than 25 percent of Metro's approved budget on the following projects:</p> <ul style="list-style-type: none"> <li>a) PALRF's Project Code 610, Direct Administration, in the amount of \$173,027.</li> <li>b) PCLRF's Project Code 620, Direct Administration, in the amount of \$64,301.</li> </ul> <p>However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$262,776 for the PALRF's Direct Administration Project Code 610 on December 5, 2023.</p> <p>Likewise, the City submitted a request to increase the budget and was approved by Metro in the amount of \$185,285 for the PCLRF's Direct Administration Project Code 620 on December 5, 2023.</p>
Cause	The City has in prior years included administration costs directly related to the projects within the budget and actuals of the projects. However, this is the first year this was brought to the City's attention by the auditors that all administration costs should be included in Direct Administration Project.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The City agrees with this finding. In future years, the City will ensure administration costs are budgeted and actuals are reported within the Direct Administration Project.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals of the said projects on December 5, 2023. No follow-up is required.

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

<b>PALRF &amp; PCLRF Finding #2023-003</b>	<b>City of Arcadia</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.15, “The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent;” and “The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges.”
Condition	The City’s administrative expenditures exceeded more than 20 percent of its total PALRF and PCLRF annual expenditures in the amount of \$3,848 and \$58,789, respectively, or a total of \$62,637. The amount of \$62,637 represents an excess of over 20 percent of the PALRF and PCLRF’s total annual expenditures.
Cause	This was due to an oversight on the part of the City.
Effect	The City’s Proposition A and Proposition C respective Administration Project Codes 610 and 620 expenditures exceeded 20 percent of its PALRF and PCLRF total annual expenditures. Therefore, the City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PALRF’s and PCLRF’s total annual expenditures.
Management’s Response	The finding was due to staff turnover, which was responsible for communicating the 20 percent administrative cap to the relevant staff. The staff have since addressed this matter with Metro. A one-time waiver by Metro has been granted.
Corrected During the Audit	The City requested a one-time waiver of the 20% administrative cap from Metro for Proposition A and Proposition C. Metro granted the waiver on December 12, 2023. No follow-up is required.

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

<b>PALRF &amp; PCLRF Finding #2023-004</b>	<b>City of Artesia</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	<p>The City did not meet the October 15, 2023 deadline for submitting the Form C in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 13, 2023.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form C is entered in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that Form C is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.

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

<b>PALRF Finding #2023-005</b>	<b>City of Artesia</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 18, 2023.  This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the timely submission of all required forms and documentation.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure that the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City's Recreational Transit Form was submitted to Metro on December 18, 2023. No follow-up is required.



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

<b>PCLRF Finding #2023-006</b>	<b>City of Artesia</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	<p>The City incurred expenditures prior to receiving approval from Metro for PCLRF Project Code 705, ATP Cycle 3, in the amount of \$29,105. However, the City subsequently received an approved budget in the amount of \$29,105 from Metro for the PCLRF project on December 18, 2023.</p> <p>This is a repeat finding from fiscal years 2021 and 2022.</p>
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. No follow-up is required.

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

<b>PCLRF Finding #2023-007</b>	<b>City of Bradbury</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City expended a total of \$604 for the Wild Rose Project in FY2022/23 prior to receiving approval from Metro.  This is a repeat finding from fiscal year 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City establish procedures to ensure that all expenditures are approved by Metro prior to expending the funds including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and will ensure to establish procedures to ensure that expenditures are approved by Metro prior to expending the funds and new personnel are made aware of the procedures.
Corrected During the Audit	The City received a retroactive approval from Metro on November 16, 2023 on the budget for Wild Rose Project, in the amount of \$604. No follow-up is required.

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

<b>PALRF &amp; PCLRF Finding #2023-008</b>	<b>City of Bradbury</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Project Update (Form B), "On or before August 1st of each fiscal year, the Jurisdictions shall submit an Annual Project Update to provide current information on all approved on-going and carryover LR projects."
Condition	The City did not meet the August 1, 2022 deadline for submitting Form B in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on November 14, 2023.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form B is submitted in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form B before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

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

<b>PALRF &amp; PCLRF Finding #2023-009</b>	<b>City of Bradbury</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form C in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023.  This is a repeat finding from fiscal years 2021 and 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form C is submitted in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form C before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

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

<b>PCLRF Finding #2023-010</b>	<b>City of Burbank</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.15, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent."
Condition	The City's administrative expenditures exceeded more than 20 percent of its total Proposition C Local Return Fund (PCLRF) annual expenditures in the amount of \$305,448. The amount of \$305,448 represents an excess of over 20 percent of the PCLRF's total local return annual expenditures.
Cause	It was due to an oversight by the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PCLRF's total annual expenditures.
Management's Response	In the future, the City will monitor the administrative expenditures so that they will not exceed more than 20 percent cap of PCLRF's total expenditures.
Corrected During the Audit	Metro Program Manager granted the City a waiver to reimburse its PCLRF account for the questioned cost of \$305,448 on December 12, 2023. No follow-up is required.

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

<b>PALRF Finding #2023-011</b>	<b>City of Downey</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	<p>The City incurred expenditures prior to Metro's approval on the following projects:</p> <ul style="list-style-type: none"> <li>a. Administrative Overhead for Senior/Handicapped Transit Program Project Code 610, in the amount of \$214,576.</li> <li>b. Administrative Overhead for Downey Depot Maintenance Project Code 610 in the amount of \$740.</li> </ul> <p>However, the budgets for the projects above were subsequently approved by Metro on November 17, 2023, for the same amounts expended.</p>
Cause	The request for budget approvals from Metro for these projects was overlooked in fiscal year 2022-23.
Effect	The City did not comply with the Guidelines as expenditures for the PALRF projects were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition A Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City's expenditures of Proposition A Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all Administrative Overhead costs and ensure to request the appropriate Metro approved budget prior to incurring the expenditures.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals for the said projects on November 17, 2023. No follow-up is required.

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

<b>PALRF Finding #2023-012</b>	<b>City of El Segundo</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 5, 2023.  This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City for not submitting the Recreational Transit Form by the due date.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City accepts the finding and the Finance Department has reminded staff about the due date and set-up annual reminder to ensure that the Recreational Transit Form is submitted before the due date of October 15.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 5, 2023. No follow-up is required.

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<b>PALRF Finding #2023-013</b>	<b>City of El Segundo</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section IV, E.1-3 Timely Use of Funds, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	<p>The City's fiscal year 2020 lapsed fund balance in the amount of \$470,845 was not fully expended within 3 years as of June 30, 2023 and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	This was an oversight by the City for not tracking the timely use of funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely, or a capital reserve account can be established.
Management's Response	The City accepts the finding and has reminded staff to work to identify eligible operational and capital objectives during the budget development process each year to ensure there are sufficient encumbrances within the Proposition A fund to fully spend down the City's Proposition A allocations.
Corrected During the Audit	On December 5, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024.



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<b>PALRF Finding #2023-014</b>	<b>City of Glendora</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on December 20, 2023.
Cause	It came to the City's attention during the audit that the listing was not submitted to Metro by the deadline of October 15th. This was due to an oversight. The City's Accounting Manager who worked on the Metro project with little to no assistance from staff left in September 2023, prior to the deadline of the form submission. Upon her exit, the employee who was working on the audit received the form but only provided the listing to the Metro auditor and not to Metro due to lack of training. As a result, the listing was submitted to Metro not until December 20, 2023.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	Moving forward, this task has been placed on the City's yearly task calendar, as well as a reminder set in the outlook calendar to submit the listing by October 15th of each year. The City has reevaluated the process to ensure that the form will be submitted in a timely manner. The City is confident that this will not be a finding in the future.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on December 20, 2023. No follow-up is required.

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<b>PALRF Finding #2023-015</b>	<b>City of Glendora</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance," and Section V: Audit Section, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation..."
Condition	<p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows:</p> <ul style="list-style-type: none"> <li>a) September 4, 2022</li> <li>b) January 22, 2023</li> <li>c) May 28, 2023</li> </ul> <p>We noted salary discrepancies amounting to \$749 in nine (9) out of twelve (12) payroll transactions tested. The differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees' hourly rates.</p> <p>However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return fund, these discrepancies will not be questioned.</p>
Cause	Upon reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to PALRF resulting in an under allocation of salaries to the local return funds.
Effect	Payroll discrepancies resulting from improper timecard management and limited HR data access can lead to misallocation of the local return funds.
Recommendation	We recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund's projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.

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**(Continued)**

<b>PALRF</b> <b>Finding #2023-015</b> <b>(Continued)</b>	<b>City of Glendora</b>
Management's Response	<p>The City is implementing a new finance system that will require electronic entry, thereby eliminating manual entry, in which the proper funds will be charged for the time worked on projects and will be better managed by the City. However, in order to resolve this issue at the present time, the employees will now be required to attach and submit the Certification with the timecard to the supervisor for validation that the hours are listed accurately and broken down according to the appropriate funds to be charged. Furthermore, the City plans to have a discussion meeting on providing access to HR files to the Finance department employees for any payroll-related documents that is requested so they can be provided to the Metro auditor during the audit.</p>

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<b>PALRF Finding #2023-016</b>	<b>City of La Habra Heights</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro for Proposition A Local Return Fund (PALRF) Project Code 107, Dial-A-Ride, in the amount of \$15,036. However, the City subsequently received an approved budget in the amount of \$15,036 from Metro for the PALRF project on November 20, 2023.
Cause	This was an oversight by the City due to recent turnover among administrative staff and management.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements so that the City can obtain approval from Metro before implementing any Proposition A Local Return projects. Additionally, the City should properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit it before the requested due date. This ensures that the City's expenditures align with Metro's approval and adhere to the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of the said project on November 20, 2023. No follow-up is required.

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<b>PALRF Finding #2023-017</b>	<b>City of La Habra Heights</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded Metro's approved budget for PALRF Project Code 410, Prop A Fund Trade, by more than 25 percent, amounting to an excess of \$30,000. Subsequently, the City submitted a request for an increase in the budget from \$40,000 to \$80,000 to Metro, which was approved on December 19, 2022.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS to obtain Metro's approval for any budget change prior to the expenditures of funds.
Management's Response	In the future, the City staff will review all of the budget approvals for all of the projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Auditor's Additional Comment	Metro Program Manager granted a retroactive budget approval of said project to \$80,000 on November 20, 2023. No follow-up is required.

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**(Continued)**

<b>PALRF &amp; PCLRF Finding #2023-018</b>	<b>City of La Habra Heights</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	<p>The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 20, 2023. No follow-up is required.

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<b>PCLRF Finding #2023-019</b>	<b>City of La Habra Heights</b>
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects."</p> <p><b>PMS must include the following:</b></p> <ul style="list-style-type: none"> <li>• Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Inventory of existing Class I bikeways, reviewed and updated triennially;</li> <li>• Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Identification of all pavement sections needing rehabilitation/replacement; and</li> <li>• Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s).</li> </ul> <p>Self-certifications (included in Appendix III) executed by the Jurisdiction's Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria".</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2023 since the City incurred PCLRF expenditures for the following two projects: (1) Project Code 715, 20/21 Street Improvements - Various Roads Overlay; and (2) Project Code 715, 21/22 Street Improvements - Various Roads Overlay. However, the City did not submit a PMS Certification Form during the fiscal year 2023. The City submitted the PMS Certification Form on November 20, 2023.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	<p>This was an oversight by the City due to the recent turnover of administrative staff and management.</p>
Effect	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</p>

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<b>PCLRF</b> <b>Finding #2023-019</b> <b>(Continued)</b>	<b>City of La Habra Heights</b>
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that if the City incurs expenditures for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly certified and executed by the City's Engineer or designated registered Civil Engineer and submitted to Metro within the third year from the last submission date to be in compliance with the Guidelines.
Management's Response	The City is aware that the current PMS Certification on file should have been updated and submitted in fiscal year 2023.
Corrected During the Audit	The City has submitted the PMS Certification Form on November 20, 2023. No follow-up is required.



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<b>PALRF Finding #2023-020</b>	<b>City of Long Beach</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on December 5, 2023.
Cause	The City submitted the report to Metro seven weeks late even though the report was completed over two months in advance. The delayed transmittal to Metro was due to staff attrition and lack of management oversight between the City departments.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15 <sup>th</sup> so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The Public Works Department (Department) will ensure staff are properly trained on the preparation, review, and timely submission of forms to the Los Angeles County Metropolitan Transportation Authority. The Department will also improve internal guidelines and communication between City Departments to obtain necessary information in advance of filing deadlines. The expected completion date for implementation of these planned actions is No later than December 31, 2023.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on December 5, 2023. No follow-up is required.

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<b>PALRF Finding #2023-021</b>	<b>City of Los Angeles</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on November 16, 2023.
Cause	This was an oversight by the City.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15 <sup>th</sup> so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The City will ensure staff are made aware of the timely submission of the recreational transit form to Metro. The City will also improve internal procedures and guidelines to obtain necessary information in advance of filing deadlines.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 16, 2023. No follow-up is required.

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<b>PCLRF Finding #2023-022</b>	<b>City of Palmdale</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2020 PCLRF ending fund balance in the amount of \$496,812 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 20, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024. No follow-up is required.

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<b>PALRF &amp; PCLRF Finding #2023-023</b>	<b>City of Palos Verdes Estates</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Form C in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 1, 2023.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Form C by the due date.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Form C is entered in the LRMS before the due date so that the City is in compliance with Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure the Form C is submitted before the deadline.
Corrected During the Audit	The City subsequently entered Form C in the LRMS on December 1, 2023. No follow up is required.

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<b>PCLRF Finding #2023-024</b>	<b>City of Palos Verdes Estates</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	<p>The City's fiscal year 2020 ending fund balance of Proposition C Local Return Fund (PCLRF) in the amount of \$198,744 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 21, 2023, Metro granted the City an extension on the usage of lapsed funds until June 30, 2024.</p> <p>This is a repeat finding from fiscal years 2021 and 2022.</p>
Cause	This was an oversight by the City due to administrative staff and management turnover for not tracking the timely use of funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	Executive, Management, and administrative staff in the Finance Department have had significant turnover during the past 12 months. All staff that would have been involved in the production of, or had institutional knowledge of, the timely use of funds left the City. In the future, management will ensure the fund is fully expended within 3 years.
Corrected During the Audit	On December 21, 2023, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2024. No follow up is required.

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<b>PALRF Finding #2023-025</b>	<b>City of Rolling Hills</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Project Description Form (Form A), “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project.”
Condition	The City did not submit the Form A prior to the fund exchange with the City of Beverly Hills in the amount of \$58,400. Instead, the City submitted the information in the Local Return Management System (LRMS) on October 31, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form A is entered in the LRMS before the expenditure of funds so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City acknowledges the oversight and will ensure to submit the Form A before the expenditure of funds.
Corrected During the Audit	The City subsequently received approval for the fund exchange in the LRMS on October 31, 2023. No follow-up is required.

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<b>PALRF &amp; PCLRF Finding #2023-026</b>	<b>City of Rolling Hills</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), “On or before October 15 <sup>th</sup> of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures.”
Condition	The City did not meet the October 15, 2023 deadline for submitting the Form C in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form C is entered in the LRMS before the due date so that the City is in compliance with the Proposition A and Proposition C Local Return Guidelines.
Management’s Response	The City acknowledges the oversight and will ensure to submit the Form C on or before October 15 <sup>th</sup> .
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 31, 2023. No follow-up is required.

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<b>PALRF Finding #2023-027</b>	<b>City of Rolling Hills Estates</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I ©, Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro for PALRF Project Code 610, Personnel Admin Costs, in the amount of \$15,686. However, the City subsequently received approval from Metro for this project on November 06, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition A Local Return projects, properly enters the budgeted amount for each project in the Local Return Management System (LRMS) and submits it before the requested due date so that the City's expenditures of Proposition A Local Return Funds are in accordance with Metro's approval and the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of the said project on November 06, 2023. No follow-up action is required.



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<b>PALRF Finding #2023-028</b>	<b>City of San Dimas</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on October 24, 2023.
Cause	The new City staff was unfamiliar with the submittal of the listing and did not follow-up with Metro on the reporting requirement deadline.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The new City staff is now aware of the submittal process of the listing and will ensure that in the future, the form will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on October 24, 2023. No follow-up is required.

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<b>PALRF Finding #2023-029</b>	<b>City of Signal Hill</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on November 6, 2023.  This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City submitted the Recreational Transit Form on November 6, 2023 due to oversight. In the future, the City will make sure to submit the Recreational Transit Form by the October 15 deadline to ensure compliance with the requirements.
Corrected During the Audit	The City's Recreational Transit Form was submitted on November 6, 2023. No follow-up is required.

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

<b>PALRF Finding #2023-030</b>	<b>City of Temple City</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2023 deadline for submission of the Listing of Recreational Transit Services (listing). However, the City submitted the listing on November 15, 2023.
Cause	The late submission of the listing to Metro was due to an oversight by the City staff.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt from Metro to verify the form was submitted in a timely manner.
Management's Response	The City plans to create a checklist to keep track of the deadline dates for submission of the forms, including the listing, as required by Metro for all local return funds.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 15, 2023. No follow-up is required.

# FISCAL YEAR 2023 PROPOSITION A AND C REVENUES AND EXPENDITURES AUDIT WITH INTERNAL CONTROLS AND COMPLIANCE REPORT

## **P R E S E N T A T I O N T O**

PROPOSITION A AND C INDEPENDENT CITIZEN'S ADVISORY AND  
OVERSIGHT COMMITTEE

**MARCH 6, 2024**



*2355 Crenshaw Blvd., Suite 150  
Torrance, CA 90501  
**PH** 310.792.4640*

# Contents

- Auditor and LACMTA Management Responsibilities
- Summary of Audit Results
- Financial Highlights
- Required Communications
- Management Letter Comments

# Responsibilities

- LACMTA Management Responsibilities:
  - Preparation of the Schedules of Proposition A and C Revenues and Expenditures.
  - Design, implementation and maintenance of internal control – free from material misstatement, whether due to fraud or error.
- Auditor's Responsibilities:
  - To express an opinion on the fair presentation on the Schedules of Proposition A and C Revenues and Expenditures based on our audit.
  - Express an opinion on compliance with the *MTA Reform Act of 1998, Ordinance No. 16 (Proposition A) and Ordinance No. 49 (Proposition C)*.

# Summary of Audit Results

- Schedules of Proposition A and C Revenues and Expenditures Audit
  - Unmodified opinion
- No internal control material weaknesses over financial reporting identified.
- No significant internal control deficiencies over compliance identified.
- LACMTA complied with the *MTA Reform and Accountability Act of 1998, Ordinance No. 16 (Proposition A) and Ordinance No. 49 (Proposition C)*

# Financial Highlights

## Proposition A

- Sales tax revenue increased by \$20.0 million compared to prior year (1.8% change from prior year). The increase is mainly due to higher consumer spending during FY 2022-23.
- Actual expenditures increased by \$22.4 million compared to prior year (5.7% change from prior year) due primarily to higher local return subsidies allocation.
- Transfers out increased by \$1.1 billion, a 1,328.0% increase from the previous year, due to the prior year's one-time COVID-19 stimulus that offset costs for operating and capital projects, whereas in FY 2023 these costs were internally funded.
- Actual sales tax revenue was more than budgeted by \$79.4 million.
- Actual expenditures were more than budgeted by \$20.2 million mainly due to higher allocations to cities/agencies on local return subsidies.
- Actual transfers out were more than budgeted by \$904.2 million mainly due to higher transfers to Enterprise Fund for bus and rail operations; and for capital projects.
- Proposition A fund at June 30, 2023 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$462.4 million, decreasing Proposition A fund balance from \$1.1 billion to \$617.0 million at June 30, 2023.



# Financial Highlights (Continued)

## Proposition C

- Sales tax revenue increased by \$20.0 million compared to prior year (1.8% change from prior year). The increase is mainly due to higher consumer spending during FY 2022-23.
- Expenditures increased by \$113.6 million compared to prior year (20.4% change from prior year). Increase was mainly due to an increase in administration and other expenses and an increase in local transportation subsidies.
- Transfers in increased by \$82.3 million compared to prior year (112.1% change from prior year) due to higher transfers received from other funds.
- Transfers out increased by \$486.7 million, a 573.8% increase from the previous year, due to the prior year's one-time COVID-19 stimulus that offset costs for operating and capital projects, whereas in FY 2023 these costs were internally funded.
- Actual sales tax revenue was \$79.4 million more than budgeted.
- Actual expenditures came under budget by \$45.9 million mainly due to lesser expenditures incurred for administration and other expenses and lower transportation subsidies than anticipated.
- Transfers in came under budget by 62.2 million due to fewer transfers received from other funds than anticipated.
- Transfers out were more than budget by \$4.7 million mainly due to higher allocation for operating subsidies.
- Proposition C fund at June 30, 2023 had an excess of revenues and other financing sources over expenditures and other financing uses of \$52.8 million, increasing Proposition C fund balance from \$993.1 million to \$1.0 billion at June 30, 2023.

# Required Communications

## Items to be Communicated

### Auditor's Responsibilities Under Generally Accepted Auditing Standards

- To express an opinion on the Schedules of Proposition A and C Revenues and Expenditures.
- To provide reasonable, not absolute, assurance of detecting material misstatements.
- To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.
- To inform LACMTA of any illegal acts that we become aware of.
  - None

# Required Communications (Continued)

- Adoption/Change in accounting policies
  - None
- Significant or unusual transactions
  - None
- Alternative treatments discussed with management
  - None
- Significant issues discussed with management
  - None
- Difficulties encountered in performing the audit
  - We encountered no difficulties in dealing with management in performing or conducting the audit.

# Required Communications (Continued)

- Consultations with other accountants
  - To our knowledge, no such consultation has occurred.
- Discussions held prior to retention
  - No major issues were discussed as a condition to our retention.
- Disagreements with management
  - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedules of Proposition A and C Revenues and Expenditures or the auditor's report.
    - No such disagreement occurred.
- Management representation
  - We requested certain representations from management which are included in the management representation letter.

## 2023 Management Letter Comments

There are no management letter comments.

## Audited Financial Statements for Proposition A and Proposition C Special Revenue Funds

Included in LACMTA's Annual Comprehensive Financial Report (ACFR)

# BCA Watson Rice LLP

## Audit Engagement Team

- Rustico Cabilin, Engagement Partner ([racabilin@bcawr.com](mailto:racabilin@bcawr.com))
- Helen Chu, Quality Control ([hchu@bcawr.com](mailto:hchu@bcawr.com))
- Lisa Reason, Senior Auditor ([lreason@bcawr.com](mailto:lreason@bcawr.com))
- Kristen Reyes, Staff Auditor ([kreyes@bcawr.com](mailto:kreyes@bcawr.com))

# QUESTIONS AND ANSWERS

**Proposition A and Proposition C Local Return Funds  
Audit Results  
For the Fiscal Year Ended June 30, 2023  
(Package B)**

**Simpson & Simpson, LLP**



Proposition A and Proposition C  
Independent Citizen's Advisory and Oversight Committee (ICAOC) Meeting  
Date: March 6, 2024



# Agenda

- ❖ Presenters: Etta Hur, CPA, Partner  
Austine Cho, Senior Audit Manager
- Background
- Summary of Audit Results – Findings and Questioned Costs
- Analysis of Proposition A & C Audit Results
- S&S Contact Information
- Questions



# Background



# Simpson and Simpson, LLP

- We have audited the compliance of the 49 cities (49 Jurisdictions under Package B).

- |                                  |                                   |
|----------------------------------|-----------------------------------|
| 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              |                                   |



# Simpson and Simpson, LLP

- We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in government auditing standards, and the compliance requirements described in Proposition A and Proposition C Ordinances, the Proposition A and Proposition C Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds.



# Summary of Audit Results – Findings and Questioned Costs



# Summary of Audit Results

- ❖ Audits were performed all 49 jurisdictions' audits.
  - Total dollar amounts associated with the findings for Proposition A (PALRF) and Proposition C (PCLRF) for the jurisdictions under Package B are as follows:
    - PALRF: Found total questioned costs of \$1,939,513 in FY2023 compliance audits (About 1.0% of the FY2023 allocations of \$187,624,212), which were resolved during the audits.
    - PCLRF: Found total questioned costs of \$1,089,502 in FY2023 compliance audits (About 0.7% of the FY2022 allocations of \$155,649,202), which were resolved during the audits.



# Summary of Audit Results (Cont.)

- We identified a total of 30 instances of non-compliance, which include the following:
  - 3 material weaknesses
    - City of Artesia
    - City of Bradbury
    - City of Palos Verdes Estates
  - 9 significant deficiencies
    - City of Artesia (2)
    - City of Bradbury
    - City of El Segundo (2)
    - City of La Habra Heights (3)
    - City of Signal Hill

Further details about the specific conditions for the material weaknesses and the significant deficiencies in internal control over Compliance will be explained as each finding is presented.



# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval and were not substituted for property tax.	7	Alhambra (#2023-001) Artesia (#2023-006) Bradbury (#2023-007) Downey (#2023-011) La Habra Heights (#2023-016) Rolling Hills (#2023-025) Rolling Hills Estates (#2023-027)	\$ 1,160,382 - - 215,316 15,036 58,400 15,686	\$ - 29,105 604 - - - -	\$ 1,160,382 29,105 604 215,316 15,036 58,400 15,686
Timely use of funds.	3	El Segundo (#2023-013) Palmdale (#2023-022) Palos Verdes Estates (#2023-024)	470,845 - -	- 496,812 198,744	470,845 196,812 198,744
Administrative expenses are within the 20% cap.	2	Arcadia (#2023-003) Burbank (#2023-010)	3,848 -	58,789 305,448	62,637 305,448





# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	Alhambra (#2023-002) La Habra Heights (#2023-017)	None None	None -	None None
Annual Project Report (Form B) or electronic equivalent was submitted on time.	1	Bradbury (#2023-008)	None	None	None



# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time	5	Artesia (#2023-004) Bradbury (#2023-009) La Habra Heights (#2023-018) Palos Verdes Estates (#2023-023) Rolling Hills (#2023-026)	None None None None None	None None None None None	None None None None None
Recreational transit form was submitted on time.	8	Artesia (#2023-005) El Segundo (#2023-012) Glendora (#2023-014) Long Beach (#2023-020) Los Angeles (#2023-021) San Dimas (#2023-028) Signal Hill (#2023-029) Temple City (#2023-30)	None None None None None None None None	- - - - - - - -	None None None None None None None None



# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	La Habra Heights (#2023-019)	-	None	None



# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation are adequate.	1	Glendora (#2023-015)	None	-	None
Total Findings and Questioned Costs	30		\$ 1,939,513	\$ 1,089,502	\$ 3,029,015



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance

➤ **Three (3) material weaknesses:**

**City of Artesia (Finding #2023-006):**

- The City incurred expenditures prior to receiving approval from Metro for PCLRF Project Code 705, ATP Cycle 3, in the amount of \$29,105.
- This was an oversight on the part of the City due to understaffed.
- This is a repeat finding from fiscal years 2021 and 2022.
- Resolved During the Audit: Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ **Three (3) material weaknesses (continued):**

**City of Bradbury (Finding #2023-009):**

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form C) in the Local Return Management System (LRMS).
- The finding was due to change in personnel in the City's finance department.
- This is a repeat finding from the prior fiscal years 2021 and 2022.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on November 14, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Three (3) material weaknesses (continued):

### City of Palos Verdes Estates (Finding #2023-024):

- The City's fiscal year 2020 PCLRF ending fund balance in the amount of \$198,744 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines.
- It was due to changes in administrative staff and management, leading to oversight.
- This is a repeat finding from the prior fiscal years 2021 and 2022.
- Resolved During the Audit: On December 21, 2023, Metro granted the City an extension on the usage of lapsed funds until June 30, 2024. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ **Nine (9) significant deficiencies:**

**City of Artesia (Finding #2023-004):**

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form C) in the Local Return Management System (LRMS).
- The City was understaffed due to employee turnover.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.





# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ **Nine (9) significant deficiencies (continued):**

**City of Artesia (Finding #2023-005):**

- The City did not meet the October 15, 2023 deadline for submitting the Recreational Transit Form to Metro.
- The City was understaffed due to employee turnover.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City's Recreational Transit Form was submitted to Metro on December 18, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Nine (9) significant deficiencies (continued):

### City of Bradbury (Finding #2023-007):

- The City incurred expenditures prior to receiving approval from Metro for PCLRF Project Code 705, Wild Rose Project, in the amount of \$604.
- The finding was due to personnel change in the City's finance department.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: Metro Program Manager granted retroactive budget approval of the said project on November 16, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ **Nine (9) significant deficiencies (continued):**

**City of El Segundo (Finding #2023-012):**

- The City did not meet the October 15, 2023 deadline for submitting the Recreational Transit Form to Metro.
- This was an oversight on the part of the City.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City's Recreational Transit Form was submitted to Metro on December 5, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Nine (9) significant deficiencies (continued):

### City of El Segundo (Finding #2023-013):

- The City's fiscal year 2020 PALRF ending fund balance in the amount of \$470,845 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines.
- This was an oversight by the City for not tracking the timely use of funds.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: On December 5, 2023, Metro Program Manager granted the City an extension on the usage of lapsed funds until June 30, 2024. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Nine (9) significant deficiencies (continued):

### City of La Habra Heights (Finding #2023-017):

- The City exceeded Metro's approved budget for PALRF Project Code 410, Prop A Fund Trade, by more than 25 percent, amounting to an excess of \$30,000.
- It was due to turnover within the City's administrative staff and management.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: Metro Program Manager granted retroactive budget approval of the said project from \$40,000 to \$80,000 on November 20, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Nine (9) significant deficiencies (continued):

### City of La Habra Heights (Finding #2023-018):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form C) in the Local Return Management System (LRMS).
- It was due to turnover within the City's administrative staff and management.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on November 30, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Nine (9) significant deficiencies (continued):

### City of La Habra Heights (Finding #2023-019):

- The City did not submit a PMS Certification Form during the fiscal year 2023. A PMS Certification Form was due for the fiscal year 2023 since the City incurred PCLRF expenditures for the following two projects:
  - (1) Project Code 715, 20/21 Street Improvements - Various Roads Overlay
  - (2) Project Code 715, 21/22 Street Improvements - Various Roads Overlay
- It was due to turnover within the City's administrative staff and management.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City has submitted the PMS Certification Form on November 20, 2023. No follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ **Nine (9) significant deficiencies (continued):**

**City of Signal Hill (Finding #2023-029):**

- The City did not meet the October 15, 2023 deadline for submission of the Recreational Transit Form.
- The finding was an oversight on the part of the City.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City submitted the Recreational Transit Form on November 6, 2023. No follow-up is required.



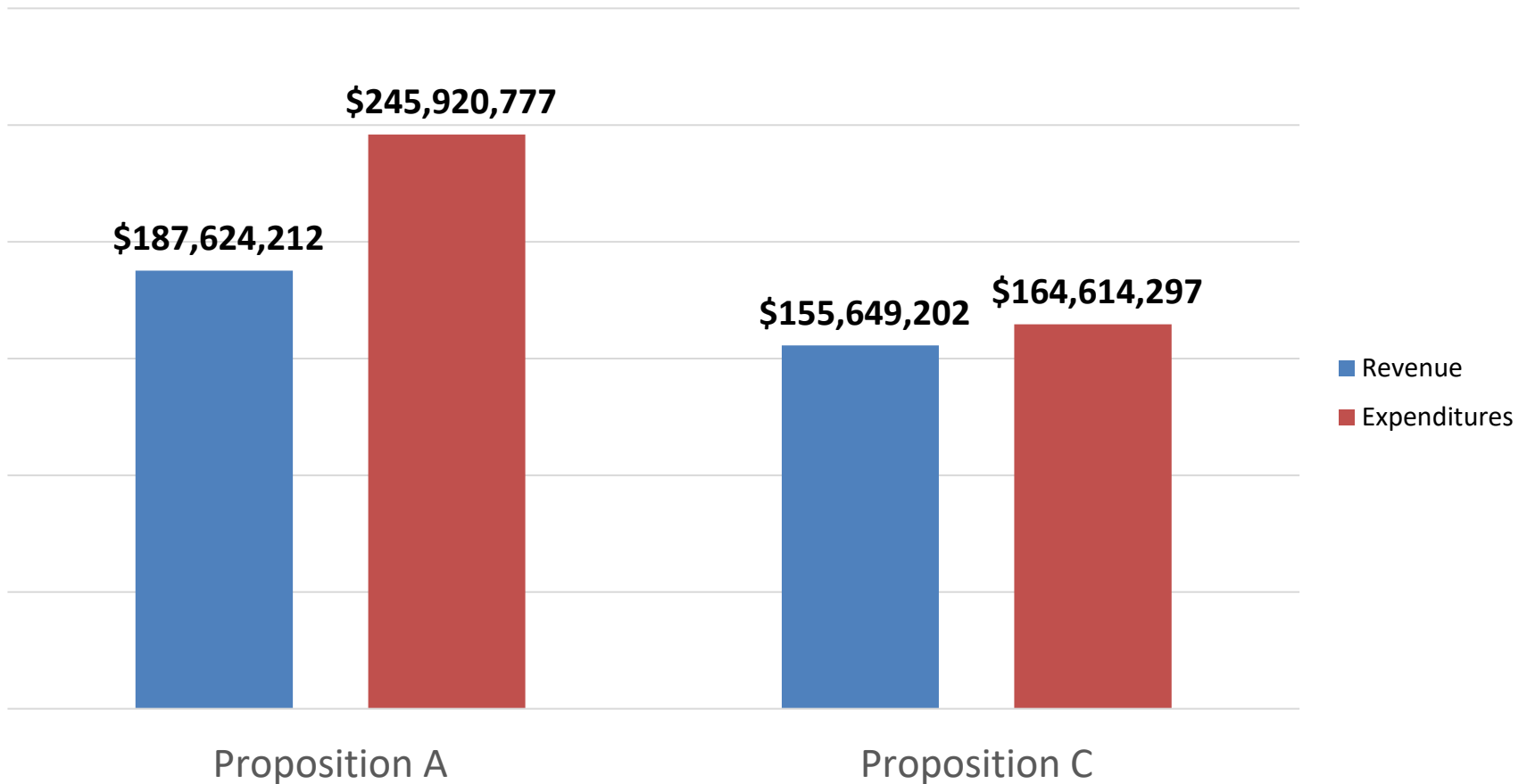


# Analysis of Audit Results



# Revenue and Expenditures of 49 Jurisdictions

FY 2023 Revenue and Expenditures – Proposition A & C



# Simpson & Simpson CPAs

## Contact information

Team member	Contact information
<b>Grace Yuen</b> Lead Engagement Partner	Email: <a href="mailto:gyuen@simpsonllp.com">gyuen@simpsonllp.com</a>
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# Questions





**Metro<sup>®</sup>**

**PRESENTATION TO THE  
INDEPENDENT CITIZEN'S  
ADVISORY AND OVERSIGHT  
COMMITTEE  
PROPOSITION A AND C  
LOCAL RETURN FUNDS  
(Package A)**

**March 6, 2024**

# / AGENDA

- ☐ Scope of the Audits
- ☐ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized
- ☐ Revenue and Expenditures of the County of Los Angeles and 39 Cities
- ☐ Overview of the Audit Results
- ☐ Details of Audit Results
- ☐ Material Weaknesses and Significant Deficiencies in Internal Control over Compliance
- ☐ Required Communications to the Independent Citizen's Advisory and Oversight Committee
- ☐ Q&A
- ☐ Contact Information

# SCOPE OF THE AUDITS

# / SCOPE OF THE AUDITS

Financial and Compliance Audits of Proposition A and C Local Return Funds held by the County of Los Angeles and 39 Cities under Package A

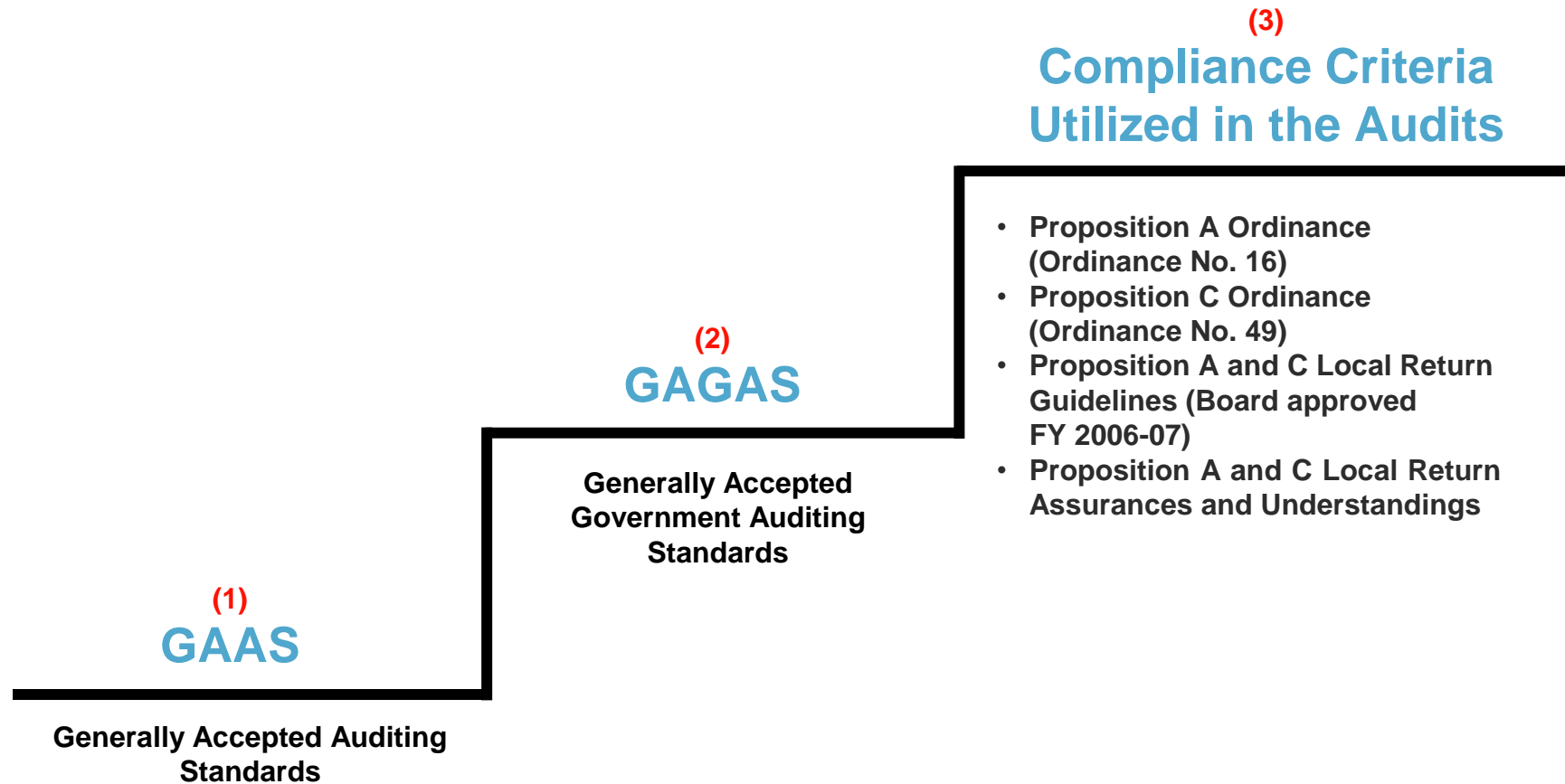
- |                          |                     |                   |                      |
|--------------------------|---------------------|-------------------|----------------------|
| 1. County of Los Angeles | 11. Compton         | 21. Irwindale     | 31. Rosemead         |
| 2. Agoura Hills          | 12. Cudahy          | 22. La Puente     | 32. San Fernando     |
| 3. Azusa                 | 13. Culver City     | 23. Lawndale      | 33. Santa Fe Springs |
| 4. Baldwin Park          | 14. El Monte        | 24. Lynwood       | 34. Santa Monica     |
| 5. Bell                  | 15. Gardena         | 25. Malibu        | 35. South El Monte   |
| 6. Bell Gardens          | 16. Hawthorne       | 26. Maywood       | 36. South Gate       |
| 7. Beverly Hills         | 17. Hidden Hills    | 27. Montebello    | 37. Vernon           |
| 8. Calabasas             | 18. Huntington Park | 28. Monterey Park | 38. Walnut           |
| 9. Carson                | 19. Industry        | 29. Pico Rivera   | 39. West Hollywood   |
| 10. Commerce             | 20. Inglewood       | 30. Pomona        | 40. Westlake Village |





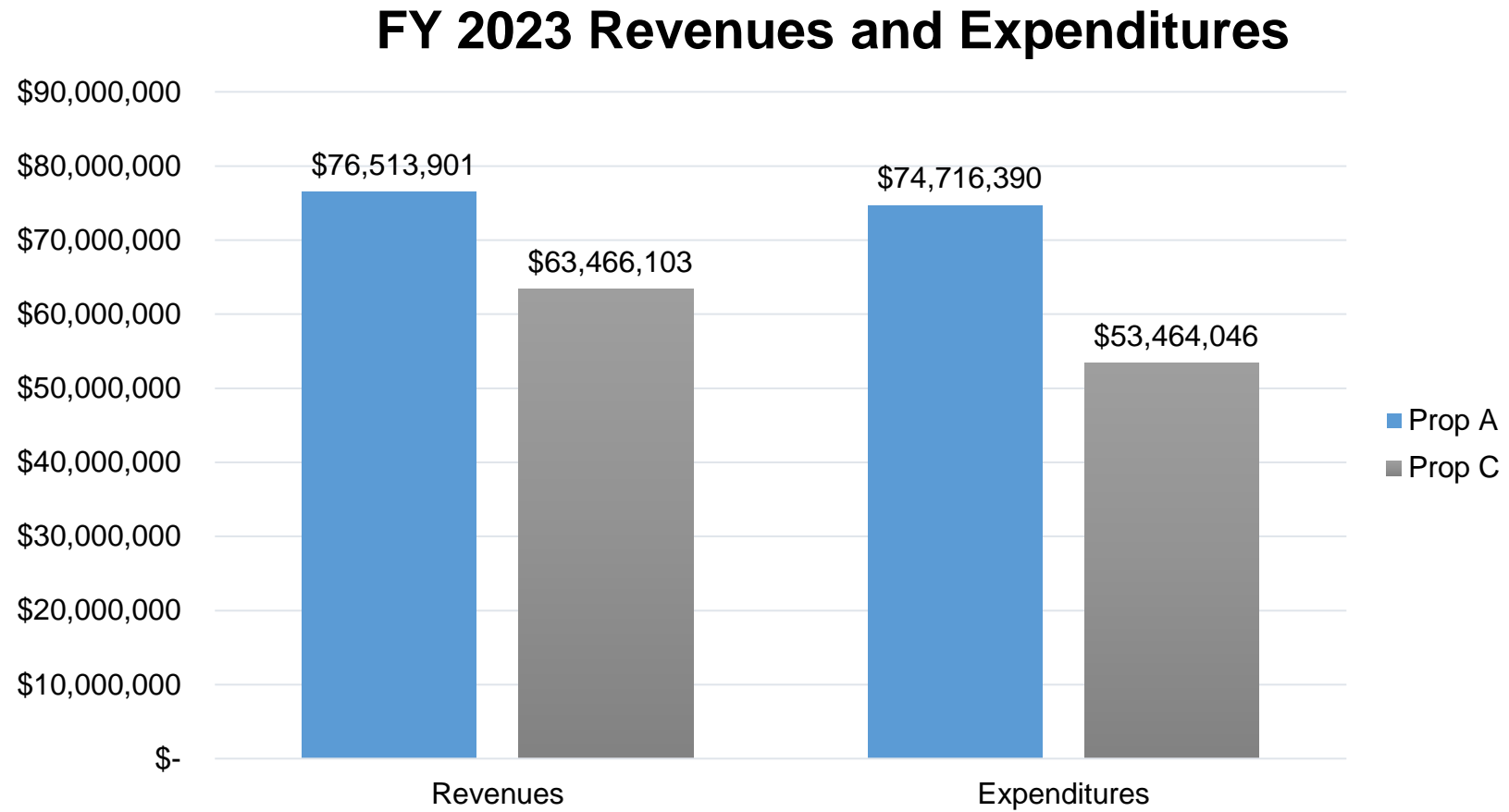
# LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED

# / LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



# REVENUE AND EXPENDITURES OF THE COUNTY OF LOS ANGELES AND 39 CITIES

# / REVENUE AND EXPENDITURES OF THE COUNTY OF LOS ANGELES AND 39 CITIES



# OVERVIEW OF THE AUDIT RESULTS

# / OVERVIEW OF THE AUDIT RESULTS

## FY 2023 Summary of Audit Results

- Dollars associated with the findings have decreased from \$1,329,832 in FY2022 to \$357,687 in FY2023 audit.
- This represents about 0.26% of the total Proposition A and Proposition C FY2023 allocations of \$139,980,004 to the County of Los Angeles and the 39 cities under Package A.

## Questioned Costs

- \$188,106 of the questioned cost relates to Proposition A and Proposition C funds expended on eligible projects prior to Metro's approval.
- \$169,581 of the questioned cost relates to unused funds which lapsed as of June 30, 2023. The cities received a one-year extension to use the lapsed funds.

**All of these were resolved during the audit.**

# DETAILS OF AUDIT RESULTS

# / DETAILS OF AUDIT RESULTS

Our findings are as follows:

## A. Funds were expended prior to Metro's approval.

- Compliance Reference: Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2023:

	Fund	Total Expenditures Claimed for 2023	Questioned	Report Reference
1. Baldwin Park	Proposition C	\$ 1,860,797	\$ 117,370	Finding #2023-002, Page 10
2. Huntington Park	Proposition A	1,385,703	7,674	Finding #2023-005, Page 14
3. Lynwood	Proposition C	509,865	63,062	Finding #2023-010, Page 21
		<u>\$ 3,756,365</u>	<u>\$ 188,106</u>	



# / DETAILS OF AUDIT RESULTS, CONTINUED

## B. Funds were not used in a timely manner.

- Compliance Reference: Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds.”

Number of cities involved: 2 of 39 cities

Questioned costs for 2023:

		Total Expenditures Claimed for	Questioned	Report Reference
1. Lawndale	Proposition A	\$ 199,015	\$ 162,361	Finding #2023-009, Page 20
2. Malibu	Proposition A	104,322	7,220	Finding #2023-013, Page 26
		<u>\$ 303,337</u>	<u>\$ 169,581</u>	

The Cities were granted a one-year extension for the use of the lapsed funds.

# / DETAILS OF AUDIT RESULTS, CONTINUED

## C. Project expenditures exceeded 25% of approved project budget.

- Compliance Reference: Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that “Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”

Number of cities involved: 3 of 39 cities

- City of Baldwin Park (Finding #2023-003, page 11 of the report)
- City of Huntington Park (Finding #2023-006, page 15 of the report)
- City of Lynwood (Finding #2023-011, page 23 of the report)

Questioned costs for 2023: None

# / DETAILS OF AUDIT RESULTS, CONTINUED

## D. Annual Expenditure Report (Actuals Entry) was not submitted timely.

- Compliance Reference: Section I(C) Annual Expenditure Report (Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdiction shall submit on or before October 15th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures.”

Number of cities involved: 2 of 39 cities

- City of Calabasas (Finding #2023-004, page 13 of the report)
- City of Lynwood (Finding #2023-012, page 25 of the report)

Questioned costs for 2023: None

# / DETAILS OF AUDIT RESULTS, CONTINUED

## E. Pavement Management System (PMS) certification was not maintained and submitted to Metro.

- Compliance Reference: Section II(C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “Street Repair and Maintenance” or “Bikeway projects”.

Number of cities involved: 1 of 39 cities

➤ [City of Azusa](#) (Finding #2023-001, page 8 of the report)

Questioned costs for 2023: None

# / DETAILS OF AUDIT RESULTS, CONTINUED

## F. Recreational transit form was not submitted timely.

- Compliance Reference: Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, “For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actuals Entry, no later than October 15 after the fiscal year”.

Number of cities involved: 1 of 39 cities

➤ [City of Huntington Park](#) (Finding #2023-007, page 17 of the report)

Questioned costs for 2023: None

# / DETAILS OF AUDIT RESULTS, CONTINUED

## E. Accounting procedures, recordkeeping and documentation were not adequate.

- Compliance Reference: Proposition A and Proposition C Local Return Guidelines Section V, states that, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines”.

Number of cities involved: 1 of 39 cities

➤ [City of Huntington Park](#) (Finding #2023-008, page 18 of the report)

Questioned costs for 2023: None

# MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

# / MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

## (1) Material Weakness

City of Huntington Park

Finding #2023-008

- During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
- A disclaimer of opinion was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2023.



# / MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE, CONTINUED

## (2) Significant Deficiency (repeat finding)

City of Lawndale

Finding #2023-009

- The City has unused Proposition A funds amounting to \$162,361 which lapsed as of June 30, 2023.
- This is a repeat finding from prior year.

# REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE

# **/ REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE**

*Professional standards require independent accountants to discuss with those in charge of governance matters of importance which arise during the course of their audit as well as significant matters concerning the audited jurisdictions' internal controls and the preparation and composition of the financial statements. We therefore present the following information required to be communicated to the Independent Citizen's Advisory and Oversight Committee based upon the results of our audit of the Proposition A and Proposition C Local Return Funds of the County of Los Angeles and 39 cities.*

# / REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE

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## Management's Responsibility

Management of the jurisdictions has primary responsibility for the accounting principles used, their consistency, application and clarity.

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## Consultations with Other Accountants

We are not aware of any consultations by management of the jurisdictions with other accountants about accounting or auditing matters.

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## Difficulties with Management

We did not encounter any difficulties with management of the jurisdictions while performing our audit procedures.

# / REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE, CONTINUED

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## Disagreements with Management

We encountered no disagreements with management of the jurisdictions on financial accounting and reporting matters.

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## Significant Accounting Policies

The jurisdictions' significant accounting policies are appropriate and were consistently applied.

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## Controversial Issues

No significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.

# / REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE, CONTINUED

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## Irregularities, Fraud or Illegal Acts

No irregularities, fraud or illegal acts came to our attention as a result of our audit procedures.

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## Management Representations

The jurisdictions provided us with a signed copies of the management representation letters prior to issuance of our auditor's opinions.

# QUESTIONS

# / CONTACT INFORMATION

**Vasquez + Company LLP** has over 50 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, governmental entities, and publicly traded companies. Vasquez is a member of the RSM US Alliance.

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**Thank you for your time and  
attention.**