



Board Report

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INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE MARCH 5, 2025

SUBJECT: PROPOSITION A AND PROPOSITION C AUDITS OF FISCAL YEAR 2024

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds for the Fiscal Year ended June 30, 2024, completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2024, completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2024, completed by Simpson & Simpson, CPAs (Simpson).

ISSUE

The oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinances related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee so that the Oversight Committee can determine whether the LACMTA and local subrecipients have complied with the Proposition A and Proposition C requirements.

BACKGROUND

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

DISCUSSION

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

To create a more efficient audit process, Management Audit Services (MAS) contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinances and the MTA Reform and Accountability Act of 1998. BCA conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that BCA plan and perform the audit to obtain reasonable assurance about whether the Schedules of Proposition A and Proposition C Revenues and Expenditures (Schedules) are free of material misstatement.

The auditors found that the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinances and the MTA Reform and Accountability Act of 1998 for the fiscal year ended June 30, 2024.

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

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

Vasquez concluded that the County and the 39 Cities complied in all material respects, with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines that are applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2024. Vasquez found 15 instances of noncompliance, which are summarized in Schedule 2 of Attachment B.

Simpson concluded that the 49 Cities complied, in all material respects, with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines that are applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2024. Simpson found 18 instances of noncompliance, which are summarized in Schedule 2 of Attachment C.

EQUITY PLATFORM

The Proposition A and Proposition C Independent Auditor Reports summarized in this report support compliance with the Ordinances and Guidelines, as well as assist program managers in effectively managing and administering the Proposition A and Proposition C-funded programs that serve all communities throughout the County. There are no known equity impacts or concerns from the audit services conducted to complete the annual audits.

NEXT STEPS

As required by the Act, a public hearing will be scheduled to receive public input on the results of the annual audit process and any findings.

ATTACHMENT(S)

- A. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds (BCA)
- B. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Vasquez)
- C. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Simpson and Simpson)

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Los Angeles County
Metropolitan Transportation Authority

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

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



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Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C
Special Revenue Funds
For the Year Ended June 30, 2024

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Independent Auditor's Report

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

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

Opinion

We have audited the accompanying Schedules of Proposition A ("Ordinance No. 16") and Proposition C ("Ordinance No. 49") Revenues and Expenditures (the Schedules) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2024, and the related notes to the Schedules, which collectively comprise LACMTA's basic Schedules as listed in the table of contents.

In our opinion, the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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

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

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

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

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

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

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

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

Required Supplementary Information

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

Prior Year Comparative Information

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

Other Reporting Required by Government Auditing Standards

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

BCA Watson Rice, LLP

Torrance, CA
December 2, 2024

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

	2024	2023
Revenues		
Sales tax	\$ 1,093,032	\$ 1,111,178
Investment income	22,869	23,625
Net appreciation in fair value of investments	5,363	4,963
Total revenues	1,121,264	1,139,766
Expenditures		
Transportation subsidies	412,192	414,284
Total expenditures	412,192	414,284
Excess of revenues over expenditures	709,072	725,482
Other financing sources (uses)		
Transfers in	4,690	-
Transfers out	(661,111)	(1,187,908)
Total other financing sources (uses)	(656,421)	(1,187,908)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 52,651	\$ (462,426)

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

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

	2024	2023
Revenues		
Sales tax	\$ 1,093,037	\$ 1,111,177
Intergovernmental	30,043	6,399
Investment income	32,237	23,543
Net appreciation (decline) in fair value of investments	10,475	(1,511)
Total revenues	1,165,792	1,139,608
Expenditures		
Administration and other transportation projects	51,822	51,591
Transportation subsidies	592,820	618,058
Capital outlay - Subscription-based IT arrangements	258	1,319
Debt and interest expenditures:		
Principal	153	1,328
Interest and fiscal charges	3	4
Total expenditures	645,056	672,300
Excess of revenues over expenditures	520,736	467,308
Other financing sources (uses)		
Transfers in	230,069	155,615
Transfers out	(891,870)	(571,414)
Net transfers	(661,801)	(415,799)
Subscription-based IT arrangements issued	258	1,319
Total other financing sources (uses)	(661,543)	(414,480)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (140,807)	\$ 52,828

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2024

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

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

1. Organization

General

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

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder, and operator for one of the country's largest and most populous counties. More than 10 million people, nearly one-third of California's residents - live, work, and play within its 1,433-square-mile service area. LACMTA employs approximately 10,000 people full-time and part-time in a broad range of technical specialties and services.

Proposition A

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

Proposition C

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2024

2. Summary of Significant Accounting Policies

The Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

Fund Accounting

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

Basis of Accounting

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

Budgetary Accounting

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

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

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2024

2. Summary of Significant Accounting Policies (Continued)

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

Investment income and the net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2024, Proposition A and Proposition C Special Revenue Funds had investment income of \$22,869 and \$32,237, respectively, and a net appreciation in fair value of investments of \$5,363 and \$10,475 for Proposition A and Proposition C, respectively. The net appreciation/decline in the fair value of investments was mainly due to an increase/decrease in the fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

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

Use of Estimates

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

Subscription Based Information Technology Arrangement (SBITA)

Effective July 1, 2022, LACMTA implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which establishes standards of accounting and financial reporting for SBITAs by a government end user. Subscription-based information technology arrangements provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. GASB Statement No. 96 requires that certain SBITA results in the recognition of a right-to-use IT subscription asset, an intangible asset, and a corresponding subscription liability. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs.

With the implementation of GASB Statement No. 96, LACMTA has recorded an intangible right-to-use subscription asset in the government-wide financial statements, equal to the initial amount of subscription liability, payments made to a SBITA vendor before the commencement of the subscription term, and the capitalizable of any implementation costs. It is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. An amortization expense is recognized representing the decrease in the useful life of the right-to-use subscription-based information technology arrangement assets and is being reported as an outflow of resources. Subscription assets are reported with other capital assets and subscription liabilities are reported separately on the Statement of Net Position in the government-wide financial statements.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2024

2. Summary of Significant Accounting Policies (Continued)

Subscription Based Information Technology Arrangement (SBITA)

LACMTA determines the discount rate it uses to discount the expected SBITA payments to present value. LACMTA uses the interest rate charged by the vendor as the discount rate. When the interest rate is not provided in the agreement, LACMTA uses its estimated incremental borrowing rate as the discount rate for SBITA. The future subscription payments expected to be made are discounted using the interest rate implicit in the agreement given an average subscription term of 2 to 5 years. The SBITA terms and payments used are those that are stated in the executed agreements. The term includes the noncancellable period of the subscription. SBITA payments included in the measurement of the liability is composed of fixed payments and purchase option price that the LACMTA is reasonably certain to exercise.

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

Comparative Financial Data

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

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

The Schedules are intended to reflect the revenues and expenditures of Proposition A and Proposition C funds only. Accordingly, the Schedules do not purport to, and do not, present fairly the financial position of the LACMTA or changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4. Intergovernmental Transactions

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2024

5. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of Proposition A and Proposition C Special Revenue Funds have been made in accordance with all expenditure requirements of both Proposition A and Proposition C Ordinances.

6. Subscription-based Information Technology Arrangement (SBITA)

LACMTA, as a subscriber, has entered into SBITAs for the use of software, access to vendors’ databases, and use of vendors’ computing power and storage. In fiscal year 2024, principal and interest payments of \$153 and \$3, respectively, represent the total amount of SBITA payments per executed contract.

The amount of \$258 was allocated to Proposition C, which was shown as other financing sources (uses) in the Proposition C Special Revenue Fund Schedule of Revenues and Expenditures for the fiscal year ended June 30, 2024. The amount was measured based on the present value of future SBITA payments expected to be made during the contract period.

As of June 30, 2024, the future payments under the SBITAs are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 116	\$ 3	\$ 119
2026	16	-	16
Total	<u>\$ 132</u>	<u>\$ 3</u>	<u>\$ 135</u>

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

The Proposition A Fund at June 30, 2024 had an excess of revenues and other financing sources over expenditures and other financing uses of \$52,651 due to investment earnings totaling \$28,232 and excess of sales taxes over expenditures and transfers amounting to \$24,419. These factors resulted in the increase in fund balance in Proposition A Fund from \$617,033 to \$669,684 as of June 30, 2024.

The Proposition C Fund at June 30, 2024 had a deficit of revenues over expenditures and other financing uses of \$140,807 mainly due to higher transfers out for operating, planning and capital projects. This contributed to the decrease in Proposition C Fund balance from \$1,045,903 to \$905,096 as of June 30, 2024.

8. Audited Financial Statements

The audited financial statements for Proposition A and Proposition C Special Revenue Funds for the fiscal year ended June 30, 2024 are included in LACMTA’s Audited Annual Comprehensive Financial Report (ACFR).

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Notes to the Schedule of Revenues and Expenditures
June 30, 2024

9. Contingent Liabilities

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

10. Subsequent Events

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

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2024
(Amounts expressed in thousands)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,093,032	\$ (106,968)
Investment income	-	-	22,869	22,869
Net appreciation in fair value of investments	-	-	5,363	5,363
Total revenues	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,121,264</u>	<u>(78,736)</u>
Expenditures:				
Transportation subsidies	<u>435,977</u>	<u>435,977</u>	<u>412,192</u>	<u>23,785</u>
Total expenditures	<u>435,977</u>	<u>435,977</u>	<u>412,192</u>	<u>23,785</u>
Excess of revenues over expenditures	<u>764,023</u>	<u>764,023</u>	<u>709,072</u>	<u>(54,951)</u>
Other financing sources (uses)				
Transfers in	8,408	8,408	4,690	(3,718)
Transfers out	<u>(848,548)</u>	<u>(848,548)</u>	<u>(661,111)</u>	<u>187,437</u>
Total other financing sources (uses)	<u>(840,140)</u>	<u>(840,140)</u>	<u>(656,421)</u>	<u>183,719</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (76,117)</u>	<u>\$ (76,117)</u>	<u>\$ 52,651</u>	<u>\$ 128,768</u>

Los Angeles County Metropolitan Transportation Authority
Proposition C Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2024
(Amounts expressed in thousands)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$ 1,200,000	\$ 1,200,000	\$ 1,093,037	\$ (106,963)
Intergovernmental	19,096	19,096	30,043	10,947
Investment income	-	-	32,237	32,237
Net appreciation in fair value of investments	-	-	10,475	10,475
Total revenues	<u>1,219,096</u>	<u>1,219,096</u>	<u>1,165,792</u>	<u>(53,304)</u>
Expenditures:				
Administration and other transportation projects	84,076	81,108	51,822	29,286
Transportation subsidies	694,897	694,897	592,820	102,077
Capital outlay - Subscription-based IT Arrangements	-	-	258	(258)
Debt and interest expenditures:				
Principal	-	-	153	(153)
Interest and fiscal charges	-	-	3	(3)
Total expenditures	<u>778,973</u>	<u>776,005</u>	<u>645,056</u>	<u>130,949</u>
Excess of revenues over expenditures	440,123	443,091	520,736	77,645
Other financing sources (uses)				
Transfers in	189,667	189,667	230,069	40,402
Transfers out	<u>(1,071,752)</u>	<u>(1,071,752)</u>	<u>(891,870)</u>	<u>179,882</u>
Net transfers	<u>(882,085)</u>	<u>(882,085)</u>	<u>(661,801)</u>	<u>220,284</u>
Subscription-based IT arrangements issued	-	-	258	258
Total other financing sources (uses)	<u>(882,085)</u>	<u>(882,085)</u>	<u>(661,543)</u>	<u>220,542</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (441,962)</u>	<u>\$ (438,994)</u>	<u>\$ (140,807)</u>	<u>\$ 298,187</u>



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

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

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

BCA Watson Rice, LLP

Torrance, California
December 2, 2024

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

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

Report on Compliance

Opinion on Proposition A and Proposition C Revenues and Expenditures

We have audited the Los Angeles County Metropolitan Transportation Authority's (LACMTA) compliance with the *MTA Reform and Accountability Act of 1998* (the Act), *Ordinance No. 16 (Proposition A)* and *Ordinance No. 49 (Proposition C)* applicable to LACMTA's Proposition A and Proposition C revenues and expenditures for the fiscal year ended June 30, 2024.

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

Basis for Opinion

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

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

Responsibility of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

BCA Watson Rice, LLP

Torrance, California
December 2, 2024

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Special Revenue Funds
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2024

None noted.

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

None noted.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-001 through #2024-015. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-002, #2024-008 and #2024-010 to be significant deficiencies.

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

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



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

Vasquez & Company LLP

**Glendale, California
December 31, 2024**

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

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

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

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Summary of Compliance Findings
 Fiscal Year ended June 30, 2024**

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

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	6	Baldwin Park (See Finding #2024-001)	\$ -	\$ 151,000	\$ 151,000
		Culver City (See Finding #2024-006)	-	29,962	29,962
		Lynwood (See Finding #2024-010)	188,157	-	188,157
		Montebello (See Finding #2024-011)	-	20,343	20,343
		Santa Monica (See Finding #2024-012)	5,818	-	5,818
		South Gate (See Finding #2024-013)	-	441,633	441,633
Timely use of funds.	1	Westlake Village (See Finding #2024-015)	-	25,362	25,362
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Baldwin Park (See Finding #2024-002)	-	None	None
		Calabasas (See Finding #2024-003)	None	-	None
		Hidden Hills (See Finding #2024-007)	-	None	None
		South Gate (See Finding #2024-014)	-	None	None
Recreational transit form was submitted on time.	2	Cudahy (See Finding #2024-005)	None	None	None
		Huntington Park (See Finding #2024-008)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	2	Compton (See Finding #2024-004)	None	None	None
		Huntington Park (See Finding #2024-009)	None	None	None
Total Findings and Questioned Costs	15		\$ 193,975	\$ 668,300	\$ 862,275

Details of the above findings are presented in Schedule 2.

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

Finding #2024-001: PCLRF	City of Baldwin Park
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects prior to approval from Metro.</p> <p>a. Project code 105, Existing Fixed Route Service, totaling \$60,000; and</p> <p>b. Project code 107, Dial-A-Ride Service, totaling \$91,000.</p> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditures totaling \$151,000 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a budget request via LRMS and obtained retroactive approval of the budgets for said projects on August 1, 2024.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on August 1, 2024. No additional follow-up is required.

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

Finding #2024-002: PCLRF	City of Baldwin Park
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via LRMS for the PCLRF's Project code 705, Street Maintenance. The amount in excess of 25 percent of the approved budget was \$24,821.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a budget request via LRMS.</p> <p>The City submitted the budget request through LRMS and obtained retroactive approval of the project from Metro Program Manager.</p> <p>This is a repeat finding from the prior year.</p>
Cause	The City did not anticipate incurring eligible expenditures for more than the approved budget for this project. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2024.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, which resulted in the City's noncompliance with the Guidelines.

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

Finding #2024-002: PCLRF (Continued)	City of Baldwin Park
Recommendation	We recommend the City submit a revised Form A or submit a budget request via LRMS to obtain Metro’s approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times.
Management’s Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro’s approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on July 30, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on July 30, 2024. No additional follow up is required.

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

Finding #2024-003: PALRF	City of Calabasas
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via LRMS for PALRF's Project code 110 Public Transit Fueling. The amount in excess of 25 percent of the approved budget was \$21,801.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a budget request via LRMS.</p> <p>The City submitted the budget request through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
Cause	The City did not anticipate incurring eligible expenditures for more than the approved budget for this project. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2024.
Effect	The City's PALRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit revised Form A's or submit budget requests via LRMS to obtain Metro's approval for changes in project budgets and implement internal controls to ensure compliance with this requirement at all times.

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

Finding #2024-003: PALRF (Continued)	City of Calabasas
Management's Response	<p>The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to the Metro Program Manager and obtained retroactive approval of the budget for said project on November 20, 2024.</p>
Finding Corrected During the Audit	<p>Metro Program Manager granted retroactive approval of the said project on November 20, 2024. No additional follow-up is required.</p>

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

Finding #2024-004: PALRF and PCLRF	City of Compton
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>As of the date of the audit on December 24, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations:</p> <ul style="list-style-type: none"> • Reconciliations of major balance sheet accounts including bank accounts were not yet completed. • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • Beginning fund balances were not reconciled with the prior year's audited reports. <p>The audits of the City's financial statements for the fiscal years 2023 and 2024 had not yet been completed because of the clean-up and closing process currently being done.</p> <p>Further, we noted that the separate local return fund bank accounts were combined into the City's pooled cash and investments accounts during FY2024. This violated Metro's mandate to maintain separate bank accounts for local return funds.</p>
Cause	During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

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

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

Finding #2024-005: PALRF and PCLRF	City of Cudahy
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, "For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actuals Entry, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification on November 21, 2024, 37 days after the due date of October 15, 2024.
Cause	Due to changes in Public Works department staffing, there was a transition period that affected the changeover of communication of required reporting with Metro.
Effect	The City was not in compliance with the reporting requirements of the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by October 15 th for each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification on November 21, 2024. No follow-up is required.

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

Finding #2024-006: PCLRF	City of Culver City
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditure under Proposition C Project code 303, Network-wide Signal System Synch, totaling \$29,962, prior to approval from Metro.</p> <p>Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.</p>
Cause	The project was inadvertently not included in the submitted budget request.
Effect	The City claimed expenditure totaling \$29,962 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a budget request via LRMS and obtained retroactive approval of the budget for said project.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on December 18, 2024. No additional follow-up is required.

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

Finding #2024-007: PCLRF	City of Hidden Hills
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via LRMS for PCLRF's Project code 806 Round Meadow Road and Mureau Road Landscape Maintenance. The amount in excess of 25 percent of the approved budget was \$5,421.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a budget request via LRMS.</p> <p>The City submitted the budget request through LRMS and obtained retroactive approval of the project from the Metro Program Manager.</p>
Cause	The City did not anticipate incurring eligible expenditures for more than the approved budget for this project. The City was not able to submit a request to increase the budget for Metro's approval until after June 30, 2024.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit revised Form A's or submit budget requests via LRMS to obtain Metro's approval for changes in project budgets and implement internal controls to ensure compliance with this requirement at all times.

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

Finding #2024-007: PCLRF (Continued)	City of Hidden Hills
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in the project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request to the Metro Program Manager and obtained retroactive approval of the budget for said project on July 9, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on July 9, 2024. No additional follow-up is required.

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

Finding #2024-008: PALRF	City of Huntington Park
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, “For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actuals Entry, no later than October 15 after the fiscal year”.
Condition	The City submitted its Recreational Transit Certification for PALRF on December 11, 2024, 57 days after the due date of October 15, 2024. This is a repeat finding from prior year.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management’s Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by October 15 th for each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification on December 11, 2024. No follow-up is required.

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

Finding #2024-009: PALRF and PCLRF	City of Huntington Park
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>As of the date of audit fieldwork on December 24, 2024, the City's year-end closing process was still ongoing for fiscal year 2024. The following critical observations were identified:</p> <ul style="list-style-type: none"> • Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances. • The beginning fund balances were not reconciled with the prior year's audited reports. • A system issue was discovered, causing balances to not roll over correctly. <p>Accordingly, the audit of the City's financial statements for the fiscal year 2024 was started late because of the ongoing clean-up and closing process.</p> <p>This is a repeat finding from prior year.</p>
Cause	During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
Effect	The City was not in compliance with the audit requirements of the Local Return Guidelines.

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

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

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

Finding #2024-010: PALRF	City of Lynwood
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under Proposition A Project code 610, Liability Insurance, totaling \$188,157, prior to approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.</p> <p>This is a repeat finding from prior year.</p>
Cause	The City did not anticipate incurring eligible expenditures for this project. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditures totaling \$188,157 of Proposition A funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained a retroactive approval of the budget for said project on November 13, 2024.
Finding Resolved During the Audit	Metro Program Manager granted a retroactive approval of the said project on November 13, 2024. No additional follow-up is required.

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

Finding #2024-011: PCLRF	City of Montebello
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditure prior to approval from Metro under Project code 620, Administrative Overhead, totaling \$20,343. Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	The City did not anticipate incurring eligible expenditure for this project. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditure totaling \$20,343 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending it on Local Return-funded projects.
Management's Response	The City submitted a budget request to Metro Program Manager and obtained retroactive approval of the budget for said project on September 3, 2024.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the budget for said project on September 3, 2024. No additional follow up is required.

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

Finding #2024-012: PALRF	City of Santa Monica
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures prior to approval from Metro under Project code 610, Direct Administration – Prop A, totaling \$5,818.</p> <p>Although we found the expenditure to be eligible for Local Return funding, this project had no prior approval from Metro.</p>
Cause	The City did not anticipate incurring eligible expenditures for this project. The City was not able to submit a budget request for Metro's approval until after June 30, 2024.
Effect	The City claimed expenditure totaling \$5,818 of Proposition A LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending it on Local Return-funded projects.
Management's Response	The City submitted a budget request via LRMS and obtained retroactive approval of the budget for said project on July 30, 2024.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on July 30, 2024. No additional follow-up is required.

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

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

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

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

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

Finding #2024-014: PCLRF (Continued)	City of South Gate
Management's Response	The City agrees with the finding and will submit a revised budget via LRMS prior to the end of the fiscal year to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a budget request via LRMS and obtained retroactive approval of the budget for said project.
Finding Corrected During the Audit	Retroactive approval of the said project was obtained via LRMS on November 7, 2024. No additional follow-up is required.

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

Finding #2024-015: PCLRF	City of Westlake Village
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition C funds amounting to \$25,362 which lapsed as of June 30, 2024.
Cause	The City programmed Prop C funding as part of the street work project for FY 2023-24. That work was advertised for bids on February 12, 2024. However, the bid was unsuccessful and the project had to be re-bid on April 24, 2024. This project has subsequently been completed at the beginning of FY 2024-25 and is currently in a close-out process.
Effect	The City did not comply with Proposition C LR Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition C funds are used timely.
Management's Response	The City has already expended these Proposition C funds during FY 2024/25 after the successful re-bid was completed. The City requested and obtained an extension for the use of the funds from the LA Metro Program Manager.
Finding Corrected During the Audit	On November 21, 2024, Metro granted an extension of the use of the funds remaining with the City through June 30, 2025. No follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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





Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-001 through #2024-018. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-002, #2023-007 and #2023-012 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-001, #2024-006, and #2024-010 to be significant deficiencies.

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



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

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

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
December 31, 2024

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

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

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

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

SUMMARY OF AUDIT RESULTS

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

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

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	3	Diamond Bar (#2024-004)	\$ -	\$ 51,265	\$ 51,265
		La Habra Heights (#2024-006)	24,322	-	24,322
		Lancaster (#2024-008)	-	6,802	6,802
Timely use of funds.	6	Bradbury (#2024-003)	722	-	722
		Palmdale (#2024-010)	-	56,743	56,743
		Palos Verdes Estates (#2024-012)	-	188,565	188,565
		San Dimas (#2024-013)	-	81,288	81,288
		Signal Hill (#2024-015)	51,315	-	51,315
		South Pasadena (#2024-018)	-	115,558	115,558
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2024-001)	None	-	None
		La Habra Heights (#2024-007)	None	-	None
		Palos Verdes Estates (#2024-011)	None	-	None
		San Gabriel (#2024-014)	-	None	None
Recreational transit form was submitted on time.	2	Artesia (#2024-002)	None	-	None
		Manhattan Beach (#2024-009)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	3	Glendora (#2024-005)	None	None	None
		South Pasadena (#2024-016)	None	None	None
		South Pasadena (#2024-017)	9,375	-	None
Total Findings and Questioned Cost	18		\$ 85,734	\$ 500,221	\$ 576,580

Details of the above findings are presented in Schedule 2.

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

PALRF Finding #2024-001	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects.”
Condition	<p>The City exceeded more than 25 percent of Metro's approved budget on the Project Code 155, Youth and Senior Recreation Transportation Services, in the amount of \$17,680. However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$53,169 for the PALRF’s Youth and Senior Recreation Transportation Services Project on December 13, 2024.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	This was an oversight on the part of the City due to understaffing.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro’s approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro’s approval for the change in project budget prior to the expenditures of funds.
Management’s Response	The overbudget was due to an oversight. In the future, management will ensure that budget amendments are inputted in a timely manner.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 13, 2024. No follow up is required.

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

PALRF Finding #2024-002	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, “Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year.”
Condition	The City did not meet the October 15, 2024 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 13, 2024. This is a repeat finding from fiscal years 2022 and 2023.
Cause	This was an oversight on the part of the City due to understaffing.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring the timely submission of all required forms and documentation.
Management’s Response	The City was understaffed in the program department. In the future, management will ensure that the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City’s Recreational Transit Form was submitted to Metro on December 13, 2024. No follow-up is required.

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

PALRF Finding #2024-003	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section IV (E), Timely Use of Funds: “Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds.”
Condition	The City’s fiscal year 2021 ending fund balance of Proposition A funds (PALRF) in the amount of \$722 was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely or a capital reserve account can be established.
Management’s Response	The City accepts the finding and will ensure the remaining funds are used in fiscal year 2025. The City has requested an extension from Metro.
Corrected During the Audit	On November 12, 2024, Metro approved an extension on the usage of lapsed funds until June 30, 2025. No follow-up is required.

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

PCLRF Finding #2024-004	City of Diamond Bar
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds.”
Condition	The expenditures for the PCLRF’s Annual Battery Back-Up and CCTV Replacement Program Project Code 304 (Project) in the total amount of \$51,265 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget in the amount of \$61,000 from Metro on October 15, 2024.
Cause	An oversight occurred in requesting budget approval from Metro for expenditures incurred to the Project was due to a recent transition in staffing within the Finance Department, specifically, the resignation of the Finance Supervisor who was responsible for overseeing Metro expenditures and reporting.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, properly enters the budgeted amount for each project in the Local Return Management System (LRMS) and submits before the requested due date so that the City’s expenditures of Proposition C Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	<p>The City proactively identified the non-compliance issue when Finance staff discovered that expenditures for the Project had occurred prior to receiving Metro’s approval. Upon recognizing this oversight, City management promptly sought and obtained retroactive approval from Metro on October 15, 2024, ensuring compliance with the funding requirements.</p> <p>To prevent similar issues in the future, City management is implementing enhanced coordination processes between departments to ensure project carryovers are flagged, and Metro approvals are secured, well in advance of deadlines. This proactive approach reflects the City’s commitment to maintaining compliance and improving internal controls.</p>
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$61,000 for said project on October 15, 2024. No follow-up is required.

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

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

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

PALRF Finding #2024-006	City of La Habra Heights
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro for Proposition A Local Return Fund (PALRF) Project Code 107, Dial-A-Ride, in the amount of \$24,322. However, the City subsequently received an approved budget in the amount of \$16,000 from Metro for the PALRF project on November 18, 2024. This is a repeat finding from fiscal year 2023.
Cause	This was an oversight by the City due to personnel turnover among administrative staff and management.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements so that the City can obtain approval from Metro before implementing any Proposition A Local Return projects. Additionally, the City should properly enter the budgeted amount for each project in the LRMS and submit it before the requested due date. This ensures that the City's expenditures align with Metro's approval and adhere to the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to review and ensure that the City obtains prior Metro approval before expenditures are incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of said project on November 18, 2024. No follow-up is required.

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

PALRF Finding #2024-007	City of La Habra Heights
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
Condition	<p>The City exceeded Metro’s approved budget for PALRF Project Code 107, Dial-A-Ride, by more than 25 percent, amounting to an excess of \$4,322. Subsequently, the City submitted a request to increase the budget from \$16,000 to \$24,322 to Metro, which was approved on December 11, 2024.</p> <p>This is a repeat finding from fiscal years 2022 and 2023.</p>
Cause	This was an oversight by the City due to personnel turnover among administrative staff and management.
Effect	The City’s PALRF project expenditure exceeded 25 percent of Metro’s approved budget. The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring project expenditures are within 25 percent cap of Metro’s approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS to obtain Metro’s approval for any budget change prior to the expenditure of funds.
Management’s Response	The City will establish procedures to review and ensure that all budget approvals for all projects are for the proper budget amounts, and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS for Metro’s approval.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of \$24,322 for the said project on December 11, 2024. No follow-up is required.

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

PCLRF Finding #2024-008	City of Lancaster
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The expenditures for the PCLRF's Project Code 720 - 2 Way Stop Round About Conversion Project, in the total amount of \$6,802, were incurred prior to Metro's approval. However, the City subsequently received an approved budget in the amount of \$2,400,000 from Metro on October 10, 2024.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements so that the City can obtain approval from Metro before implementing any PCLRF projects. Additionally, the City should properly enter the budgeted amount for each project in the LRMS and submit it before the requested due date. This ensures that the City's expenditures align with Metro's approval and adhere to the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 10, 2024. No follow up is required.

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

PALRF Finding #2024-009	City of Manhattan Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2024 deadline for the submission of the Recreational Transit Form. Instead, the City submitted the Recreational Transit Form on December 5, 2024.
Cause	This was an oversight by the City in submitting the Recreational Transit Form before the due date.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15th in accordance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will endeavor to submit the Recreational Transit Form on or before the due date.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 5, 2024. No follow-up is required.

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

PCLRF Finding #2024-010	City of Palmdale
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2021 PCLRF ending fund balance in the amount of \$56,743 was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. This is a repeat finding from fiscal year 2023.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established if warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved in accordance with the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 13, 2024, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2025. No follow-up is required.

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

PALRF Finding #2024-011	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
Condition	The City exceeded Metro's approved budget for PALRF Project Code 470, Member Dues – South Bay Cities COG FY20/21, by more than 25 percent, resulting in an excess of \$461. Subsequently, the City submitted a request to Metro for an increase in the budget from \$10,145 to \$13,142, which was approved on December 16, 2024.
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the vacant Finance Director position since March 2023.
Effect	The City’s PALRF project expenditures exceeded 25 percent of Metro’s approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring project expenditures are within the 25 percent cap of Metro’s approved budget. Any projects exceeding this 25 percent cap should be identified and updated in the Local Return Management System (LRMS) to obtain Metro’s approval for any budget changes prior to the expenditure of funds.
Management’s Response	The City agrees with this finding. In the future, the City will review the budget approvals for all projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of \$13,142 for the project on December 16, 2024. No follow-up is required.

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

PCLRF Finding #2024-012	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	<p>The City’s fiscal year 2021 ending fund balance of PCLRF, in the amount of \$188,565, was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 9, 2024, Metro granted the City an extension on the usage of lapsed funds until June 30, 2025.</p> <p>This is a repeat finding from fiscal years 2021, 2022, and 2023.</p>
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the vacant Finance Director position since March 2023.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring that Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management’s Response	The City accepts the finding and will ensure the remaining funds are used in the fiscal year 2025. The City has requested an extension from Metro.
Corrected During the Audit	On December 9, 2024, Metro granted the City an extension on the usage of lapsed funds until June 30, 2025. No follow up is required.

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

PCLRF Finding #2024-013	City of San Dimas
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section IV.E.1, “Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.”
Condition	The City's fiscal year 2021 ending fund balance in the amount of \$81,288 was not expended within 3 years as of June 30, 2024 and was not reserved for capital projects as required by Local Return guidelines. The City subsequently received an extension from Metro to spend the lapsed funds until June 30, 2025 on November 14, 2024.
Cause	Large road projects along bus routes were budgeted to be completed in the fiscal year 2023-24. However, due to extensive staff time dedicated to assisting with the completion of the Metro Gold Line extension, it caused the work on the street projects to be delayed until the fiscal year 2024-25, warranting the need for an extension. The reserved funds were spent this past summer, with the completion of the Lone Hill Avenue street project.
Effect	The Proposition C Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a policy in place where the City Manager, City Engineer and Finance Department discuss the availability of Proposition C Local Return funds in conjunction with any eligible PCLRF projects and submit its Form B (Annual Project Update Form) by entering the budgeted expenditures in the Local Return Management System (LRMS) on time. Alternative measures would include requesting a Capital Reserve Agreement with Metro.
Management’s Response	The Finance Department will work closely with the Public Works Department to determine the expected work completion of the budgeted projects. The City will pivot funding to address other needs that the City may have to utilize the lapsing funds in a timely manner prior to the end of the fiscal year.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2025. No follow-up is required.

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

PCLRF Finding #2024-014	City of San Gabriel
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget for PCLRF's Pavement Management System Project Code 765 in the amount of \$2,440. However, the City submitted a request to increase the budget and Metro approved it in the amount of \$29,000 on October 7, 2024.
Cause	The City received a late invoice in September 2024, which was an expenditure related to the fiscal year 2023-24. The invoice was not anticipated and was far past the deadline to request a budget adjustment approval from Metro.
Effect	The City's PCLRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and update in the LRMS to obtain Metro's approval for the change in project budget prior to the expenditure of funds.
Management's Response	If the expenditures of a project are expected to exceed the Metro-approved budget, the City will ensure to seek approval for a budget increase before incurring any additional costs in the future.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of said project on October 7, 2024. No follow-up is required.

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

PALRF Finding #2024-015	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section IV (E), Timely Use of Funds: “Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds.”
Condition	The City’s fiscal year 2021 ending fund balance of Proposition A funds (PALRF) in the amount of \$51,315 was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely or a capital reserve account can be established.
Management’s Response	On January 19, 2024, the City received an email from Metro regarding the potential lapsing calculations in the LRMS and believed it aligned with the requirements to avoid lapsing funds. Subsequently, Metro granted an extension on the usage of the lapsed funds. While the LRMS serves as an informational tool, the City will continue to conduct internal reviews of the lapsing status to ensure it remains on track, funds are utilized in a timely manner, and compliance with guidelines is maintained.
Corrected During the Audit	On November 14, 2024, Metro approved an extension on the usage of lapsed funds until June 30, 2025. No follow-up is required.

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

PALRF and PCLRF Finding #2024-016	City of South Pasadena
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	<p>As of the date of the audit, December 18, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations including:</p> <ul style="list-style-type: none"> (a) The beginning fund balances for PALRF and PCLRF were not reconciled with the prior year's audited financial statements. (b) A detailed breakdown of expenditures charged to the PALRF for the fiscal year ended June 30, 2024 was not provided. (c) No bank reconciliation was prepared as of June 30, 2024.
Cause	During the fiscal year ended June 30, 2024, management experienced significant turnover in key personnel within the Finance and Public Works departments. This disruption impacted the oversight of the local return funds and Metro-related projects, leading to delays in critical reconciliations, account analyses, and the preparation of necessary documentation required by both management and the auditors.
Effect	<p>Without supporting documentation and reconciliations, variances remained between amounts recorded in the City's general ledger and those reported to Metro. This increases the risk of:</p> <ul style="list-style-type: none"> (a) Inaccurate or misstated financial records and reports. (b) Noncompliance with applicable local return guidelines.
Recommendation	<p>We recommend that management prioritize and complete the year-end closing process promptly to address the identified issues. Specifically, management should:</p> <ol style="list-style-type: none"> 1. Ensure that all beginning fund balances are reconciled with the prior year's audited financial statements. 2. Provide a detailed breakdown of expenditures charged to the local return funds for the fiscal year, along with the necessary supporting documentation for verification. 3. Complete all required bank reconciliations for the fiscal year. <p>Management should implement a structured approach with clear responsibilities and timelines to ensure that these tasks are completed accurately and in a timely manner. Regular process reviews and oversight should be conducted to ensure all necessary actions are taken before finalizing the year-end closing.</p>

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

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

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

PALRF Finding #2024-017	City of South Pasadena
Compliance Reference	According to Proposition A & C Local Return Guidelines, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	<p>To ensure the propriety of expenditures charged to the Proposition A Local Return Funds, payroll expenses should be adequately supported by payroll registers, timesheets, activity or labor distribution reports, or other official documentation that provides sufficient detail regarding the nature of the charges.</p> <p>However, we identified discrepancies between the employees' recorded working hours on the timesheets, the hourly rates listed on the Employee Action Form (EAF), and the amounts recorded in the general ledger. These discrepancies resulted in a total variance of \$9,375 for the following pay periods:</p> <ul style="list-style-type: none"> (a) August 13, 2023: A difference of \$1,964 (b) December 3, 2023: A difference of \$1,276 (c) February 11, 2024: A difference of \$4,600 (d) April 21, 2024: A difference of \$1,535
Cause	During the fiscal year ended June 30, 2024, management experienced significant turnover in key personnel within the Finance and Public Works departments. This disruption impacted the oversight of the local return funds and Metro-related projects, leading to delays in critical reconciliations, account analyses, and the preparation of necessary documentation required by both management and the auditors.
Effect	The payroll cost claimed under the Proposition A Local Return Fund projects may include expenditures which may not be allowable to Proposition A project expenditures. This resulted in questioned costs of \$9,375 for the PALRF.
Recommendation	We recommend that the City reimburse \$9,375 to the PALRF account in accordance with the Guidelines. Additionally, we recommend that the City revise its labor cost reporting procedures to ensure that all labor charges to the PALRF are supported by proper documentation, including timesheets, Employee Action Forms (EAFs), and other relevant records reflecting both actual working hours and the accurate hourly rates used for calculation.

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

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

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

PCLRF Finding #2024-018	City of South Pasadena
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section IV.E.1, “Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated.”
Condition	The City's fiscal year 2021 ending fund balance in the amount of \$115,558 was not expended within 3 years as of June 30, 2024 and was not reserved for capital projects as required by Local Return guidelines. The City subsequently received an extension from Metro to spend the lapsed funds until June 30, 2025 on December 16, 2024.
Cause	The City had requested a capital reserve for PCLRF project in February 2024. Due to the City’s misunderstanding of the potential lapsed balance, the amount placed on capital reserve fell short, resulting in an untimely use of funds.
Effect	The Proposition C Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a policy in place where the City Manager, City Engineer and Finance Department discuss the availability of Proposition C Local Return funds in conjunction with any eligible PCLRF projects and submit its Form B (Annual Project Update Form) by entering the budgeted expenditures in the Local Return Management System (LRMS) on time. Alternative measures would include requesting a Capital Reserve Agreement with Metro.
Management’s Response	The City will continue to monitor and communicate with Metro regularly to ensure lapsed funding will not occur in the future. If there is potential for lapsing of funds, the City will request Metro for the extension of the use of lapsed funds in a timely manner.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2025 on December 16, 2024. No follow-up is required.

**FISCAL YEAR 2024
PROPOSITION A AND C
REVENUES AND EXPENDITURES AUDIT
WITH
INTERNAL CONTROLS AND COMPLIANCE REPORT**

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

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

MARCH 5, 2025



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

Contents

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

Responsibilities

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

Summary of Audit Results

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

Financial Highlights

Proposition A

- Sales tax revenue decreased by \$18.1 million compared to prior year (1.6% change from prior year). The decrease is mainly due to less consumer spending during FY 2023-24.
- Actual expenditures decreased by \$2.1 million compared to prior year (0.5% change from prior year) due primarily to lower local return subsidies allocation.
- Transfers out decreased by \$526.8 million, a 44.3% decrease from the previous year, due to higher transfers out for the Crenshaw/LAX Transit Corridor project during FY 2022-23. Additionally, there were no transfers out made for Operation Maintenance and Systemwide Bus Operation Management and Administration during FY 2023-24 as Metro received more Federal funding in FY2024.
- Actual sales tax revenue was less than budgeted by \$107.0 million.
- Actual expenditures were less than budgeted by \$23.8 million mainly due to lower allocations to cities/agencies on local return subsidies brought by lower sales tax revenue collected during FY 2023-24.
- Actual transfers out were less than budgeted by \$187.4 million mainly due to lower transfers to Enterprise Fund for rail operations and capital projects.
- Proposition A fund at June 30, 2024 had an excess of revenues and other financing sources over expenditures and other financing uses of \$52.7 million, increasing Proposition A fund balance from \$617.0 million to \$669.7 million.

Financial Highlights (Continued)

Proposition C

- Sales tax revenue decreased by \$18.1 million compared to prior year (1.6% change from prior year). The decrease is mainly due to lower consumer spending during FY 2023-24.
- Expenditures decreased by \$27.2 million compared to prior year (4.1% change from prior year). The decrease was mainly due to a decrease in local transportation subsidies and lower subsidies to the City of Los Angeles and other agencies for the Regional Surface Transportation project compared to prior year.
- Transfers in increased by \$74.5 million compared to prior year (47.8% change from prior year) due to higher transfers received from other funds for the Regional Bikeways and MTA-sponsored Call-for-Project (CFP)/Prop C25 Projects.
- Transfers out increased by \$320.5 million, a 56.1% increase from the previous year, due to higher transfers for the East San Fernando Valley Transit Project and Sepulveda Transit Corridor and operating transfers for various bus and commuter rail operations.
- Actual sales tax revenue was less than budgeted by \$107.0 million.
- Actual expenditures came in under budget by \$130.9 million mainly due to lesser expenditures incurred for administration and other expenses and lower transportation subsidies than anticipated.

Financial Highlights

Proposition C

- Transfers in came in higher than budgeted by \$40.4 million due to higher transfers received from other funds than anticipated.
- Transfers out were less than budgeted by \$179.9 million mainly due to lower allocation for operating subsidies.
- Proposition C fund at June 30, 2024 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$140.8 million, decreasing Proposition C fund balance from \$1.0 billion to \$905.1 million.

Required Communications

Items to be Communicated

Auditor's Responsibilities Under Generally Accepted Auditing Standards

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

Required Communications (Continued)

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

Required Communications (Continued)

- Management consultations with other independent accountants
 - To our knowledge, there were no such consultations with other accountants.
- Discussions held prior to retention
 - No major issues were discussed as a condition to our retention.
- Disagreements with management
 - Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedules of Proposition A and Proposition C Revenues and Expenditures or the auditor's report.
 - No such disagreement occurred.
- Management representation
 - We requested certain representations from management, which are included in the management representation letter dated December 2, 2024.

2024 Management Letter Comments

- There are no management letter comments.

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

- Included in LACMTA's June 30, 2024 Annual Comprehensive Financial Report (ACFR)

BCA Watson Rice LLP

Audit Engagement Team

- Marialyn Labastilla, Engagement Partner (mstabastilla@bcawr.com)
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- Ihab Fakhreddine, Audit Manager (ifakhreddine@bcawr.com)
- Kristen Reyes, Senior Auditor (kreyes@bcawr.com)

QUESTIONS AND ANSWERS

**Proposition A and Proposition C Local Return Funds
Audit Results
For the Fiscal Year Ended June 30, 2024
(Package B)**

Simpson & Simpson, LLP



Proposition A and Proposition C
Independent Citizen's Advisory and Oversight Committee (ICAOC) Meeting
Date: March 5, 2025

Agenda

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



Background



Simpson and Simpson, LLP

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

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



Simpson and Simpson, LLP

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



Summary of Audit Results – Findings and Questioned Costs



Summary of Audit Results

- ❖ Audits were performed all 49 jurisdictions.
 - Total dollar amounts associated with the findings for Proposition A (PALRF) and Proposition C (PCLRF) for the jurisdictions under Package B are as follows:
 - PALRF:
 - **Total questioned costs:** \$85,734 identified during the FY2024 compliance audits. This represents approximately 0.05% of the total FY2024 allocations of \$185,506,336.
 - **Resolution:** Of the questioned costs, \$76,359 was resolved during the audit process.
 - PCLRF:
 - **Total questioned costs:** \$500,221 identified during the FY2024 compliance audits. This represents approximately 0.33% of the total FY2024 allocations of \$153,853,196.
 - **Resolution:** All questioned costs were resolved during the audits.



Summary of Audit Results (Cont.)

During our audit, we identified a total of 18 instances of non-compliance. The following were categorized as Material Weaknesses and Significant Deficiencies:

- Material Weaknesses (3 instances)
 - City of Artesia (#2024-002)
 - City of La Habra Heights (#2024-007)
 - City of Palos Verdes Estates (#2024-012)

- Significant Deficiencies (3 instances)
 - City of Artesia (#2024-001)
 - City of La Habra Heights (#2024-006)
 - City of Palmdale (#2024-010)

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



Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval and were not substituted for property tax.	3	Diamond Bar (#2024-004) La Habra Heights (#2024-006) Lancaster (#2024-008)	\$ - 24,322 -	\$ 51,265 - 6,802	\$ 51,265 24,322 6,802
Timely use of funds.	6	Bradbury (#2024-003) Palmdale (#2024-010) Palos Verdes Estates (#2024-012) San Dimas (#2024-013) Signal Hill (#2024-015) South Pasadena (#2024-018)	722 - - - 51,315 -	- 56,743 188,565 81,288 - 115,558	722 56,743 188,565 81,288 51,315 115,558



Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2024-001) La Habra Heights (#2024-007) Palos Verdes Estates (#2024-011) San Gabriel (#2024-014)	None None None -	- - - None	None None None None
Recreational transit form was submitted on time.	2	Artesia (#2024-002) Manhattan Beach (#2024-009)	None None	- -	None None



Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation are adequate.	3	Glendora (#2024-005) South Pasadena (#2024-016) South Pasadena (#2024-017)	None None 9,375	None None -	None None None
Total Findings and Questioned Costs	18		\$ 85,734	\$ 500,221	\$ 576,580



Material Weaknesses and Significant Deficiencies In Internal Control over Compliance

➤ Material Weakness 1 of 3:

City of Artesia (Finding #2024-002):

- **Issue:** The City failed to meet the October 15, 2024 deadline for submitting the Recreational Transit Form to Metro.
- **Reason:** Oversight due to understaffing.
- **Repeat Finding:** Previously identified in the Fiscal Years 2022 and 2023.
- **Resolution:** During the Audit, the City submitted the form on December 13, 2024. No further follow-up is required.



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

➤ Material Weakness 2 of 3 (continued):

City of La Habra Heights (Finding #2024-007):

- **Issue:** The City exceeded Metro's approved budget for PALRF Project Code 107, Dial-A-Ride, by more than 25%, totaling an excess of \$4,322.
- **Reason:** Oversight caused by personnel turnover among administrative staff and management.
- **Repeat Finding:** Previously identified in the Fiscal Years 2022 and FY 2023.
- **Resolution:** During the audit, Metro's Program Manager granted retroactive budget approval of \$24,322 on December 11, 2024. No further follow-up is required.



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

➤ Material Weakness 3 of 3 (continued):

City of Palos Verdes Estates (Finding #2024-012):

- **Issue:** The City's FY 2021 ending fund balance for PCLRF, amounting to \$188,565, was not fully expended within three years as of June 30, 2024, nor reserved for capital projects, as required by the Prop C Local Return Guidelines.
- **Reason:** Oversight due to recent administrative and management turnover, including the departure of the Public Works Director in August 2024 and the Finance Director position being vacant since March 2023.
- **Repeat Finding:** Previously identified in the Fiscal Years 2021, 2022, and 2023.
- **Resolution:** During the audit, Metro granted an extension for the usage of lapsed funds until June 30, 2025, on December 9, 2024. No further follow-up is required.



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

➤ Significant Deficiency 1 of 3 :

City of Artesia (Finding #2024-001):

- **Issue:** The City exceeded Metro's approved budget for Project Code 155, Youth and Senior Recreation Transportation Services, by more than 25%, totaling \$17,680.
- **Reason:** Oversight due to understaffing.
- **Repeat Finding:** Previously identified in the Fiscal Year 2022.
- **Resolution:** During the audit, the City entered the required information in the LRMS on December 13, 2024. No further follow-up is required.



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

➤ Significant Deficiency 2 of 3 (continued):

City of La Habra Heights (Finding #2024-006):

- **Issue:** The City incurred expenditures of \$24,322 prior to receiving Metro's approval for PALRF Project Code 107, Dial-A-Ride.
- **Reason:** Oversight due to personnel turnover among administrative staff and management.
- **Repeat Finding:** Previously identified in the Fiscal Year 2023.
- **Resolution:** During the audit, Metro's Program Manager granted retroactive budget approval for the project on November 18, 2024. No further follow-up is required.



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

➤ Significant Deficiency 3 of 3 (continued):

City of Palmdale (Finding #2024-010):

- **Issue:** The City's Fiscal Year 2021 PCLRF ending fund balance of \$56,743 was not fully expended within three years as of June 30, 2024, nor reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
- **Reason:** Oversight on the part of the City.
- **Repeat Finding:** Previously identified in the Fiscal Year 2023.
- **Resolution:** During the audit, Metro granted the City an extension for the usage of lapsed funds until June 30, 2025, on December 13, 2024. No further follow-up is required..

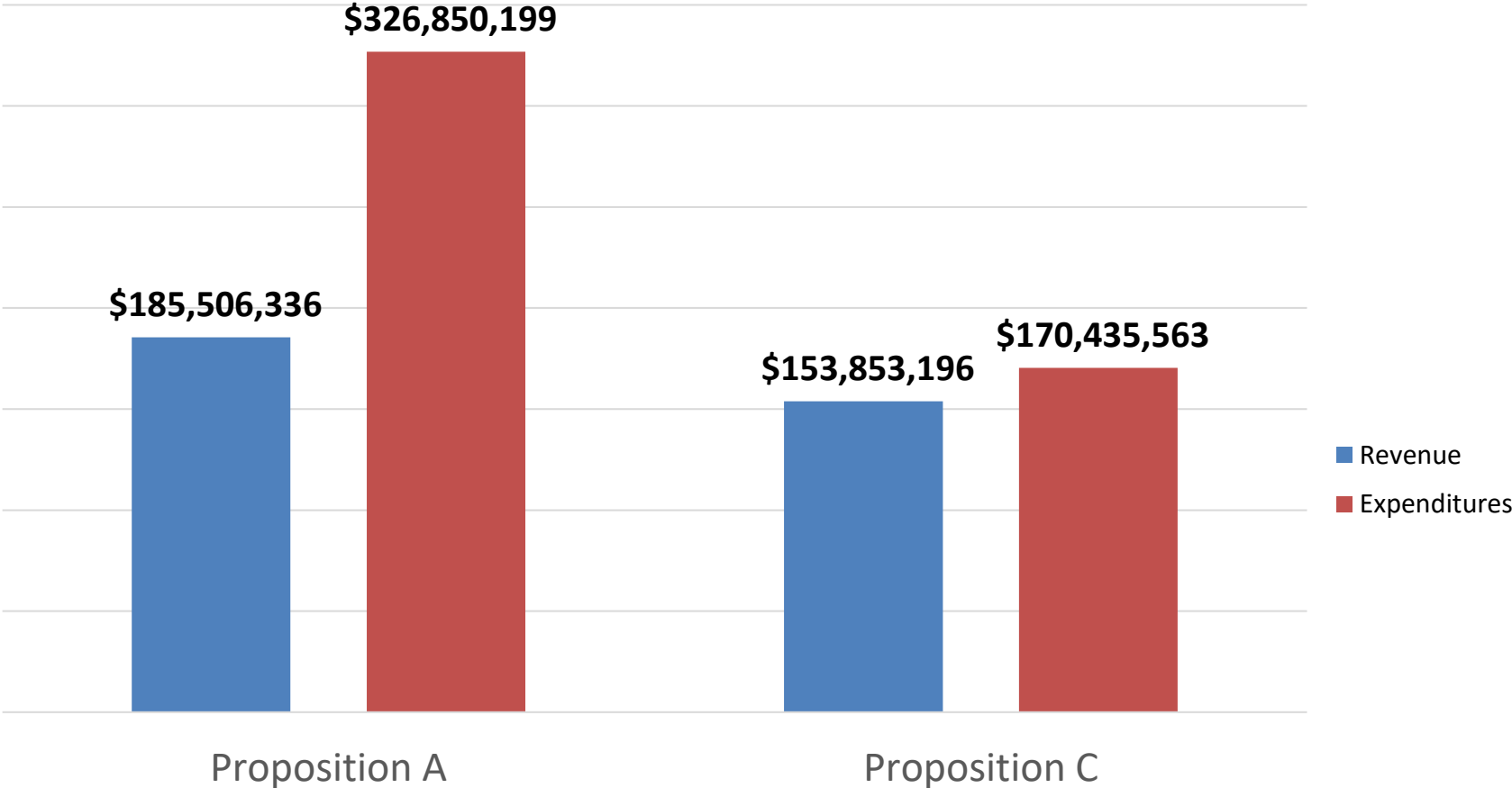


Analysis of Audit Results



Revenue and Expenditures of 49 Jurisdictions

FY 2024 Revenue and Expenditures – Proposition A & C



Simpson & Simpson CPAs

Contact information

Team member	Contact information
Grace Yuen Lead Engagement Partner	Email: gyuen@simpsonllp.com
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Questions





Metro[®]

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

March 5, 2025



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/ Scope of the Audits



/ Scope of the Audits

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

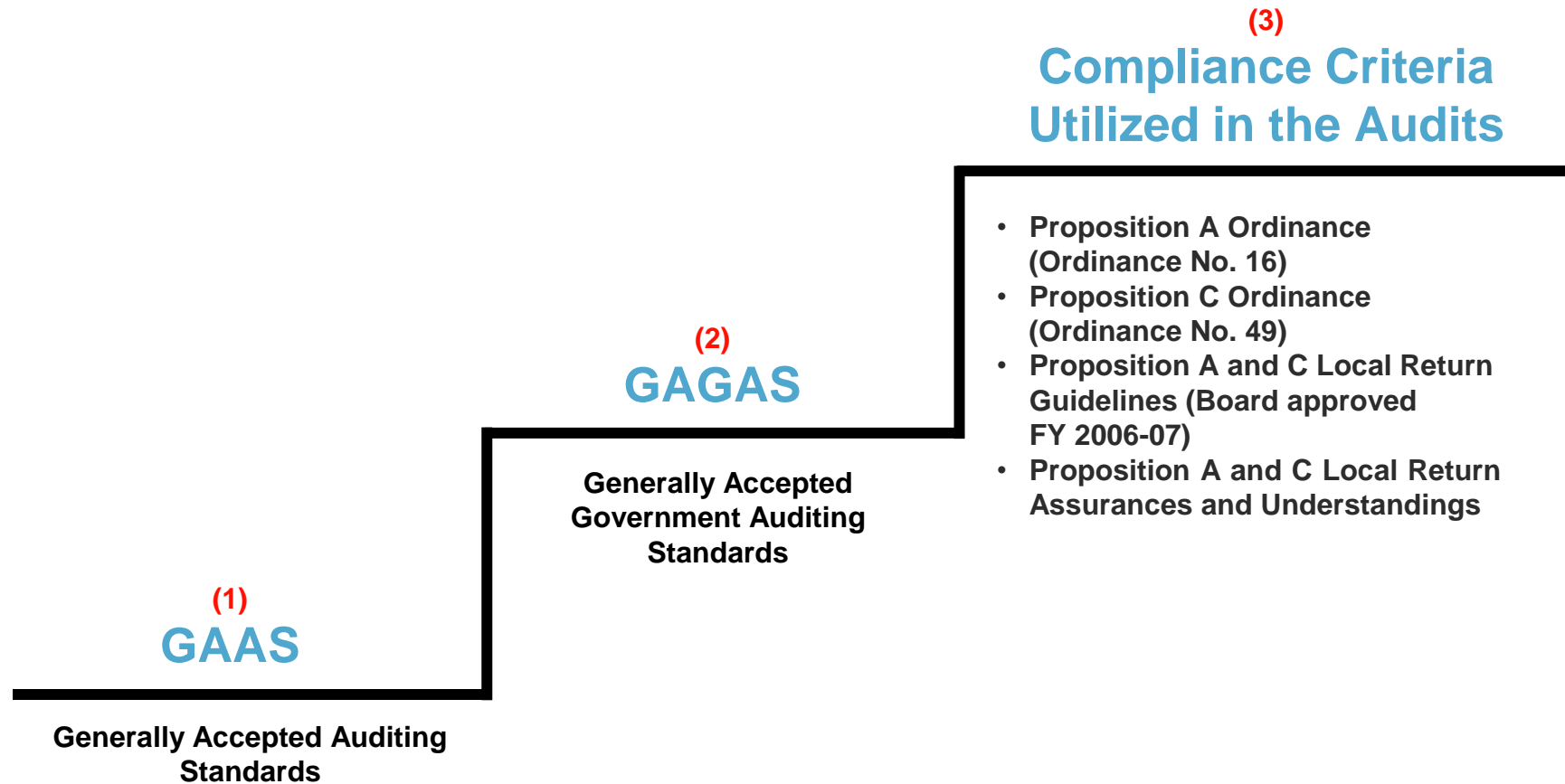
- | | | | |
|--------------------------|---------------------|-------------------|----------------------|
| 1. County of Los Angeles | 11. Compton | 21. Irwindale | 31. Rosemead |
| 2. Agoura Hills | 12. Cudahy | 22. La Puente | 32. San Fernando |
| 3. Azusa | 13. Culver City | 23. Lawndale | 33. Santa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



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized

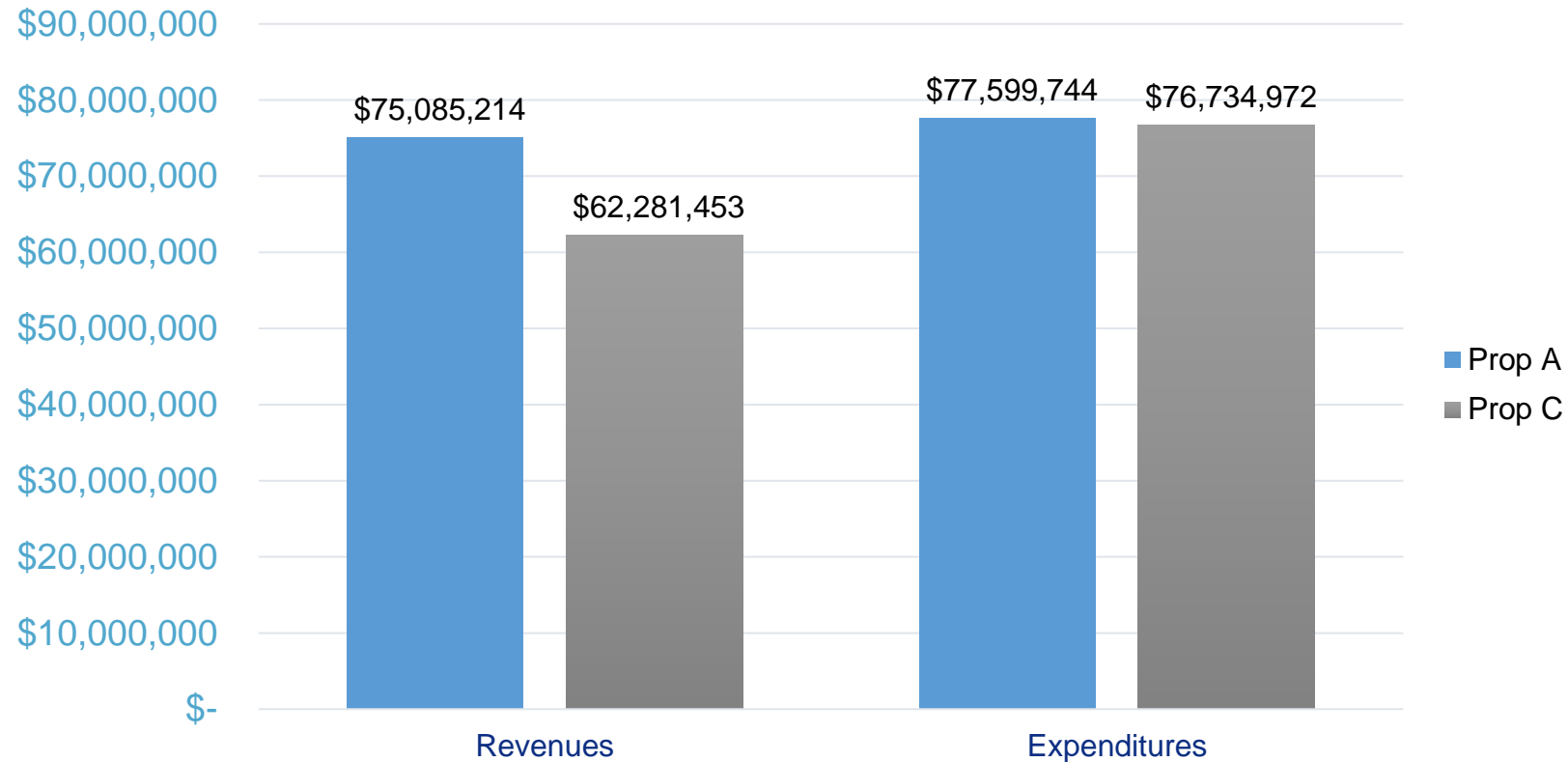


/ Revenue and Expenditures of the County of Los Angeles and 39 Cities



/ Revenue and Expenditures of the County of Los Angeles and 39 Cities

FY 2024 Revenues and Expenditures



/ Overview of the Audit Results



/ Overview of the Audit Results

FY 2024 Summary of Audit Results

- Dollars associated with the findings have increased from \$357,687 in FY2023 to \$862,275 in FY2024 audit.
- This represents about 0.63% of the total Proposition A and Proposition C FY2024 allocations of \$137,366,667 to the County of Los Angeles and the 39 cities under Package A.

Questioned Costs

- \$836,913 of the questioned cost relates to Proposition A and Proposition C funds expended on eligible projects prior to Metro's approval.
- \$25,362 of the questioned cost relates to unused funds which lapsed as of June 30, 2024. The cities received a one-year extension to use the lapsed funds.

All of these were resolved during the audit.

/ Details of Audit Results



/ Details of Audit Results

Our findings are as follows:

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

- Compliance Reference: Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that “Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
- Number of cities involved: 6 of 39 cities
- Questioned costs for 2024:

	Fund	Total Expenditures Claimed for 2024	Questioned	Report Reference
1. Baldwin Park	Proposition C	\$ 1,395,601	\$ 151,000	Finding #2024-001, Page 8
2. Culver City	Proposition C	2,541,869	29,962	Finding #2024-006, Page 16
3. Lynwood	Proposition A	2,079,942	188,157	Finding #2024-010, Page 22
4. Montebello	Proposition C	2,728,392	20,343	Finding #2024-011, Page 23
5. Santa Monica	Proposition A	1,397,217	5,818	Finding #2024-012, Page 24
6. South Gate	Proposition C	2,506,480	441,633	Finding #2024-013, Page 25
		\$ 12,649,501	\$ 836,913	

/ Details of Audit Results, continued

B. Funds were not used in a timely manner.

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

Number of cities involved: 1 of 39 cities

Questioned costs for 2024:

	Total Expenditures Claimed for 2024	Questioned	Report Reference
1. Westlake Village Proposition C	\$ -	\$ 25,362	Finding #2024-015, Page 28
	<u>\$ -</u>	<u>\$ 25,362</u>	

The City was granted a one-year extension for the use of the lapsed funds.

/ Details of Audit Results, continued

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

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

Number of cities involved: 4 of 39 cities

- City of Baldwin Park (Finding #2024-002, page 9 of the report)
- City of Calabasas (Finding #2024-003, page 11 of the report)
- City of Hidden Hills (Finding #2024-007, page 17 of the report)
- City of South Gate (Finding #2024-014, page 26 of the report)

Questioned costs for 2024: None

/ Details of Audit Results, continued

D. Recreational transit form was not submitted timely.

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

Number of cities involved: 2 of 39 cities

- City of Cudahy (Finding #2024-005, page 15 of the report)
- City of Huntington Park (Finding #2024-008, page 19 of the report)

Questioned costs for 2024: None

/ Details of Audit Results, continued

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

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

Number of cities involved: 2 of 39 cities

- [City of Compton](#) (Finding #2024-004, page 13 of the report)
- [City of Huntington Park](#) (Finding #2024-009, page 20 of the report)

Questioned costs for 2024: None

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance



/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance

(1) Material Weakness

City of Compton

Finding #2024-004

- During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
- A qualified opinion and a disclaimer of opinion were issued on the City's financial statements of PALRF and PCLRF, respectively, as of and for the year ended June 30, 2024.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(2) Material Weakness

City of Huntington Park

Finding #2024-009

- During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
- A qualified opinion was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2024.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(3) Significant Deficiency (repeat finding)

City of Baldwin Park

Finding #2024-002

- The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a budget request via Local Return Management System (LRMS) for the PCLRF's Project code 705, Street Maintenance. The amount in excess of 25 percent of the approved budget was \$24,821.
- This is a repeat finding from prior year.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(4) Significant Deficiency (repeat finding)

City of Huntington Park

Finding #2024-008

- The City submitted its Recreational Transit Certification for PALRF on December 11, 2024, 57 days after the due date of October 15, 2024.
- This is a repeat finding from prior year.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(5) Significant Deficiency (repeat finding)

City of Lynwood

Finding #2024-010

- The City claimed expenditures under Proposition A Project code 610, Liability Insurance, totaling \$188,157, prior to approval from Metro.
- This is a repeat finding from prior year.

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee



/ Required Communications to the Independent Citizen's Advisory and Oversight Committee



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

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee, continued

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 Independent Citizen's Advisory and 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 Independent Citizen's Advisory and 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

Vasquez + Company LLP has over 50 years of experience in performing audit, tax, accounting, and consulting services for all types of nonprofit organizations, governmental entities, and private companies. We are the largest minority-controlled accounting firm in the United States and the only one to have global operations and certified as MBE with the Supplier Clearinghouse for the Utility Supplier Diversity Program of the California Public Utilities Commission.

We are clients of the **RSM Professional Services+ Practice**. As a client, we have access to the Professional Services+ Collaborative, a globally connected community that provides access to an ecosystem of capabilities, collaboration and camaraderie to help professional services firms grow and thrive in a rapidly changing business environment. As a participant in the PS+ Collaborative, we have the opportunity to interact and share best practices with other professional services firms across the U.S. and Canada.

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

