



Board Report

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**MEASURE R INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
MARCH 7, 2024**

SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2022 AND 2023

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Years ended June 30, 2022 (Attachment A) and June 30, 2023 (Attachment B) completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Years ended June 30, 2022 (Attachment C) and June 30, 2023 (Attachment D) completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Years ended June 30, 2022 (Attachment E) and June 30, 2023 (Attachment F) completed by Simpson and Simpson, LLP (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 Ordinance 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 Measure R requirements.

BACKGROUND

On November 4, 2008, Los Angeles County voters approved Measure R that imposed a half-cent transactions and use tax to fund transportation improvements in the County. Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight

Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (LACMTA) complies with the terms of the Ordinance.

DISCUSSION

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

Management Audit Services contracted with BCA to perform the independent audits of the LACMTA, as required by the Ordinance. BCA conducted the audits 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 audits to obtain reasonable assurance about whether the Schedule of Measure R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedules referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal years ended June 30, 2022 and 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 Ordinance for the fiscal years ended June 30, 2022 and 2023.

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

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure R sales tax revenues used by the County of Los Angeles (County) as well as the 87 cities (Cities). These reports cover the audits of the County and 39 Cities completed by Vasquez; and audits of the 49 Cities completed by Simpson. 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 audits to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance and the Measure R Local Return Guidelines occurred, which could have a direct and material effect on the Measure R Local Return program.

Vasquez concluded that the County and the Cities complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal years ended June 30, 2022 and 2023. For Fiscal Years 2022 and 2023, Vasquez found seven and three instances of noncompliance, respectively, which are summarized in Schedule 2 of Attachments C and D.

Simpson and Simpson concluded that the Cities complied, in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal years ended June 30, 2022 and 2023. For both Fiscal Years, Simpson and Simpson found 11 instances of noncompliance, which are summarized in

Schedule 2 of Attachments E and F.

NEXT STEPS

The Oversight Committee will prepare an annual report detailing the results of the annual audit process and any findings. In addition, a public hearing will be scheduled to receive public input.

ATTACHMENT(S)

- A. Independent Auditor’s Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund (FY22)
- B. Independent Auditor’s Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund (FY23)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez FY22)
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez FY23)
- E. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson FY22)
- F. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson FY23)

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Los Angeles County
Metropolitan Transportation Authority

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

**For the Fiscal Year Ended June 30, 2022
(With Comparative Totals For 2021)**



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Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
For the Year Ended June 30, 2022

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Independent Auditor's Report

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

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

Opinion

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 to the Schedule, the accompanying Schedule of Revenues and Expenditures of the Measure R Fund is intended to present the revenues and expenditures attributable to the Measure R Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2022, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our report is not modified with respect to this matter.

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

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

In preparing the Schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the LACMTA's ability to continue as a going concern for twelve months beyond the Schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

Required Supplementary Information

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

Prior-Year Comparative Information

We have previously audited the Schedule of Measure R Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited Schedule from which it has been derived.

BCA Watson Rice, LLP

Torrance, CA
November 17, 2022

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022
(With Comparative Totals for 2021)
(Amounts expressed in thousands)

	2022	2021
Revenues		
Sales tax	\$ 1,091,162	\$ 912,444
Intergovernmental	67,570	51,815
Investment income	1,839	2,838
Net decline in fair value of investments	(7,042)	(3,957)
Total revenues	1,153,529	963,140
Expenditures		
Administration and other	249,838	113,425
Transportation subsidies	404,338	340,962
Debt and interest expenditures		
Principal - leases	1,403	-
Interest - leases	15	-
Total expenditures	655,594	454,387
Excess of revenues over expenditures	497,935	508,753
Other financing sources (uses)		
Transfers in	25,891	11,510
Transfers out	(277,597)	(573,426)
Inception of long-term leases	2,986	-
Right-to-use lease	(2,986)	-
Total other financing sources (uses)	(251,706)	(561,916)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 246,229	\$ (53,163)

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

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

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

1. Organization

General

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

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

Measure R

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

2. Summary of Significant Accounting Policies

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Decline in Fair Value of Investments

Investment income and net decline in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2022, the Measure R fund had investment income of \$1,839 and net decline in fair value of investments of \$7,042. The net decline in fair value of investments were mainly due to a decrease in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

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

Leases

Effective July 1, 2021, LACMTA implemented GASB 87, the new accounting standard on leases. GASB 87 establishes a single model for lease accounting with the underlying foundation that leases are financing, with the exceptions for short-term leases, contracts that transfer ownership and do not contain termination options, and leases that are considered exclusions from scope of leases under the new standard. With the implementation of GASB 87, the new accounting standards on leases, LACMTA has recognized an intangible right to use lease asset, in the government-wide financial statements as of June 30, 2022. The right to use lease asset is equal to the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before commencement date of the lease term and direct ancillary costs necessary to place the asset into service. Lease assets are reported with other capital assets and lease liabilities are reported separately on the Statement of Net Position in the government-wide financial statements. The lease liability is reduced as payments are made and recognize an outflow of resources for the interest on the liability while the right to use lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Any remeasurement of the lease liability requires a corresponding change in the right to use lease asset. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset, with any difference being recognized as a gain or loss.

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

2. Summary of Significant Accounting Policies (Continued)

LACMTA determines the discount rate it uses to discount the expected lease payments to present value. LACMTA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, LACMTA uses its estimated incremental borrowing rate as the discount rate for leases. The future lease payments expected to be made are discounted using an implied rate of .677% given an average lease term of 5 to 7 years. The lease terms and lease payments used are those that are stated in the executed agreements. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the LACMTA is reasonably certain to exercise.

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

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

Comparative Financial Data

The amounts shown for 2021 in the accompanying Schedule are included only to provide a basis for comparison with 2022 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

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

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

4. Intergovernmental Transactions

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

5. Operating Transfers

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

Los Angeles County Metropolitan Transportation Authority
 Measure R Special Revenue Fund
 Notes to the Schedule of Revenues and Expenditures
 For the Fiscal Year Ended June 30, 2022

6. Leases

LACMTA, as a lessee, has entered into a lease agreement involving office space/building. In fiscal year 2022, principal and interest payments of \$1,403 and \$15, respectively, represent the total amount of periodic lease payments per executed contract.

The amount of \$2,986 was allocated to Measure R, which was treated as other financing sources (uses) in the Measure R schedule of revenues and expenditures for the fiscal year ended June 30, 2022. The amount was measured based on the present value of future lease payments expected to be made during the lease term.

As of June 30, 2022, the future lease payment under the lease agreement is as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,583	\$ 6	\$ 1,589
Total	\$ 1,583	\$ 6	\$ 1,589

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

The Measure R fund at June 30, 2022 had an excess of revenues and other financing sources over expenditures and other financing uses of \$246,229 due to 1) higher sales tax revenues brought about by the increase in consumer spending as the economy recovered from the pandemic recession, and 2) decrease in transfers out on bus and rail operating projects as a result of one-time federal funding provided by the stimulus grants. The forgoing factors contributed to the increase in fund balance in Measure R from \$276,965 to \$523,194.

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2022 are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. Contingent Liabilities

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2022

10. Restatement

The administrative and other expenditures for the fiscal year ended June 30, 2021 had been restated to reflect adjustments related to transactions that should have been reported as expenditures for the fiscal year ended June 30, 2022. The restatement resulted in the increase of the beginning fund balance as of July 1, 2021 by \$53,734.

11. COVID-19 Impact and Considerations

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

12. Subsequent Events

In preparing the Schedule of Measure R Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 17, 2022, the date the schedule was available to be issued. Based on this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the schedule.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the fiscal year ended June 30, 2022
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 865,000	\$ 865,000	\$ 1,091,162	\$ 226,162
Intergovernmental	125,167	125,167	67,570	(57,597)
Investment income	-	-	1,839	1,839
Net decline in fair value of investments	-	-	(7,042)	(7,042)
Total revenues	990,167	990,167	1,153,529	163,362
Expenditures				
Administration and other	405,335	403,218	249,838	153,380
Transportation subsidies	392,630	394,512	404,338	(9,826)
Debt and interest expenditures				
Principal	-	-	1,403	(1,403)
Interest and fiscal charges	-	-	15	(15)
Total expenditures	797,965	797,730	655,594	142,136
Excess of revenues over expenditures	192,202	192,437	497,935	305,498
Other financing sources (uses)				
Transfers in	143,859	143,859	25,891	(117,968)
Transfers out	(695,629)	(695,629)	(277,597)	418,032
Inception of long-term leases	-	-	2,986	2,986
Capital outlay-long-term leases	-	-	(2,986)	(2,986)
Total other financing sources (uses)	(551,770)	(551,770)	(251,706)	300,064
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (359,568)	\$ (359,333)	\$ 246,229	\$ 605,562

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2022, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 17, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

BCA Watson Rice, LLP

Torrance, California
November 17, 2022

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

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

Report on Compliance

Opinion on Measure R Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance with the *Traffic Relief and Rail Expansion Ordinance No. 08-01* (the Ordinance) applicable to LACMTA's Measure R revenues and expenditures for the fiscal year ended June 30, 2022.

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that are applicable to the Measure R revenues and expenditures for the fiscal year ended June 30, 2022.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LACMTA's compliance with Measure R revenues and expenditures based on our audit. Reasonable

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

BCA Watson Rice, LLP

Torrance, California
November 17, 2022

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2022

None noted.

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

None noted.

Los Angeles County
Metropolitan Transportation Authority

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

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



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Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
For the Year Ended June 30, 2023

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Independent Auditor's Report

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

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

Opinion

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Prior-Year Comparative Information

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

BCA Watson Rice, LLP

Torrance, CA
November 28, 2023

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

	<u>2023</u>	<u>2022</u>
Revenues		
Sales tax	\$ 1,110,713	\$ 1,091,162
Intergovernmental	81,047	67,570
Investment income	18,857	1,839
Net decline in fair value of investments	(6,994)	(7,042)
	<u>1,203,623</u>	<u>1,153,529</u>
Total revenues		
Expenditures		
Administration and other	277,352	249,838
Transportation subsidies	423,951	404,338
Debt and interest expenditures		
Principal - leases	1,571	1,403
Interest - leases	18	15
	<u>702,892</u>	<u>655,594</u>
Total expenditures		
Excess of revenues over expenditures	<u>500,731</u>	<u>497,935</u>
Other financing sources (uses)		
Transfers in	353,110	25,891
Transfers out	(374,868)	(277,597)
Inception of long-term leases	-	2,986
Right-to-use lease	-	(2,986)
	<u>(21,758)</u>	<u>(251,706)</u>
Total other financing sources (uses)		
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 478,973</u>	<u>\$ 246,229</u>

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

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

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

1. Organization

General

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

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

Measure R

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

2. Summary of Significant Accounting Policies

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

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

Investment Income and Net Decline in Fair Value of Investments

Investment income and net decline in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2023, the Measure R fund had an investment income of \$18,857 and a net decline in fair value of investments of \$6,994. The net decline in the fair value of investments was mainly due to a decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Leases

Effective July 1, 2021, LACMTA implemented GASB 87, the new accounting standard on leases. GASB 87 establishes a single model for lease accounting with the underlying foundation that leases are financing, with the exceptions for short-term leases, contracts that transfer ownership and do not contain termination options, and leases that are considered exclusions from the scope of leases under the new standard. With the implementation of GASB 87, the new accounting standards on leases, LACMTA has recognized an intangible right to use lease assets, in the government-wide financial statements as of June 30, 2023. The right to use the leased asset is equal to the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement date of the lease term and direct ancillary costs necessary to place the asset into service. Lease assets are reported with other capital assets and lease liabilities are reported separately on the Statement of Net Position in the government-wide financial statements. The lease liability is reduced as payments are made and recognize an outflow of resources for the interest on the liability while the right to use the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Any remeasurement of the lease liability requires a corresponding change in the right to use the lease asset. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset, with any difference being recognized as a gain or loss.

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

LACMTA determines the discount rate it uses to discount the expected lease payments to the present value. LACMTA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, LACMTA uses its estimated incremental borrowing rate as the discount rate for leases. The future lease payments expected to be made are discounted using an implied rate of 2.31% given an average lease term of 5 to 7 years. The lease terms and lease payments used are those that are stated in the executed agreements. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the LACMTA is reasonably certain to exercise.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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

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

Comparative Financial Data

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

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

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

4. Intergovernmental Transactions

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

5. Operating Transfers

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

6. Leases

LACMTA, as a lessee, has entered into a lease agreement involving office space/building. In fiscal year 2023, principal and interest payments of \$1,571 and \$18, respectively, represent the total amount of periodic lease payments per executed contract, which matured in June 2023. Also, effective July 1, 2022, a remeasurement of the present value of lease liability and an adjustment to related right-to-use lease asset were affected due to the change in borrowing rate from .677% to 2.31%.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2023

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

The Measure R fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of \$478,973 primarily due to the one-time reimbursement of capital expenditures from the ARPA Capital Infrastructure Grant (CIF), and the transfers in from other local funds. The forgoing factors contributed to the increase in fund balance in Measure R from \$523,194 to \$1,002,167.

8. Audited Financial Statements

The audited financial statements for the Measure R Special Revenue Fund for the fiscal year ended June 30, 2023, are included in LACMTA's Audited Annual Comprehensive Financial Report (ACFR).

9. Contingent Liabilities

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

10. Subsequent Events

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

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the fiscal year ended June 30, 2023
(Amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales tax	\$ 1,031,800	\$ 1,031,800	\$ 1,110,713	\$ 78,913
Intergovernmental	175,463	175,463	81,047	(94,416)
Investment income	-	-	18,857	18,857
Net decline in fair value of investments	-	-	(6,994)	(6,994)
Total revenues	1,207,263	1,207,263	1,203,623	(3,640)
Expenditures				
Administration and other	546,503	553,173	277,352	275,821
Transportation subsidies	612,697	605,640	423,951	181,689
Debt and interest expenditures				
Principal	-	-	1,571	(1,571)
Interest and fiscal charges	-	-	18	(18)
Total expenditures	1,159,200	1,158,813	702,892	455,921
Excess of revenues over expenditures	48,063	48,450	500,731	452,281
Other financing sources (uses)				
Transfers in	428,369	428,369	353,110	(75,259)
Transfers out	(689,978)	(689,978)	(374,868)	315,110
Total other financing sources (uses)	(261,609)	(261,609)	(21,758)	239,851
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (213,546)	\$ (213,159)	\$ 478,973	\$ 692,132



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2023, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

BCA Watson Rice, LLP

Torrance, California
November 28, 2023



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

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

Report on Compliance

Opinion on Measure R Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the *Traffic Relief and Rail Expansion Ordinance No. 08-01* (the Ordinance) applicable to LACMTA’s Measure R revenues and expenditures for the fiscal year ended June 30, 2023.

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

BCA Watson Rice, LLP

Torrance, California
November 28, 2023

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2023

None noted.

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

None noted.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-007. Our opinion is not modified with respect to these matters.



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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-003, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-004 and #2022-005, that we consider to be significant deficiencies.

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

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



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

Vaughan & Company LLP

**Glendale, California
December 30, 2022**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2022**

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2022**

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

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Bell (See Finding #2022-001)	\$ 134,979	\$ 134,979
		Calabasas (See Finding #2022-003)	156,347	156,347
		Compton (See Finding #2022-004)	605,793	605,793
		Montebello (See Finding #2022-005)	170,195	170,195
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	3	Bell Gardens (See Finding #2022-002)	None	None
		South Gate (See Finding #2022-006)	None	None
		Vernon (See Finding #2022-007)	None	None
Total Findings and Questioned Costs	7		\$ 1,067,314	\$ 1,067,314

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022**

Finding #2022-001	City of Bell
Compliance Reference	<p>Section B(II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Guidelines states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year.”</p> <p>“Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.”</p>
Condition	<p>The City claimed expenditures under MRLRF Project Code 170, Maintenance and Operations, totaling \$134,979 prior to approval by Metro.</p> <p>Although, we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.</p>
Cause	Due to staffing constraints, the budget request was not properly allocated and reviewed when it was submitted online.
Effect	The City claimed expenditures totaling \$134,979 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management’s Response	The \$134,979 request was submitted on time, but due to staffing shortage, there was an oversight, and it was not properly allocated/broken down between the Administration and Operating Costs.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval for the said project on September 21, 2022. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-002	City of Bell Gardens
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of Measure R Local Return Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1 st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1 st of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003	City of Calabasas
Compliance Reference	<p>Section B(II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Guidelines states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year.”</p> <p>“Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.”</p>
Condition	<p>The City claimed expenditures under MRLRF with no prior approval from Metro for the following projects:</p> <ul style="list-style-type: none"> a. MRLRF Project code 110, Public Transit Fueling project, totaling \$9,968; b. MRLRF Project code 110, Flexible Route Shuttle project, totaling \$26,171; c. MRLRF Project code 110, Old Town Calabasas/Commons Trolley project, totaling \$6,448; d. MRLRF Project code 110, JARC Grant Local Match Funding project, totaling \$20,814; e. MRLRF Project code 130, Dial-A-Ride project, totaling \$27,699; f. MRLRF Project code 140, Summer Beach Bus project, totaling \$413; g. MRLRF Project code 180, Vehicle and Misc. Equipment project, totaling \$5,171; and h. MRLRF Project code 630, Direct Administration project, totaling \$59,663. <p>Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior years’ audits.</p>

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003 (Continued)	City of Calabasas
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed expenditures totaling \$156,347 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects.
Management's Response	The City agrees with the findings and will continue to work diligently to establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on November 18, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2022
 (Continued)**

Finding #2022-004	City of Compton
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year.</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	<p>The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under MRLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of \$605,793 were not included in the Budget Request or "8/1" Table.</p> <p>This is a repeat finding from prior year's audit in relation to the MRLRF's prior period adjustment to recognize the FY2020/21 debt service payment of \$207,117.</p>
Cause	<p>The City had received approval for the bond issuance from Metro, but was not aware that separate approvals were required for underlying annual project expenditures including debt service payments through the Budget Request or "8/1" Table.</p>
Effect	<p>The City claimed debt service payments totaling \$605,793 prior to approval by Metro. The City did not comply with the Local Return Guidelines.</p>

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2022
 (Continued)**

Finding #2022-004 (Continued)	City of Compton
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said project on December 1, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said project. No additional follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-005	City of Montebello
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One) or its electronic equivalent, annually, by August 1st of each year.</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects prior to approval by Metro:</p> <ul style="list-style-type: none"> a. Project code 490, Sales Tax Revenue Bonds, totaling \$1,605; and b. Project code 630, Administrative Overhead, totaling \$168,590. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior year's audit.</p>
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.
Effect	The City claimed expenditures totaling \$170,195 prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-005 (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on July 5, 2022 and August 18, 2022.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said projects. No additional follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-006	City of South Gate
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1 st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-007	City of Vernon
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year".</p> <p>"Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	The City submitted its Expenditure Plan (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Expenditure Plan (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	Management will ensure that the Expenditure Plan (8/1 Table) is submitted in a timely manner by the due date of August 1.
Finding Corrected During the Audit	The City subsequently submitted the Expenditure Plan (8/1 Table). No follow up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023**

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the aforementioned Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 through #2023-003. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-001 to be a material weakness.

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

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



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

Vasquez & Company LLP

**Glendale, California
December 29, 2023**

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2023**

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023**

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

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	1	South Gate (See Finding #2023-003)	\$ 341,654	\$ 341,654
Annual Expenditure Report (Actuals Entry) or electronic equivalent was submitted on time.	1	Lynwood (See Finding #2023-002)	None	None
Accounting procedures, record keeping and documentation are adequate.	1	Huntington Park (See Finding #2023-001)	None	None
Total Findings and Questioned Costs	3		\$ 341,654	\$ 341,654

Details of the above findings are in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023

Finding #2023-001	City of Huntington Park
Compliance Reference	Measure R Local Return Guidelines Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<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"> • Reconciliation of major balance sheet accounts including bank accounts was not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. <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>
Cause	During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.
Recommendation	We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-001 (Continued)	City of Huntington Park
Management's Response	The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-002	City of Lynwood
Compliance Reference	Section B(II)(2) Annual Expenditure Report (Actuals Entry) of the Measure R Local Return Guidelines states that "Jurisdiction shall submit an Annual Expenditure Report (Actuals Entry) to Metro annually, by October 15 th . The Expenditure Report serves to notify Metro of the previous year's LR fund receipts and expenditures. Jurisdictions are required to specify administration charges to Direct Administration in order to verify compliance with the 20% cap on administration costs.
Condition	The City submitted its Annual Expenditure Report (Actuals Entry) on October 23, 2023, 8 days after the due date of October 15, 2023.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Expenditure Report (Actuals Entry) is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Measure R Actuals Entry is submitted in a timely manner by October 15 th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Annual Expenditure Report (Actuals Entry). No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-003	City of South Gate
Compliance Reference	<p>Section B (II)(1) Expenditure Plan (8/1 Table) of the Measure R Local Return Program Guidelines states that “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year.”</p> <p>“Expenditure Plan (8/1 Table) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.”</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project code 390, Citywide LED Street Light Conversion, totaling \$20,150; and b. Project code 730, Alameda St. Complete Street, totaling \$321,504. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The projects were inadvertently not included.
Effect	The City claimed expenditures totaling \$341,654 prior to approval from Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.
Management’s Response	The City submitted a Budget Request to the Metro Program Manager and obtained retroactive approval of the said projects on October 17, 2023.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on October 18, 2023. No additional follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurance and Understanding Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-011. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-006 to be a material weakness.

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

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



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

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

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

Los Angeles, California
December 30, 2022

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2022**

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2022

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2022**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 11 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Claremont (#2022-004) Redondo Beach (#2022-011)	\$ 28,969 175,000	\$ 28,969 175,000
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Artesia (#2022-001) Glendale (#2022-007)	None None	None None
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	6	Artesia (#2022-002) Bradbury (#2022-003) Covina (#2022-005) La Habra Heights (#2022-008) Palmdale (#2022-009) Pasadena (#2022-010)	None None None None None None	None None None None None None
Accounting procedures, record keeping, and documentation are adequate.	1	Downey (#2022-006)	12,066	-
Total Findings and Questioned Costs	11		\$ 216,035	\$ 203,969

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022**

Finding #2022-001	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II. 1), Expenditure Plan (Form One): "Jurisdictions shall submit to Metro an Expenditure Plan, annually, on or before August 1 st of each fiscal year."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Expenditure Plan in the LRMS. However, the City updated the information in the LRMS on August 9, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City is in compliant with Metro's Guidelines.
Management's Response	In the future, management will ensure the Expenditure Plan is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 9, 2021. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-002	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on December 2, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 2, 2022. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-003	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	<p>The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 4, 2022.</p> <p>This is a repeat finding from fiscal year 2021.</p>
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a staff turnover during fiscal year 2022 and the new management team was unaware of compliance requirements of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 4, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-004	City of Claremont
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF's Project Code 820, Street Accessibility Improvements, in the amount of \$28,969 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$488,000 from Metro for the MRLRF project on November 21, 2022.
Cause	The City believed the FY2020/21 approved budget would carry over for FY2021/22.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	Going forward, the City will review the MRLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro granted retroactive budget approval for the project on November 21, 2022. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-005	City of Covina
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report to Metro by entering the expenditures in the LRMS. The City subsequently reported the MRLRF expenditures in the LRMS on October 20, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Report is properly prepared and submitted before the due date of October 15th by reporting the annual expenditures in the LRMS so that the City's expenditures of the MRLRF will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City's Finance and Public Works departments will work together to ensure that the Expenditure Report will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently reported the annual expenditures on October 20, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2022
 (Continued)**

Finding #2022-006	City of Downey
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, the LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state, “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-006 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 630 in the amount of \$12,066 were based on estimated percentages on MRLRF activity rather than the employee's actual hours worked on the project. Although the City provided a time study listing of the employees charged to MRLRF, the salaries and benefits were based on estimated percentages. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2021-22.</p> <p>This is a repeat finding from the prior six fiscal years.</p>
Cause	The City allocates the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations have been used in prior fiscal years.
Effect	The payroll costs claimed under the MRLRF projects may include expenditures which may be disallowed Measure R project expenditures. This resulted in a questioned cost of \$12,066.
Recommendation	We recommend that the City reimburse its MRLRF account for \$12,066. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the program.
Management's Response	<p>As a resolution to prior years' findings, the City indicated in April 2022 that its corrective action plan was to have an outside consultant (Revenue and Cost Specialists) who was hired during fiscal year 2021-22 to prepare an updated CAP and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23. Although the CAP was for fiscal year 2022-23, the City, in a good faith effort, ensure that the payroll and benefits charges allocated to MRLRF in fiscal year 2021-22 were within the amounts allowed by the new CAP.</p> <p>All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the payroll expenditures based on the new cost study.</p>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-006 (Continued)	City of Downey
Auditor's Additional Comment	The City represented to the Auditor that the City will reimburse MRLRF for the questioned cost of \$12,066 from General Fund during fiscal year 2022-23.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-007	City of Glendale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II. 1), Expenditure Plan (Form One): "Jurisdictions shall submit to Metro an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2021 deadline for submitting the Expenditure Plan in the LRMS. However, the City updated the information in the LRMS on August 10, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City is in compliant with Metro's Guidelines.
Management's Response	In the future, management will ensure the Expenditure Plan is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 10, 2021. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

Finding #2022-008	City of La Habra Heights
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	In the future management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 19, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-009	City of Palmdale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-010	City of Pasadena
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)

Finding #2022-011	City of Redondo Beach
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF’s Project Code 725, Citywide Curb Ramp Improvements, in the amount of \$175,000 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$175,000 from Metro for the MRLRF project on October 14, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that the City obtains approval from Metro prior to implementing any MRLRF projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of MRLRF funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MRLRF projects.
Corrected During the Audit	On October 14, 2022, the City received a retroactive approved budget amount of \$175,000 from Metro for the MRLRF project. No follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2023**

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2023 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-001 through #2023-011. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-005, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-003 and #2023-008, that we consider to be significant deficiencies.

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



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

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

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

Los Angeles, California
December 29, 2023

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2023

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

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2023

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2023**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 11 findings. The table below summarizes those findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Arcadia (#2023-001) Artesia (#2023-002) South Pasadena (#2023-011)	\$ 70,066 15,176 15,187	\$ 70,066 15,176 15,187
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	1	Bradbury (#2023-004)	None	None
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	5	Artesia (#2023-003) Bradbury (#2023-005) La Habra Heights (#2023-008) Palos Verdes Estates (#2023-009) Rolling Hills (#2023-010)	None None None None None	None None None None None
Accounting procedures, record keeping, and documentation are adequate	2	Cerritos (#2023-006) Glendora (#2023-007)	None None	None None
Total Findings and Questioned Costs	11		\$ 100,429	\$ 100,429

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023**

Finding #2023-001	City of Arcadia
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for MRLRF's Project Code 820, Baldwin Avenue Streetscape Improvement Street, in the amount of \$70,066 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$1,600,000 from Metro for the said MRLRF project on November 30, 2023.
Cause	The finding was due to staff turnover among those responsible for submitting the budgets to Metro.
Effect	The City did not comply with the Measure R Local Return Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Measure R Local Return Guidelines.
Management’s Response	The finding was due to staff turnover among those responsible for submitting the budgets. Staff have since then addressed this matter with Metro. Metro has retroactively accepted this project.
Corrected During the Audit	Metro granted retroactive budget approval for the project on November 30, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-002	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures prior to receiving approval from Metro for MRLRF Project Code 705, ATP Cycle 3, in the amount of \$15,176. However, the City subsequently received an approved budget in the amount of \$15,176 from Metro for the MRLRF project on December 18, 2023.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that it obtains approval from Metro prior to implementing any Measure R Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-003	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on December 18, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight on the part of the City due to understaffed.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form Two is entered into the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure Form Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-004	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Plan (Form One), "To maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit to Metro an Expenditure Plan (Form One) annually, by August 1st of each year.
Condition	The City did not meet the August 1, 2022 deadline for submitting Form One in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form One is submitted in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure R Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form One before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-005	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. This is a repeat finding from fiscal years 2021 and 2022.
Cause	It was due to the change in personnel in the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two is entered in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure R Local Return Guidelines.
Management's Response	The City accepts the finding and has established calendar notifications to remind the finance department to submit Form Two before the due date.
Corrected During the Audit	The City subsequently submitted the required information in the LRMS on November 14, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-006	City of Cerritos
Compliance Reference	According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”
Condition	To support the propriety of expenditures charged to the Measure R Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. Although a payment to the vendor, Built Rite Fence Company that was charged to MRLRF's Street Repair and Maintenance Project Code 705 in the amount of \$7,616, was allowable and was properly supported by an invoice and cancelled check, the expenditure was not supported by a formal contract, purchase order, or an approval/resolution from the City Council, as mandated by the City’s Purchasing and Contracting Policy.
Cause	This oversight occurred as the City approved the invoice through its accounting system as a check request, bypassing the essential procurement protocols like a contract, purchase order, or City Council approval.
Effect	The absence of a purchase order, contract, or City Council approval as required by the City’s Purchasing and Contracting Policy highlights a deficiency in the City’s internal control.
Recommendation	We recommend that the City implement more stringent controls and review processes to ensure that all expenditures are processed in compliance with the City’s Purchasing and Contracting Policy so that all Local Return Fund expenditures are also fully compliant with the Guidelines.
Management’s Response	The City has an adopted purchase policy that applies to all purchases. The City staff will continue to utilize the policy in order to determine the appropriate procedure for managing purchases.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-007	City of Glendora
Compliance Reference	<p>The Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”</p>
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"> a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 <p>Normally, both the employee and their supervisor are required to sign these forms. However, in special circumstances, such as when employees are on sick leave due to a work injury, on unpaid leave, or receiving salary continuation due to an industrial injury, the City Manager’s signature is also necessary.</p> <p>During our review, we noted that in the following scenarios, only the supervisors’ signatures were present, and the City Manager’s signature was absent:</p> <ul style="list-style-type: none"> a) Employees on sick leave due to work injury b) Employees on unpaid leave c) Employees receiving salary continuation due to industrial injury <p>Of the eleven (11) payroll transactions tested, charges for seven (7) transactions were allocated to the MRLRF despite the absence of the required authorization documentation from the City management, particularly in special circumstances cases. However, since these charges are allowable and eligible expenses for the local return funds, they will not be questioned.</p> <p>Furthermore, we noted salary discrepancies amounting to \$94 in three (3) out of eleven (11) payroll transactions tested. The differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees’ hourly rates.</p> <p>However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return funds, these discrepancies will not be questioned.</p>

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-007 (Continued)	City of Glendora
Cause	<p>In regard to the City Manager’s approval of the employees’ salaries, who were paid under special circumstances, the Finance department does not have access to the workman’s compensation files. Due to the holiday vacations and vacancies in the Human Resources (HR) department, the necessary information requested was not provided to the auditor.</p> <p>Regarding salary discrepancies, upon reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to MRLRF resulting in an under allocation of salaries to the local return funds.</p>
Effect	<p>The payroll costs claimed under the local return funds projects for employees paid under special circumstances without City management approvals may include expenditures that could be disallowed to the local return funds.</p> <p>Also, payroll discrepancies resulting from improper timecard management and limited HR data access, can lead to misallocation to the local return funds.</p>
Recommendation	<p>We recommend that the City strengthen its controls to ensure that the necessary approvals are obtained for salaries paid under special circumstances, including sick pay for work injuries, unpaid leave, and salary continuation for industrial injuries. Also, we recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund’s projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.</p>
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.</p> <p>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>

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-008	City of La Habra Heights
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023. This is a repeat finding from fiscal year 2022.
Cause	This was an oversight by the City due to the recent turnover among administrative staff and management.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Measure R Local Return Guidelines.
Management's Response	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 20, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-009	City of Palos Verdes Estates
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on December 1, 2023.
Cause	This was an oversight by the City due to administrative staff and management turnover for not submitting the Annual Expenditure Report by the due date.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Form Two is entered in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines.
Management's Response	The City is understaffed due to employee turnover. In the future, management will ensure Form Two is submitted before the deadline.
Corrected During the Audit	The City subsequently entered Form Two in the LRMS on December 1, 2023. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

Finding #2023-010	City of Rolling Hills
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that Form Two is entered in the LRMS before the due date so that the City is in compliance with the Measure R Local Return Guidelines.
Management's Response	The City acknowledges the oversight and will ensure to submit the Form Two on or before October 15th.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 31, 2023. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)

Finding #2023-011	City of South Pasadena
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	<p>The expenditures for the following MRLRF projects were incurred prior to Metro’s approval:</p> <ul style="list-style-type: none"> a. Planning, Engineering for Transit Services Project Code 180, in the amount of \$380. b. Planning, Engineering for Traffic Control Project Code 380, in the amount of \$7,593. c. Planning, Engineering for Transportation Marketing Project Code 580 in the amount of \$569. d. Planning, Engineering for Streets and Roads Project Code 780 in the amount of \$2,848. e. Planning, Engineering for Active Transportation Project Code 880 in the amount of \$3,797. <p>However, the City subsequently received approved budgets in the total amount of \$15,187 from Metro on December 4, 2023 for the same amounts of the expenditures incurred on all of the projects listed above.</p>
Cause	This finding occurred due to a misunderstanding of the coding system. The team was under the impression that the newly hired staff’s time can only be used as administrative expenditures, leading to the misallocation of the expenses.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City is taking immediate steps to rectify the situation, including re-training the City staff on the coding system and reviewing all recent transactions to ensure that they are properly coded. The City also is implementing additional checks and balances to prevent similar issues in the future.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 4, 2023. No follow-up is required.

FISCAL YEARS 2022 AND 2023
MEASURE R
REVENUES AND EXPENDITURES AUDIT
WITH
INTERNAL CONTROLS AND COMPLIANCE REPORT

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

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

MARCH 7, 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 Schedule of Measure R Revenues and Expenditures
 - Design, implementation and maintenance of internal control – free from material misstatement, whether due to fraud or error.
- Auditor's Responsibilities:
 - Express an opinion on the fair presentation on the Schedule of Measure R Revenues and Expenditures based on our audit.
 - Express an opinion on compliance with the *Traffic Relief and Rail Expansion Ordinance 08-01* (Measure R Ordinance).

Summary of Audit Results

- Schedule of Measure R 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 *Traffic Relief and Rail Expansion Ordinance 08-01 (Measure R Ordinance)*

FY 2022 Financial Highlights

- Sales tax revenue increased by \$178.1 million compared to prior year (19.6% change from prior year). The increase was mainly due to an increase in consumer spending during FY 2021-2022.
- Actual expenditures increased by \$201.2 million compared to prior year (44.3% change from prior year) due primarily to increased spending in administration and capital projects by \$136.4 million; increase in local return subsidies allocation by \$63.4 million; and recognition of principal and interest payments of \$1.4 million related to lease transactions as the result of the implementation of Government Accounting Standards Board Statement No. 87- Leases (GASB 87).
- Transfers out decreased by \$295.8 million compared to prior year (-51.6% change from prior year). Decrease was mainly attributed to lesser transfer to other funds for capital projects since part of the capital projects were funded by COVID-19 grants received in FY 2021-22.
- Actual sales tax revenue was more than budgeted by \$226.2 million.
- Actual expenditures were less than budgeted by \$142.1 million mainly due to actual amounts for professional and technical services for capital projects coming in less than the budgeted amount.
- Actual transfers out were less than budgeted by \$418.0 million mainly due to actual local operating subsidies being lower than budgeted amount.
- Measure R fund at June 30, 2022 had an excess of revenues over expenditures and other financing uses of \$246.2 million, increasing Measure R fund balance from \$277.0 million to \$523.2 million at June 30, 2022.

FY 2023 Financial Highlights

- Sales tax revenue increased by \$19.6 million compared to prior year (1.8% change from prior year). The increase was mainly due to an increase in consumer spending during FY 2022-2023.
- Actual expenditures increased by \$47.3 million compared to prior year (7.2% change from prior year) due primarily to an increase in spending in administration by \$27.5 million and an increase in local return subsidies allocation by \$19.6 million.
- Transfers-in increased by \$327.2 million from the previous year (1,263.8% change), primarily as a result of reimbursements for capital project expenses from the American Rescue Plan Act (ARPA) Capital Infrastructure Grant, which was received in fiscal year 2023.
- Transfers-out increased by \$97.3 million compared to prior year (35% change from prior year). Increase was mainly attributed to higher transfers to other funds for capital projects.
- Actual sales tax revenue was more than budgeted by \$78.9 million.
- Actual expenditures were less than budgeted by \$455.9 million mainly due to actual amounts for professional and technical services for capital projects and transportation subsidies coming in less than the budgeted amount.
- Actual transfers in were less than budgeted by \$75.3 mainly due to the actual amount received from other funds being less than the anticipated amount.
- Actual transfers out were less than budgeted by \$315.1 million mainly due to actual local operating subsidies being lower than the budgeted amount.
- Measure R fund at June 30, 2023 had an excess of revenues over expenditures and other financing uses of \$478.9 million, increasing Measure R fund balance from \$523.2 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 Schedule of Measure R 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
 - In FY 2022 implemented GASB 87 – Leases
- 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 Schedule of Measure R Revenues and Expenditures or the auditor's report.
 - No such disagreements occurred.
- Management representation
 - We requested certain representations from management which are included in the management representation letter.

2022 and 2023 Management Letter Comments

There are no management letter comments.

Audited Financial Statements for Measure R Special Revenue Fund

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

BCA Watson Rice LLP

Audit Engagement Team

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

QUESTIONS AND ANSWERS

**Measure R Local Return Fund Audit Results
For the Fiscal Years Ended June 30, 2022 and 2023
(Package B)**

Simpson & Simpson, LLP



Measure R Independent Taxpayers Oversight Committee Meeting
Date: March 6, 2024

Agenda

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



Background



Simpson and Simpson, LLP

- We have audited the compliance of the following 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 GLENORA | 46. CITY OF TEMPLE CITY |
| 17. CITY OF HAWAIIAN GARDENS | 47. CITY OF TORRANCE |
| 18. CITY OF HERMOSA BEACH | 48. CITY OF WEST COVINA |
| 19. CITY OF LA CANADA FLINTRIDGE | 49. CITY OF WHITTIER |
| 20. CITY OF LA HABRA HEIGHTS | |
| 21. CITY OF LA MIRADA | |
| 22. CITY OF LA VERNE | |
| 23. CITY OF LAKEWOOD | |
| 24. CITY OF LANCASTER | |
| 25. CITY OF LOMITA | |
| 26. CITY OF LONG BEACH | |
| 27. CITY OF LOS ANGELES | |
| 28. CITY OF MANHATTAN BEACH | |
| 29. CITY OF MONROVIA | |
| 30. CITY OF NORWALK | |



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 the Measure R Ordinance, the Measure R Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds.



Summary of Audit Results – Findings and Questioned Costs



Summary of Audit Results

- ❖ Audits were performed for all 49 jurisdictions in both FY2022 and FY2023:
 - Total dollar amounts associated with the findings are as follows:
 - In FY2022: Increased from \$71,344 in FY2021 to \$216,035 in FY2022
 - In FY2023: Decreased from \$216,035 in FY2022 to \$100,429 in FY2023



FY2022 Summary of Audit Results

FY2022:

- Total questioned costs of \$216,035, which is approximately 0.2% of the FY2022 Measure R allocations of \$113,989,129 provided to jurisdictions under Package B.
- Of the total questioned cost of \$216,035, \$203,969 was resolved during the audits.

Types of Questioned Costs:

- \$203,969 of the questioned costs related to funds expended on Measure R eligible projects prior to approval from Metro. These were resolved during the audits.
- \$12,066 of the questioned cost related to expenditures incurred without adequate evidence to substantiate the costs.
- We identified 11 non-compliance findings, which included the following:
 - 1 material weakness (City of Downey)
 - 1 significant deficiency (City of Bradbury)

Note: Further details regarding the specific conditions related to the material weaknesses and the significant deficiencies in internal control over Compliance for FY2023 and FY2022 will be provided as each finding is presented.



FY2022 Summary of Audit Results

FY2022 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Claremont (#2022-004) Redondo Beach (#2022-011)	\$ 28,969 175,000	\$ 28,969 175,000
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Artesia (#2022-001) Glendale (#2022-007)	None None	None None



FY2022 Summary of Audit Results (Cont.)

FY2022 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	6	Artesia (#2022-002) Bradbury (#2022-003) Covina (#2022-005) La Habra Heights (#2022-008) Palmdale (#2022-009) Pasadena (#2022-010)	None None None None None None	None None None None None None
Accounting procedures, record keeping, and documentation are adequate.	1	Downey (#2022-006)	12,066	-
Total FY2022 Findings and Questioned Cost	11		\$ 216,035	\$ 203,969



FY2022 Material Weakness and Significant Deficiency In Internal Controls over Compliance

➤ **One (1) material weakness:**

City of Downey (Finding #2022-006):

Funds were expended without adequate evidence to substantiate the costs.

- Salaries and benefits charged to Public Works Executive Management Salary Project Code 630 in the amount of \$12,066 were based on an estimate of a percentage of time spent on MRLRF activity rather than the employee's actual working hours spent on the project. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2021-22.
- This is a repeat finding from the prior six fiscal years.



FY2022 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ One (1) material weakness:

City of Downey (Finding #2022-006) (Continued):

- As a resolution to prior years' findings, the City hired an outside consultant (Revenue and Cost Specialists) to prepare an updated Cost Allocation Plan (CAP) and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23.
- All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the payroll expenditures based on the new cost study.
- The City represented that they will reimburse MRLRF for the questioned cost of \$12,066 from General Fund during fiscal year 2022-23.



FY2022 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ **One (1) significant deficiency:**

City of Bradbury (Finding #2022-003):

- The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS).
- This is a repeat finding from the prior fiscal year 2021.
- The City had a staff turnover during fiscal year 2022 and the new management team was unaware of compliance requirements of Local Return Funds.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on November 4, 2022. No follow-up is required.



FY2023 Summary of Audit Results

FY2023:

- Total questioned costs of \$100,429, which is approximately 0.1% of the FY2023 Measure R allocations of \$116,685,176 provided to jurisdictions under Package B.
- \$100,429 of the questioned cost relates to funds expended on Measure R eligible projects prior to approval from Metro. However, all questioned costs were resolved during the audits.
- We identified 11 non-compliance findings, which included the following:
 - 1 material weakness (City of Bradbury)
 - 2 significant deficiencies (City of Artesia and City of La Habra Heights)



FY2023 Summary of Audit Results

2023 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Arcadia (#2023-001) Artesia (#2023-002) South Pasadena (#2023-011)	\$ 70,066 15,176 15,187	\$ 70,066 15,176 15,187
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	1	Bradbury (#2023-004)	None	None



FY2023 Summary of Audit Results (Cont.)

FY2023 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	5	Artesia (#2023-003) Bradbury (#2023-005) La Habra Heights (#2023-008) Palos Verdes Estates (#2023-009) Rolling Hills (#2023-010)	None None None None None	None None None None None
Accounting procedures, record keeping, and documentation are adequate.	2	Cerritos (#2023-006) Glendora (#2023-007)	None None	None None
Total FY2023 Findings and Questioned Cost	11		\$ 100,429	\$ 100,429



FY2023 Material Weakness and Significant Deficiencies In Internal Controls over Compliance

➤ One (1) material weakness:

City of Bradbury (Finding #2023-005):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form Two) in the Local Return Management System (LRMS).
- The finding was due to personnel change in the City's finance department.
- This is a repeat finding from 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.



FY2023 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ **Two (2) significant deficiencies:**

City of Artesia (Finding #2023-003):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report 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.



FY2023 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ Two (2) significant deficiencies (continued):

City of La Habra Heights (#2023-008):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form Two) in the Local Return Management System (LRMS).
- The City experienced turnover among 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 20, 2023. No follow-up is required.

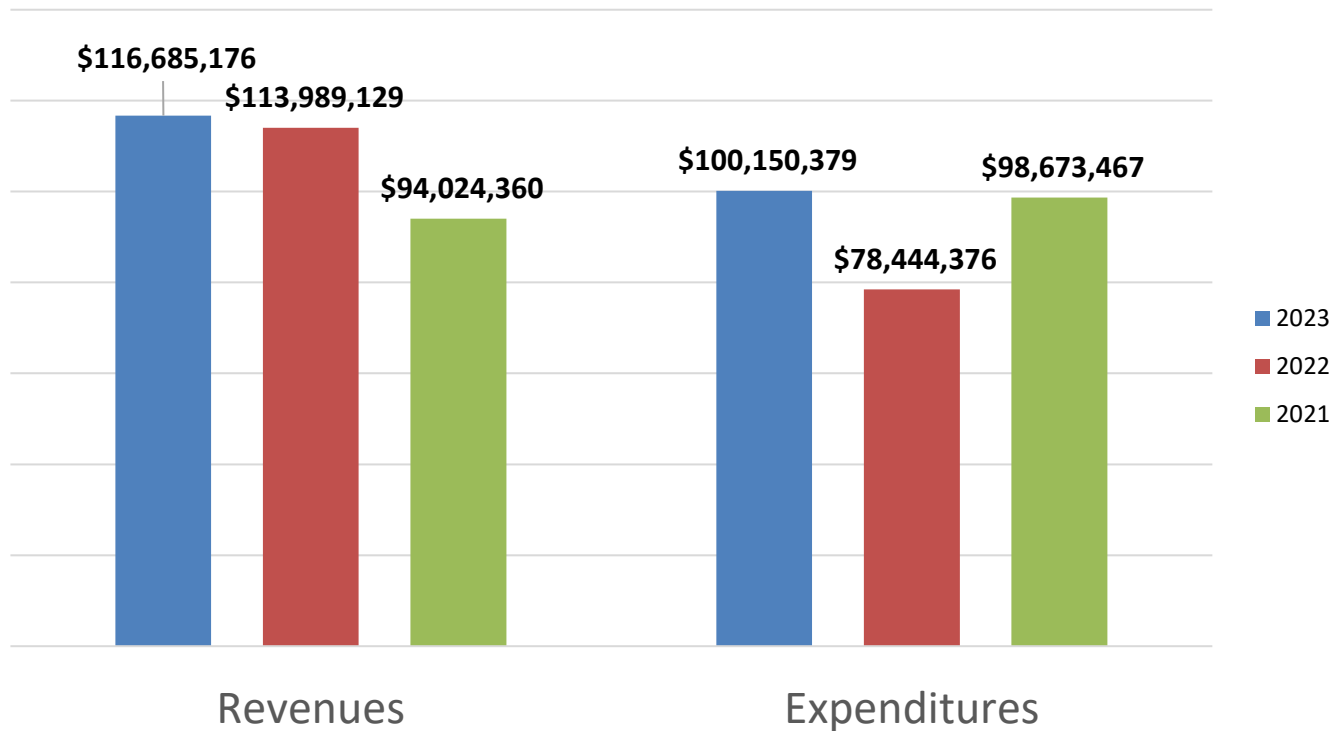


Analysis of Measure R Audit Results (FY2022 and FY2023)



Revenue and Expenditures of 49 Jurisdictions

FY 2023, FY 2022 & FY2021
Revenues and Expenditures



S&S Contact information

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Questions





Metro[®]

**PRESENTATION TO THE MEASURE R
INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
AUDIT RESULTS OF MEASURE R LOCAL RETURN FUNDS
Package A**

March 7, 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 in Internal Control over Compliance
- Required Communications to the Measure R Independent Taxpayers Oversight Committee
- Q&A
- Contact Information

SCOPE OF THE AUDITS

/ SCOPE OF THE AUDITS

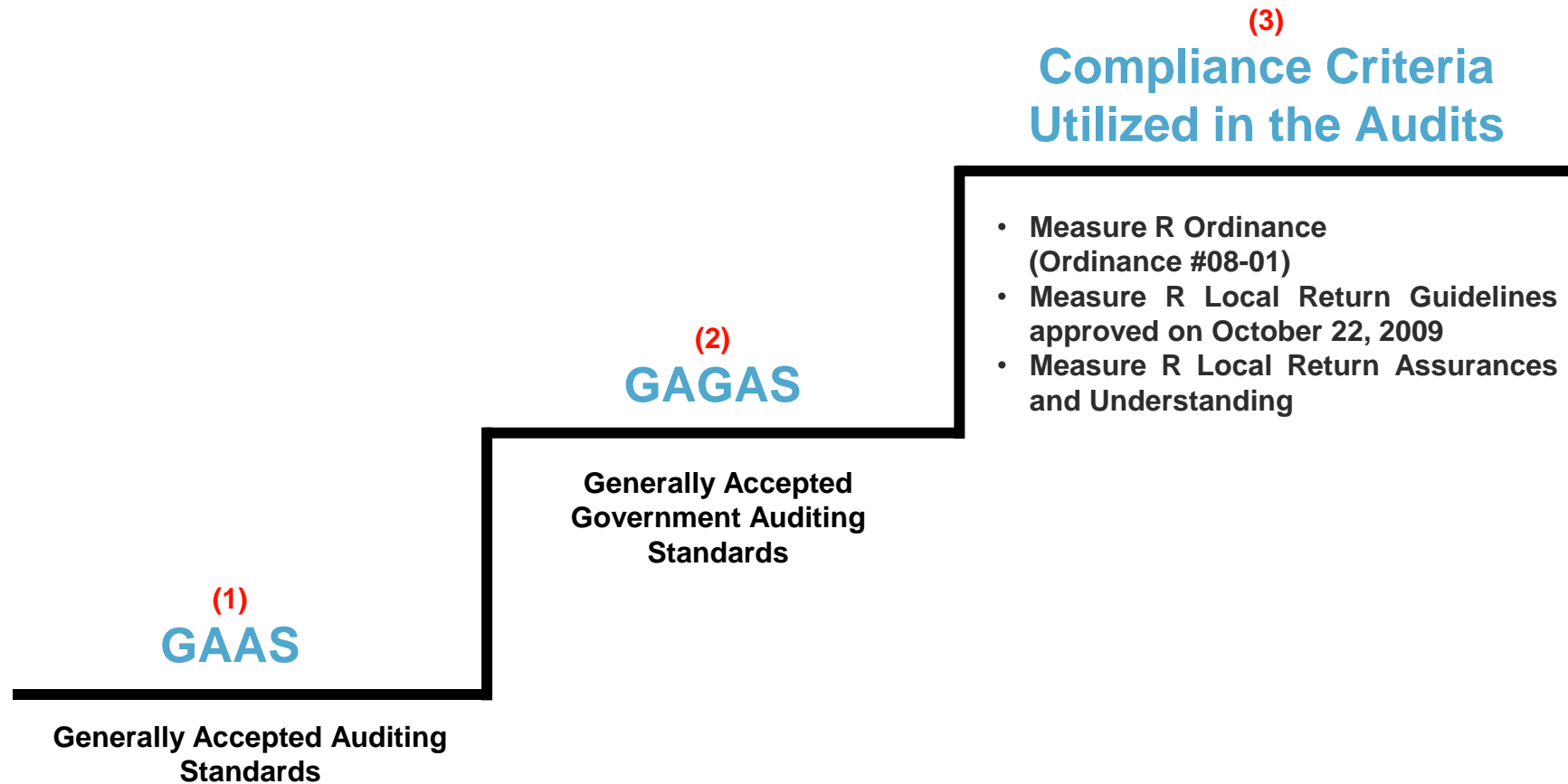
Financial and Compliance Audits of Measure R Local Return Funds held by the County of Los Angeles and 39 Cities under Package A

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

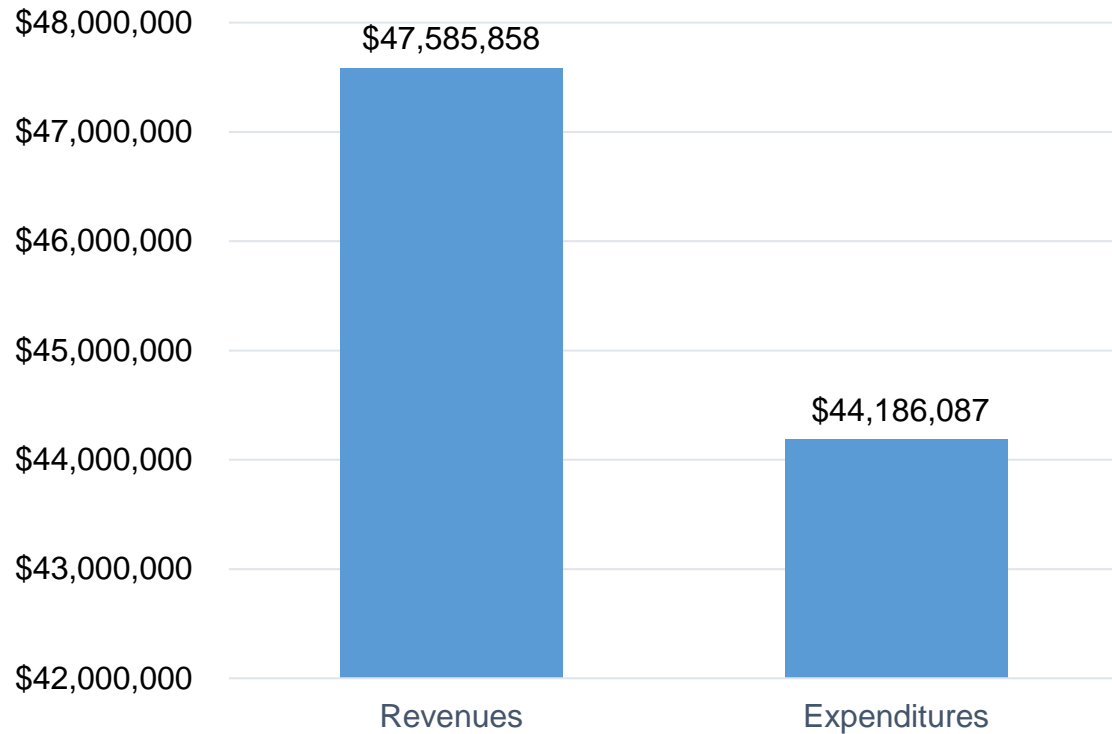
/ LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



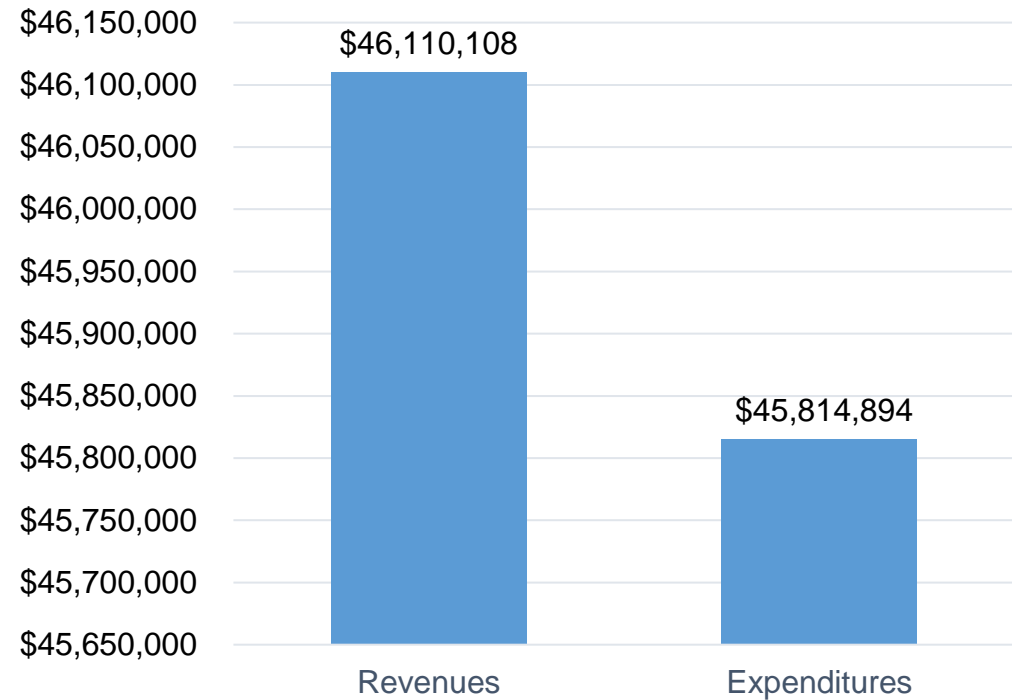
REVENUE AND EXPENDITURES OF THE COUNTY OF LOS ANGELES AND 39 CITIES

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

FY 2023 Revenues and Expenditures



FY 2022 Revenues and Expenditures



OVERVIEW OF THE AUDIT RESULTS

/ OVERVIEW OF THE FY2022 AUDIT RESULTS

FY 2022 Summary of Audit Results

- Dollars associated with the findings have increased from \$58,090 in FY2021 to \$1,067,314 in FY2022 audit.
- This represents about 2% of the total Measure R FY2022 allocations of \$46,110,108 to the County of Los Angeles and 39 cities under Package A.

Questioned Costs

- The questioned cost of \$1,067,314 relates to Measure R funds expended on eligible projects prior to Metro's approval.

All of these were resolved during the audit.

/ OVERVIEW OF THE FY2023 AUDIT RESULTS

FY 2023 Summary of Audit Results

- Dollars associated with the findings have decreased from \$1,067,314 in FY2022 to \$341,654 in FY2023 audit.
- This represents about 0.72% of the total Measure R FY2023 allocations of \$47,585,858 to the County of Los Angeles and 39 cities under Package A.

Questioned Costs

- The questioned cost of \$341,654 relates to Measure R funds expended on eligible projects prior to Metro's approval.

All of these were resolved during the audit.

DETAILS OF FY2022 AUDIT RESULTS

/ DETAILS OF AUDIT RESULTS

Our findings are as follows:

A. Funds were expended prior to Metro’s approval.

- Compliance Reference: Section B(II) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year”.
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2022:

	Total Expenditures Claimed for 2022	Questioned	Resolved During the Audit	Report Reference
1. Bell	\$ 361,021	\$ 134,979	\$ 134,979	Finding #2022-001, Page 8
2. Calabasas	357,979	156,347	156,347	Finding #2022-003, Page 10
3. Compton	891,118	605,793	605,793	Finding #2022-004, Page 12
4. Montebello	1,815,834	170,195	170,195	Finding #2022-005, Page 14
	\$ 3,425,952	\$ 1,067,314	\$ 1,067,314	

/ DETAILS OF AUDIT RESULTS

B. Expenditure Plan (Form One or electronic equivalent was not submitted timely.)

- Compliance Reference: Section B(II)(1) (8/1 Table) of Measure R Local Return Guidelines state that, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year”.
- Number of cities involved: 3 of 39 cities
 - **City of Bell Gardens (Finding #2022-002, Page 9 of the report)**
 - **City of South Gate (Finding #2022-006, Page 16 of the report)**
 - **City of Vernon (Finding #2022-007, Page 17 of the report)**
- Questioned costs for 2022: **None**

MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

(1) Material Weakness (repeat finding)

City of Calabasas

Finding #2022-003

The City claimed expenditures of \$156,347 for the following projects prior to Metro's approval:

1. MRLRF Project code 110, Public Transit Fueling project, totaling \$9,968;
2. MRLRF Project code 110, Flexible Route Shuttle project, totaling \$26,171;
3. MRLRF Project code 110, Old Town Calabasas/Commons Trolley project, totaling \$6,448;
4. MRLRF Project code 110, JARC Grant Local Match Funding project, totaling \$20,814;
5. MRLRF Project code 130, Dial-A-Ride project, totaling \$27,699;
6. MRLRF Project code 140, Summer Beach Bus project, totaling \$413;
7. MRLRF Project code 180, Vehicle and Misc. Equipment project, totaling \$5,171; and
8. MRLRF Project code 630, Direct Administration project, totaling \$59,663.

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

(2) Two (2) Significant deficiencies (repeat finding)

City of Compton

Finding #2022-004

- The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under MRLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of \$605,793 were not included in the Budget Request or "8/1" Table.

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

(2) Two (2) Significant deficiencies (repeat finding)

City of Montebello

Finding #2022-005

The City claimed expenditures of \$170,195 for the following projects prior to Metro's approval:

1. Project code 490, Sales Tax Revenue Bonds, totaling \$1,605; and
2. Project code 630, Administrative Overhead, totaling \$168,590.

DETAILS OF FY2023 AUDIT RESULTS

/ DETAILS OF AUDIT RESULTS

Our findings are as follows:

A. Funds were expended prior to Metro’s approval.

- Compliance Reference: Section B(II) Expenditure Plan (8/1 Table) of the Measure R Local Return Program Guidelines states that, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year”.
- Number of cities involved: 1 of 39 cities
- Questioned costs for 2023:

	Total Expenditures Claimed for 2023	Questioned	Resolved During the Audit	Report Reference
1. South Gate	\$ 1,549,984	\$ 341,654	\$ 341,654	Finding #2023-003, Page 11
	<u>\$ 1,549,984</u>	<u>\$ 341,654</u>	<u>\$ 341,654</u>	

/ DETAILS OF AUDIT RESULTS

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

- Compliance Reference: Section B(II)(2) Annual Expenditure Report (Actuals Entry) of the Measure R Local Return Guidelines states that “Jurisdiction shall submit an Annual Expenditure Report (Actuals Entry) to Metro annually, by October 15th. The Expenditure Report serves to notify Metro of the previous year's LR fund receipts and expenditures.
- Number of cities involved: 1 of 39 cities
 - **City of Lynwood (Finding #2023-002, Page 10 of the report)**
- Questioned costs for 2023: **None**

/ DETAILS OF AUDIT RESULTS

C. Accounting procedures, recordkeeping and documentation were not adequate.

- Compliance Reference: Section VII of the Measure R Local Return Program Guidelines 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 #2023-001, Page 8)**
- Questioned costs for 2023: **None**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

/ MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

City of Huntington Park

Finding #2023-001

- 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 MRLRF financial statements as of and for the year ended June 30, 2023.

REQUIRED COMMUNICATIONS TO THE MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

/ REQUIRED COMMUNICATIONS TO THE MEASURE R INDEPENDENT TAXPAYERS 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 Measure R Independent Taxpayers Oversight Committee based upon the results of our audit of the Measure R Local Return Funds of the County of Los Angeles and 39 cities.

/ REQUIRED COMMUNICATIONS TO THE MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

Management's Responsibility

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

Consultations with Other Accountants

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

Difficulties with Management

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

REQUIRED COMMUNICATIONS TO THE MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE, CONTINUED

Disagreements with Management

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

Significant Accounting Policies

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

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 MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE, CONTINUED

Irregularities, Fraud or Illegal Acts

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

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

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Thank you for your time and attention.