



Board Report

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INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE MARCH 4, 2026

SUBJECT: PROPOSITION A AND PROPOSITION C AUDITS OF FISCAL YEAR 2025

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, 2025 (Attachment A), 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, 2025 (Attachment B), 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, 2025 (Attachment C), 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, 2025, in accordance with accounting principles generally accepted in the United States. 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, 2025.

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).

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, 2025. Vasquez found 18 instances of noncompliance, which are summarized in Schedule 2 of Attachment B, five of which were repeat findings from the prior two years.

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, 2025. Simpson found 19 instances of noncompliance, which are summarized in Schedule 2 of Attachment C, four of which were repeat findings from the prior two years.

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 is anticipated to be scheduled in early June 2026 to receive public input on the results of the annual audit process and any findings.

ATTACHMENT(S)

- A. Proposition A and Proposition C Special Revenue Funds Report (FY25 BCA)
- B. Proposition A and Proposition C Ordinances and Local Return Guidelines Report (FY25 Vasquez)
- C. Proposition A and Proposition C Ordinances and Local Return Guidelines Report (FY25 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, 2025
(With Comparative Totals For 2024)**



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Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C
 Special Revenue Funds
 For the Year Ended June 30, 2025

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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, 2025, 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, 2025, 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, 2025, 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 December 2, 2024. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2025, 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, 2025, 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, 2025

Los Angeles County Metropolitan Transportation Authority
Proposition A Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2025
(With Comparative Totals for 2024)
(Amounts expressed in thousands)

	2025	2024
Revenues		
Sales tax	\$ 1,080,020	\$ 1,093,032
Investment income	29,458	22,869
Net appreciation in fair value of investments	12,165	5,363
Total revenues	1,121,643	1,121,264
Expenditures		
Transportation subsidies	407,492	412,192
Total expenditures	407,492	412,192
Excess of revenues over expenditures	714,151	709,072
Other financing sources (uses)		
Transfers in	8,222	4,690
Transfers out	(489,453)	(661,111)
Total other financing sources (uses)	(481,231)	(656,421)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 232,920	\$ 52,651

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, 2025
(With Comparative Totals for 2024)
(Amounts expressed in thousands)

	2025	2024
Revenues		
Sales tax	\$ 1,080,018	\$ 1,093,037
Intergovernmental	22,760	30,043
Investment income	33,085	32,237
Net appreciation (decline) in fair value of investments	13,251	10,475
Total revenues	1,149,114	1,165,792
Expenditures		
Administration and other transportation projects	62,223	51,822
Transportation subsidies	630,514	592,820
Capital outlay - Subscription-based IT arrangements	631	258
Debt and interest expenditures:		
Principal	747	153
Interest and fiscal charges	4	3
Total expenditures	694,119	645,056
Excess of revenues over expenditures	454,995	520,736
Other financing sources (uses)		
Transfers in	91,781	230,069
Transfers out	(616,876)	(891,870)
Net transfers	(525,095)	(661,801)
Subscription-based IT arrangements issued	631	258
Total other financing sources (uses)	(524,464)	(661,543)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (69,469)	\$ (140,807)

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, 2025

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, 2025

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, 2025

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, 2025, Proposition A and Proposition C Special Revenue Funds had investment income of \$29,458 and \$33,085, respectively, and a net appreciation in fair value of investments of \$12,165 and \$13,251 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, 2025

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 2024 in the accompanying Schedules are included only to provide a basis for comparison with 2025 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, 2025

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 2025, principal and interest payments of \$747 and \$4, respectively, represent the total amount of SBITA payments per executed contract.

The amount of \$631 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, 2025. 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, 2025, the future payments under the SBITAs are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 16	-	\$ 16
Total	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 16</u>

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

The Proposition A Fund at June 30, 2025 had an excess of revenues and other financing sources over expenditures and other financing uses of \$232,920 due to investment earnings totaling \$41,623 and excess of sales taxes over expenditures and transfers amounting to \$191,297. These factors resulted in the increase in fund balance in Proposition A Fund from \$669,684 to \$902,604 as of June 30, 2025.

The Proposition C Fund at June 30, 2025, had a deficit of revenues under expenditures and other financing uses of \$69,469 mainly due to higher expenditures and transfers out for operating, planning and capital projects than total revenues. This contributed to the decrease in Proposition C Fund balance from \$905,096 to \$835,627 as of June 30, 2025.

8. Audited Financial Statements

The audited financial statements for Proposition A and Proposition C Special Revenue Funds for the fiscal year ended June 30, 2025 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, 2025

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, 2025, 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, 2025
(Amounts expressed in thousands)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Sales tax	\$ 1,156,000	\$ 1,156,000	\$ 1,080,020	\$ (75,980)
Investment income	-	-	29,458	29,458
Net appreciation in fair value of investments	-	-	12,165	12,165
Total revenues	1,156,000	1,156,000	1,121,643	(34,357)
Expenditures:				
Transportation subsidies	426,258	426,258	407,492	18,766
Total expenditures	426,258	426,258	407,492	18,766
Excess of revenues over expenditures	729,742	729,742	714,151	(15,591)
Other financing sources (uses)				
Transfers in	8,408	8,408	8,222	(186)
Transfers out	(443,341)	(528,264)	(489,453)	38,811
Total other financing sources (uses)	(434,933)	(519,856)	(481,231)	38,625
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 294,809	\$ 209,886	\$ 232,920	\$ 23,034

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, 2025
(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	\$ 1,156,000	\$ 1,156,000	\$ 1,080,018	\$ (75,982)
Intergovernmental	40,043	23,818	22,760	(1,058)
Investment income	-	-	33,085	33,085
Net appreciation in fair value of investments	-	-	13,251	13,251
Total revenues	<u>1,196,043</u>	<u>1,179,818</u>	<u>1,149,114</u>	<u>(30,704)</u>
Expenditures:				
Administration and other transportation projects	77,306	80,343	62,223	18,120
Transportation subsidies	707,921	730,499	630,514	99,985
Capital outlay - Subscription-based IT Arrangements	-	-	631	(631)
Debt and interest expenditures:				
Principal	-	-	747	(747)
Interest and fiscal charges	-	-	4	(4)
Total expenditures	<u>785,227</u>	<u>810,842</u>	<u>694,119</u>	<u>116,723</u>
Excess of revenues over expenditures	410,816	368,976	454,995	86,019
Other financing sources (uses)				
Transfers in	84,186	127,387	91,781	(35,606)
Transfers out	<u>(586,168)</u>	<u>(689,357)</u>	<u>(616,876)</u>	<u>72,481</u>
Net transfers	(501,982)	(561,970)	(525,095)	36,875
Subscription-based IT arrangements issued	-	-	631	631
Total other financing sources (uses)	<u>(501,982)</u>	<u>(561,970)</u>	<u>(524,464)</u>	<u>37,506</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (91,166)</u>	<u>\$ (192,994)</u>	<u>\$ (69,469)</u>	<u>\$ 123,525</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, 2025, and the related notes to the Schedules, which collectively comprised LACMTA's basic Schedules, and have issued our report thereon dated December 2, 2025.

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, 2025

**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, 2025.

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, 2025.

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.

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

Torrance, California
December 2, 2025

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, 2025

None noted.

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

None noted.



MetroTM

**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, 2025



**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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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, 2025 (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, 2025.

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

Management of the County and the Cities is 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 #2025-001 through #2025-018. 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 #2025-005, #2025-011, #2025-012, and #2025-016 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 #2025-006 and #2025-017 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, 2025**

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2025**

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, 2025

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, 2025**

The audits of the County of Los Angeles and the 39 cities have resulted in 18 findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the
			PALRF	PCLRF	Audit
Funds were expended with Metro's approval and were not substituted for property tax.	2	Huntington Park (See Finding #2025-008)	\$ 10,945	\$ 285,310	\$ 296,255
		South Gate (See Finding #2025-017)	8,115	55,239	63,354
Timely use of funds.	2	Compton (See Finding #2025-004)	546,252	1,215,734	1,761,986
		Vernon (See Finding #2025-018)	2,276	198	2,474
Administrative expenses are within the 20% cap.	1	Cudahy (See Finding #2025-006)	36,989	69,184	106,173
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Bell Gardens (See Finding #2025-001)	None	-	None
		Huntington Park (See Finding #2025-009)	None	None	None
		Lynwood (See Finding #2025-014)	-	None	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	2	Calabasas (See Finding #2025-002)	None	None	None
		Huntington Park (See Finding #2025-010)	None	None	None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	4	Carson (See Finding #2025-003)	-	None	None
		Hawthorne (See Finding #2025-007)	-	None	None
		Lawndale (See Finding #2025-013)	-	None	None
		Montebello (See Finding #2025-015)	None	None	None
Recreational transit form was submitted on time.	1	Huntington Park (See Finding #2025-011)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	3	Compton (See Finding #2025-005)	None	None	None
		Huntington Park (See Finding #2025-012)	None	None	None
		Santa Fe Springs (See Finding #2025-016)	None	None	None
Total Findings and Questioned Costs	18		\$ 604,577	\$ 1,625,665	\$ 2,230,242

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, 2025**

PALRF Finding #2025-001	City of Bell Gardens
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 PALRF’s Project Code 107, DART Services. The amount in excess of 25 percent of the approved budget was \$70,724.</p> <p>Projects with greater than 25 percent change from the approved project budget must be amended by submitting a Project Description Form (Form A) or a budget request via LRMS.</p>
Cause	The condition was caused by staff oversight.
Effect	The City’s PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro’s approval, resulting in the City’s noncompliance with this requirement.
Recommendation	We recommend the City submit a revised Form A or submit a budget request via LRMS to obtain Metro’s approval for changes to the project budget and implement internal controls to ensure ongoing compliance with this requirement.
Management’s Response	The City submitted an updated Budget Request and obtained retroactive approval for the project on December 31, 2025.
Finding Corrected During the Audit	On December 31, 2025, the Metro Program Manager granted retroactive approval of the said project. 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, 2025**

PALRF and PCLRF Finding #2025-002	City of Calabasas
Compliance Reference	Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year".
Condition	The City missed the August 1, 2024 filing deadline for Form B, submitting the 8/1 Table late. The City submitted Form B on August 5, 2024.
Cause	Due to staffing changes in the Public Works Department, there was a transition period that affected the changeover of required reporting communications with Metro.
Effect	The City submitted Form B 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form B via LRMS prior to the August 1 st deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure the 8/1 Table is submitted in a timely manner by August 1 st for each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table on August 5, 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, 2025
 (Continued)**

PCLRF Finding #2025-003	City of Carson
Compliance Reference	<p>Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “Street Repair and Maintenance“ or “Bikeway projects”.</p> <p>“Self-certifications executed by the jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.”</p> <p>“A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840.”</p>
Condition	<p>The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City’s latest certification submitted to Metro on June 28, 2022 has a January 2022 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025.</p> <p>A PMS Certification is required for PCLRF Project code 705, Citywide Street Repair project.</p>
Cause	<p>There was a turnover in permanent staff and a turnover in consultants.</p>
Effect	<p>The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines.</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, 2025
(Continued)**

PCLRF Finding #2025-003 (Continued)	City of Carson
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The City is actively working to rectify this issue. A new PMS assessment has been initiated, and the updated certification is currently under internal review. The City anticipates presenting it to the City Council for formal approval within the next quarter. Once approved, the certification will be promptly submitted to Metro.

**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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-004	City of Compton
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 A and Proposition C funds amounting to \$546,252 and \$1,215,734, respectively, which lapsed as of June 30, 2025.
Cause	The City did not have sufficient expenditures related to the projects to cover the lapsing amounts.
Effect	The City was not in compliance with the Proposition A and Proposition C LR Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A and Proposition C funds are used in a timely manner.
Management's Response	On December 12, 2025, the City received Metro's approval for the extension of the use of funds until June 30, 2026.
Finding Corrected During the Audit	On December 12, 2025, Metro granted an extension for the use of the lapsed funds amounting to \$546,252 and \$1,215,734 from Proposition A and Proposition C funds, respectively, through June 30, 2026. 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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-005 (Material Weakness)	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 30, 2025, the City's year-end closing process was still ongoing. We noted the following critical observations:</p> <ul style="list-style-type: none"> • Cut-off procedures related to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected prior period's account balances. • Beginning fund balances were not reconciled with prior year's audited reports. • The audits of the City's financial statements for the fiscal years 2024 and 2025 have not yet been completed due to the ongoing clean-up and closing process. <p>This is a repeat finding from the fiscal year 2024.</p>
Cause	During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. Currently, accounting personnel and support staff are working toward closing the books and preparing 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, 2025
 (Continued)**

<p>PALRF and PCLRF Finding #2025-005 (Material Weakness) (Continued)</p>	<p>City of Compton</p>
<p>Recommendation</p>	<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 these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task, the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to the users in a timely manner.</p>
<p>Management's Response</p>	<p>The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed 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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-006 (Significant Deficiency)	City of Cudahy
Compliance Reference	Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges."
Condition	<p>The City claimed PALRF administrative expenses in excess of the 20% cap, totaling \$9,893.</p> <p>This is a repeat finding from prior year's audit relating to the PALRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 610, Administrative Prop A to \$121,791, resulting in an excess of \$27,096.</p> <p>Additionally, the PCLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 620, Administration Prop C to \$77,180, resulted in an excess of \$69,184.</p>
Cause	The City has reassessed and reallocated its expenses for FY2023/24 and has performed similar reallocations for FY2024/25.
Effect	The City is required to return to the Local Return Accounts the amounts exceeding the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures charged to the LR funds do not exceed the allowable limit.
Management's Response	The City will return to the Local Return Accounts the amounts over the 20% cap totaling \$36,989 and \$69,184, for PALRF and PCLRF, respectively.
Finding Corrected During the Audit	The City has recorded a due from General Fund in FY2024/25. 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, 2025
(Continued)**

PCLRF Finding #2025-007	City of Hawthorne
Compliance Reference	<p>Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects".</p> <p>"Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria."</p> <p>"A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."</p>
Condition	<p>The City submitted its Pavement Management System (PMS) certification late during FY 2024/25. Although a PMS assessment and inventory is required to be conducted and maintained every 3 years, the certification submitted to Metro on October 15, 2025 references an October 2023 inventory update and pavement condition review. While the inventory itself is within the required 3-year window, the certification was not submitted in a timely manner during the fiscal year.</p> <p>A PMS Certification is required for PCLRF Project code 715, Street Improvement Projects and Bus Routes Street Lighting.</p>
Cause	There was a turnover in permanent staff and a turnover in consultants.
Effect	The City was not in compliance with the criteria stipulated in the Local Return Guidelines.
Recommendation	We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25.
Finding Corrected During the Audit	The City subsequently submitted the PMS Certification on October 15, 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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-008	City of Huntington 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 claimed expenditures under the following Proposition A projects prior to obtaining approval from Metro.</p> <p>a. Project Code 135, User Side Subsidy (Elderly/Handicapped), totaling \$2,044.</p> <p>b. Project Code 155, Special Event Transit, totaling \$8,901</p> <p>Further, the City claimed an expenditure under the following Proposition C project prior to approval from Metro.</p> <p>c. Project Code 170, Bus Shelter Maintenance Program, totaling \$285,310</p> <p>Although the expenditures were determined to be eligible for Local Return funding, these projects did not have prior approval from Metro.</p>
Cause	This condition was caused by turnover of the City staff responsible for completing the Expenditure Plan. A City staff member who is currently assigned to monitor the Proposition A Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Proposition A and Proposition C in previous fiscal years. The City was not able to submit a budget request for Metro’s approval until after June 30, 2025.
Effect	The City claimed expenditures totaling \$10,945 in Proposition A LR funds and \$285,310 in Proposition C LR funds prior to obtaining approval from Metro. As a result, the City did not comply 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, 2025
(Continued)

PALRF and PCLRF Finding #2025-008 (Continued)	City of Huntington Park
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 for the projects on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the projects was obtained through LRMS on December 11, 2025. 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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-009	City of Huntington 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 PALRF's Project Code 105, Fuel for Fixed Route and Dial-A-Ride program and PCLRF's Project Code 107, Fuel for Fixed Route & Dial-A-Ride. The amounts exceeding 25 percent of the approved budgets were \$16,735 for each project.</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>
Cause	This condition was caused by turnover of the City staff responsible for completing the Expenditure Plan. A City staff member who is currently assigned to monitor the Proposition A Local Return Expenditure Plan was unaware of all the expenses that have been budgeted for Proposition A and Proposition C in previous fiscal years. The City was not able to submit revised budget requests for Metro's approval until after June 30, 2025.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval, resulting 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, 2025
(Continued)

PALRF and PCLRF Finding #2025-009 (Continued)	City of Huntington Park
Recommendation	We recommend the City submit a revised Form A or a Budget Request via LRMS to obtain Metro's approval for the change in the project budget and implement internal controls to ensure ongoing compliance with this requirement.
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 via LRMS and obtained retroactive approval of the budget for said projects on December 11, 2025.
Finding Corrected During the Audit	Retroactive approval for the revised budgets of the projects was obtained via LRMS on December 11, 2025. 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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-010:	City of Huntington Park
Compliance Reference	Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year".
Condition	The City missed the August 1, 2024 deadline of Form B, submitting the 8/1 Table late. Form B was submitted on October 15, 2024.
Cause	This condition was caused by turnover of the City staff responsible for completing Form B, 8/1 Table. A City staff member who is currently assigned to submit Form B, 8/1 Table was unaware of the requirements to submit Form B, 8/1 Table by August 1st of each year.
Effect	The City submitted the Form B 8/1 Table after the August 1, 2024 deadline, resulting in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit Form B via LRMS prior to the August 1st deadline to ensure compliance with this requirement at all times.
Management's Response	The City will ensure 8/1 Table is submitted in a timely manner by August 1st of each fiscal year.
Finding Corrected During the Audit	The City submitted the 8/1 Table 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, 2025
(Continued)**

PALRF Finding #2025-011 (Material Weakness)	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 November 17, 2025, which was 33 days after the October 15, 2025 due date. This is a repeat finding from the fiscal years 2023 and 2024.
Cause	This condition was caused by turnover in City staff responsible for completing the Recreation Transit Form. A City staff member who is currently assigned to monitor the Recreational Transit Expenditure Plan was unaware of the requirements to submit the Recreational Transit Form by October 15th of each year.
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 15th as required by the Guidelines.
Management's Response	The City will ensure that the Recreational Transit Certification is submitted in a timely manner by October 15th of each fiscal year.
Finding Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification on November 17, 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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-012 (Material Weakness)	City of Huntington Park
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V, state that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>As of the date of audit fieldwork, December 29, 2025, the City's year-end closing process was still ongoing for the fiscal year 2025. The following critical observations have been identified:</p> <ul style="list-style-type: none"> • Cut-off procedures relating to year-end accruals were inadequate to ensure that transactions were recorded in the proper period. This resulted in the City's adjustments that affected the prior period's account balances. • Certain accounts and beginning fund balances were not reconciled to the City's published 2024 audited reports. <p>Accordingly, the audit of the City's financial statements for the fiscal year 2025 remains in progress due to the ongoing clean-up and closing process.</p> <p>This is a repeat finding from the fiscal years 2023 and 2024.</p>
Cause	During the fiscal years 2021 through 2025, 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 2025 and prior years. Currently, the accounting personnel and support staff are working toward closing the books and preparing 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, 2025
 (Continued)**

<p>PALRF and PCLRF Finding #2025-012 (Material Weakness) (Continued)</p>	<p>City of Huntington Park</p>
<p>Recommendation</p>	<p>The City should 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 these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures should be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that the financial statements are updated and provided to users on a timely basis.</p> <p>We further recommend that the City maintain a separate bank account for its local return funds. This will also help in monitoring and tracking the activities and balances of local return funds.</p>
<p>Management's Response</p>	<p>The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure that monthly and annual year-end closing processes are well documented and completed 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, 2025
(Continued)**

PCLRF Finding #2025-013	City of Lawndale
Compliance Reference	<p>Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing "Street Repair and Maintenance" or "Bikeway projects".</p> <p>"Self-certifications executed by the jurisdiction's Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy "Street Repair and Maintenance" and "Bikeway" project eligibility criteria."</p> <p>"A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840."</p>
Condition	<p>The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on June 15, 2022 has a June 2022 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025.</p> <p>A PMS Certification is required for PCLRF Project code 705, Street Improvements.</p>
Cause	The PMS certification was missed as a result of staff turnover in the Public Works Department.
Effect	The City was not in compliance with the criteria stipulated in the Local Return Guidelines.
Recommendation	We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The Public Works Director is addressing this matter, with renewal underway to ensure compliance for FY 2025/26.

**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, 2025
 (Continued)**

PCLRF Finding #2025-014	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 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 470, SCAG Dues. The amount in excess of 25 percent of the approved budget was \$12,456.</p> <p>Projects with more 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>
Cause	The City did not anticipate incurring eligible expenditures for this project. As a result, the City was not able to submit a revised budget request for Metro's approval until after June 30, 2025.
Effect	The City's PCLRF project expenditure exceeded 25 percent of the approved project budget prior to Metro's approval, resulting in noncompliance with the Guidelines.
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.

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, 2025
(Continued)

PCLRF Finding #2025-014 (Continued)	City of Lynwood
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 December 29, 2025.
Finding Corrected During the Audit	On December 29, 2025, the Metro Program Manager granted retroactive approval of the said project. 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, 2025
 (Continued)**

PCLRF Finding #2025-015	City of Montebello
Compliance Reference	<p>Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “Street Repair and Maintenance “or “Bikeway projects”.</p> <p>“Self-certifications executed by the jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.”</p> <p>“A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 715, 806, and 840.”</p>
Condition	<p>The City did not submit a current Pavement Management System (PMS) certification during FY 2024/25. A PMS assessment and inventory is required to be conducted and maintained every 3 years. The City’s latest certification submitted to Metro on June 13, 2022 has a July 2021 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2025.</p> <p>A PMS Certification is required for PCLRF Project code 705, Nationwide Street Sweeping project.</p>
Cause	<p>There was a delay due to awaiting the final report from the City’s consultant for the final inventory and pavement assessment, as well as the subsequent presentation to City Council.</p>
Effect	<p>The City was not in compliance with PMS certification as required by the Local Return Guidelines.</p>
Recommendation	<p>We recommend the City submit to Metro and keep on file an updated PMS certification for eligibility for its new or ongoing street maintenance or bikeway projects.</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, 2025
(Continued)

PCLRF Finding #2025-015 (Continued)	City of Montebello
Management's Response	The City acknowledges the oversight in not submitting a current PMS certification for FY 2024/25. The City will closely coordinate with the consultant in providing the PMS information and establish a firm deadline for completion to ensure timely submission in the future.
Finding Corrected During the Audit	The City submitted the current PMS certification to Metro on August 27, 2025 with an August 2025 inventory update and review of pavement condition completion date. 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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-016 (Material Weakness)	City of Santa Fe Springs
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	As of the date of audit fieldwork on December 30, 2025, the City's year-end closing process was still ongoing. Reconciliation of major balance sheet accounts, including bank accounts, had not yet been completed. In addition, interest allocation procedures had not been performed, further indicating that certain key closing activities were still outstanding.
Cause	During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. Currently, the accounting personnel and support staff are working toward closing the books and preparing 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.
Recommendation	The City should 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 these procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who is responsible for each task and the expected and actual completion dates. The timing of specific procedures could be coordinated with management's or the auditor's need for the related information. These reconciliations will help ensure that financial statements are updated and provided to users on a timely basis.

**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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-016 (Material Weakness) (Continued)	City of Santa Fe Springs
Management's Response	The City is in the process of catching up on accounting processes that were not completed due to staff turnover and other factors. The new management team in the Finance and Accounting Department is implementing procedures to ensure monthly and annual year-end closing processes are well documented and completed 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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-017 (Significant Deficiency)	City of South Gate
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 Proposition A project prior to approval from Metro.</p> <p>a. Project code 610, Traffic Development Impact Fee Study, totaling \$8,115</p> <p>Further, the City claimed expenditures under the following Proposition C projects prior to approval from Metro.</p> <p>b. Project code 303, Tweedy Boulevard Traffic Signal Synchronization, totaling \$47,124; and</p> <p>c. Project code 620, Traffic Development Impact Fee Study, totaling \$8,115.</p> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> <p>This is a repeat finding for PCLRF from prior year.</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, 2025.
Effect	The City claimed expenditures totaling \$8,115 of Proposition A LR funds and \$55,239 of Proposition C LR funds prior to approval by Metro. The City did not comply 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, 2025
(Continued)

PALRF and PCLRF Finding #2025-017 (Significant Deficiency) (Continued)	City of South Gate
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 13, 2025.
Finding Corrected During the Audit	Retroactive approval of the said projects was obtained via LRMS on October 13, 2025. 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, 2025
(Continued)**

PALRF and PCLRF Finding #2025-018	City of Vernon
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 A and Proposition C funds from FY22 allocations amounting to \$2,276 and \$198, respectively, which lapsed as of June 30, 2025.
Cause	This was caused by oversight of the City's personnel.
Effect	The City did not comply with Proposition A and Proposition C LR Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that Proposition A and Proposition C funds are used timely.
Management's Response	The City acknowledges the oversight. To prevent recurrence, the City will implement enhanced procedures and internal controls to ensure timely expenditure of Proposition A and Proposition C funds.
Finding Corrected During the Audit	On December 16, 2025, Metro granted an extension for the use of the funds remaining with the City through June 30, 2026. 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, 2025



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, 2025**

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

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

Report on Compliance

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance areas tested and related findings are identified in the accompanying Compliance Areas 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, 2025.

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 #2025-001 through #2025-019. 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 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. *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 #2025-006, #2025-011, #2025-012, #2025-013, and #2025-014 that we consider to be significant deficiencies.

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

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



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

Simpson & Simpson

Los Angeles, California
December 31, 2025

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2025

- | | |
|----------------------------------|-----------------------------------|
| 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 Areas Tested
Fiscal Year Ended June 30, 2025

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, 2025

The audits of the 49 cities have resulted in nineteen (19) findings. The table below summarizes these findings:

Compliance Area	# 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.	4	Bradbury (#2025-002)	-	\$ 51,897	\$ 51,897
		Glendora (#2025-005)	\$ 81,525	-	81,525
		Palos Verdes Estates (#2025-011)	313,956	954,157	1,268,113
		Signal Hill (#2025-016)	-	94,940	94,940
Timely use of funds.	2	Lancaster (#2025-009)	-	708,927	708,927
		San Dimas (#2025-014)	-	9,994	9,994
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	El Segundo (#2025-004)	None	-	None
		La Verne (#2025-008)	None	-	None
Pavement Management System (PMS) is in place and used for Street Maintenance or Improvement Projects Expenditures.	3	Artesia (#2025-001)	-	None	None
		Palmdale (#2025-010)	-	None	None
		Signal Hill (#2025-017)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	8	Covina (#2025-003)	None	-	None
		Glendora (#2025-006)	None	None	None
		Glendora (#2025-007)	167,443	48,825	216,268
		Palos Verdes Estates (#2025-012)	-	None	None
		Redondo Beach (#2025-013)	None	None	None
		San Marino (#2025-015)	None	-	None
		Temple City (#2025-018)	None	-	None
West Covina (#2025-019)	-	71,611	71,611		
Total Findings and Questioned Cost	19		\$ 562,924	\$ 1,940,351	\$ 2,503,275

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025**

PCLRF Finding #2025-001	City of Artesia
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.</p>
Condition	<p>A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, FY 2024-25 Pavement Management System. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in April 2025.</p>
Cause	<p>This was an oversight on the part of the City.</p>
Effect	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</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, 2025
 (Continued)**

PCLRF Finding #2025-001 (Continued)	City of Artesia
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City subsequently submitted the PMS Certification Form to Metro on December 15, 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, 2025
(Continued)**

PCLRF Finding #2025-002	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	During the fiscal year 2024-25, the City expended a total of \$51,897 for PCLRF Project Code 781 - Bradbury Road Project prior to receiving formal approval from Metro.
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, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City accepts the finding and will ensure to establish procedures to ensure that expenditures are approved by Metro prior to expending the funds and new personnel are made aware of the procedures.
Finding Corrected During the Audit	The City received retroactive approval from Metro on December 12, 2025 for the budget related to Project Code 781 – Bradbury Road Project in the amount of \$51,897. 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, 2025
 (Continued)**

PALRF Finding #2025-003	City of Covina
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	<p>During our payroll testing, we noted that the City did not provide contemporaneous timesheets to support the hours charged to PALRF’s Transit Administration Project Code 610 for the payroll periods tested:</p> <ul style="list-style-type: none"> a) September 6, 2024 b) November 29, 2024 c) April 4, 2025 <p>Instead, the City provided supplemental after-the-fact allocation records to demonstrate the hours worked on the program. While the supplemental information appears to reasonably support and substantiate that the hours charged were eligible, the documentation was signed and dated by the employees and supervisors in October 2025, several months to as much as a year after the work was performed.</p>
Cause	The City lacked a process to ensure that payroll allocation documentation was prepared and signed timely.
Effect	Because the supplemental after-the-fact allocation records were not prepared at or near the time of the payroll periods tested, they do not constitute contemporaneous support for the hours charged. Without contemporaneous documentation, there is an increased risk that the hours charged may not accurately reflect the work performed during the said payroll periods.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the supplemental documentation at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds’ projects.
Management’s Response	Starting fiscal year 2025-26, the City will complete a 30-day time study as a supplemental support to the employee’s timesheet in order to establish a reasonable basis for the payroll costs charged to PALRF.

**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, 2025
(Continued)**

PALRF Finding #2025-004	City of El Segundo
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 the PALRF Project Code 107, Dial-A-Ride projects, by more than 25 percent, resulting in a combined overage of \$10,738.
Cause	This was an oversight by the City due to personnel turnover during the fiscal year.
Effect	The City's PALRF 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 take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro's approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro's approval for any budget change prior to expenditures of funds.
Management's Response	Due to City staff turnover, the City informed Metro after project expenditures exceeded the 25% threshold. City staff are now aware of updating the LRMS and moving forward, they will inform Metro when project expenditures are expected to deviate above or below the 25% threshold.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive approval to increase the project budget from \$119,282 to \$159,840 on December 11, 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, 2025
 (Continued)**

PALRF Finding #2025-005	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds.”
Condition	<p>The expenditures for the PALRF’s Special Event Transit Project Code 155, totaling \$81,525, were incurred prior to Metro’s approval.</p> <p>However, the City subsequently received an approved budget from Metro in the amount of \$81,525 for the PALRF project on December 15, 2025.</p>
Cause	The expenditures were incurred due to timing and communication gaps between project budget submission, approval status tracking, and operational execution. The City initiated the project expenditures before formal confirmation of Metro’s approval. Additionally, internal controls did not sufficiently prevent expenditures from being processed while the approval was still pending.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

**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, 2025
 (Continued)**

<p align="center">PALRF Finding #2025-005 (Continued)</p>	<p align="center">City of Glendora</p>
<p>Management’s Response</p>	<p>The City acknowledges the finding. Retroactive budget approval for PALRF’s Special Event Transit Project Code 155 was received from Metro on December 15, 2025 in the amounts of \$81,525, fully covering the expenditures incurred. No unallowable costs remain outstanding. To ensure this issue does not recur, the City will implement the following measures:</p> <p>Formal Budget Approval Verification</p> <ul style="list-style-type: none"> • Project expenditures will not commence until written confirmation of Metro budget approval is received and documented. • Finance Department will maintain approval documentation within the project file. <p>Internal Approval Controls</p> <ul style="list-style-type: none"> • Finance Department staff will verify Metro approval status prior to setting up or activating project codes in the financial system. • Project codes will remain restricted from posting charges until approval is confirmed. <p>Enhanced Communication Protocol</p> <ul style="list-style-type: none"> • A formal notification process will be established between Finance Department and program staff confirming when Metro approval has been received and the expenditures may begin. • Program Managers will be reminded that “budget submitted” does not equate to “budget approved.” <p>Tracking and Monitoring</p> <ul style="list-style-type: none"> • A centralized tracking log will be maintained to monitor submission dates, approval status, and authorized expenditure start dates for all of the Metro-funded projects. • Periodic reviews will be conducted to ensure compliance prior to cost incurrence.
<p>Finding Corrected During the Audit</p>	<p>Metro Program Manager granted retroactive budget approval in the amount of \$81,525 for the said PALRF project on December 15, 2025. No 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, 2025
(Continued)

PALRF and PCLRF Finding #2025-006 (Significant Deficiency)	City of Glendora
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	The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024. This is a repeat finding from the fiscal year 2024.
Cause	The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to the delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
Effect	The delay in preparing the bank reconciliations and finalizing the year-end closing process 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 related accounts and to properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for both bank reconciliations and year-end closing procedures to ensure 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, and monitoring progress to ensure that discrepancies are identified and resolved promptly.
Management's Response	The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.

**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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-007	City of Glendora
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-007 (Continued)	City of Glendora
Condition	<p>During our payroll testing, we noted that the payroll costs allocated to the Proposition A Local Return Fund’s (PALRF) Transportation Planning Project Code 180 and Administration Proposition A Project Code 610, and Proposition C Local Return Fund’s (PCLRF) Transportation Planning Project Code 180 were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities.</p> <p>In addition, the employees’ timesheets did not identify the specific hours worked on the above projects for the following payroll periods tested:</p> <ul style="list-style-type: none"> (a) October 27, 2024 (b) December 22, 2024 (c) February 2, 2025 <p>As a result, we were unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible PALRF and PCLRF activities for total amounts of \$167,443 and \$48,825, respectively.</p>
Cause	<p>The fiscal year 2024-25 was the City’s first full fiscal year operating under a new Time and Attendance system. During system implementation, the City relied on guidance provided by the implementation representative and configured payroll cost allocations in accordance with that guidance. At that time, it was assumed that this configuration would meet Metro’s cost allocation and documentation requirements. However, it was determined that this setup did not fully capture or report actual hours worked by project or activity as required for detailed payroll and benefit cost allocation.</p>
Effect	<p>The payroll costs and employee benefits charged under the PALRF and PCLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively.</p>
Recommendation	<p>We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.</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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-007 (Continued)	City of Glendora
Management’s Response	<p>The City acknowledges the finding and has taken corrective action to ensure full compliance with Metro requirements. The City has engaged a third-party consultant with specialized expertise in Time and Attendance system configuration and Metro grant compliance. The City is currently developing and implementing detailed activity and project codes to capture actual hours worked by employee and by specific project. Updating Time and Attendance system configurations will ensure that payroll costs and employee benefits are allocated based on actual hours worked and supported by timesheet documentation. Reviewing internal payroll and reporting procedures will also help ensure consistent application and ongoing compliance. These actions will strengthen internal controls, improve payroll cost transparency, and ensure all future personnel cost charges to Metro-funded projects are fully supported and compliant with Metro requirements.</p> <p>The City met with a third-party consultant specializing in Time and Attendance system configuration and job costing to evaluate options for achieving full compliance with Metro’s payroll documentation requirements. During this discussion, the consultant proposed implementing job costing within the Time and Attendance system as a means to independently track employee time by project.</p> <p>The conversation also emphasized the need for a structured and consistent method of time tracking and project management, particularly to distinguish hours worked on local transportation projects from those charged to the General Fund. This approach will allow the City to accurately capture actual hours worked at the employee level and allocate payroll costs and related benefits directly to the appropriate funding source.</p> <p>Based on this guidance, the City is moving forward with:</p> <ul style="list-style-type: none"> • Establishing job costing and project/activity codes within the Time and Attendance system; • Requiring employees to record time worked by project, including transportation-related projects funded by Metro; • Aligning payroll reporting with Metro’s documentation and compliance requirements. <p>These enhancements will improve accuracy, transparency, and auditability of personnel cost allocations going forward.</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, 2025
(Continued)

<p>PALRF and PCLRF Finding #2025-007 (Continued)</p>	<p align="center">City of Glendora</p>
<p>Finding Corrected During the Audit</p>	<p>On December 26, 2025, Metro waived the questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively, and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.</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, 2025
(Continued)**

PALRF Finding #2025-008	City of La Verne
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 more than 25 percent of Metro's approved budget on the following projects:</p> <ul style="list-style-type: none"> a. PALRF’s Get About Pass Subsidy Project Code 135 in the amount of \$875. b. PALRF’s Senior Bus Pass Subsidy Project Code 135 in the amount of \$555. c. PALRF’s Administration Project Code 610 in the amount of \$2,584. <p>However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$9,000 for the PALRF’s Get About Pass Subsidy Project Code 135, in the amount of \$1,000 for the PALRF’s Senior Bus Pass Subsidy Project Code 135, and in the amount of \$109,000 for the PALRF’s Administration Project Code 610 on October 6, 2025.</p>
Cause	On June 24, 2025, the Program Administrator requested a budget increase on the three PALRF projects but mistakenly entered the revised budgets as actual expenditures in the LRMS. As a result, the Metro budgets for these three projects were unchanged.
Effect	The City’s PALRF 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 take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro’s approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro’s approval for any budget change prior to expenditures of funds.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025
 (Continued)**

PALRF Finding #2025-008 (Continued)	City of La Verne
Management's Response	<p>The Program Administrator was given the proper training on entering any future budget modifications in the LRMS.</p> <p>When the Metro budget adjustment is required, the Finance department will contact Metro directly or create a new budget request by following Metro's updated guidance. Also, the Finance department will perform a final year-end review of all LRMS entries to ensure that the proper Metro budgets and actual expenditures were entered correctly.</p>
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approvals for the said projects on October 6, 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, 2025
(Continued)**

PCLRF Finding #2025-009	City of Lancaster
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 2022 PCLRF ending fund balance in the amount of \$708,927 was not fully expended within the required three-year period as of June 30, 2025, nor was it reserved for capital projects in accordance with 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 Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
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.
Finding Corrected During the Audit	On December 10, 2025, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2026. 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, 2025
 (Continued)**

PCLRF Finding #2025-010	City of Palmdale
Compliance Reference	<p>A According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.</p>
Condition	<p>A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management Program. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired during the fiscal year 2025.</p>
Cause	<p>This was an oversight on the part of the City.</p>
Effect	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</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, 2025
 (Continued)**

PCLRF Finding #2025-010 (Continued)	City of Palmdale
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026, and Metro granted the extension on December 11, 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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-011 (Significant Deficiency)	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: 1) a new project.”
Condition	<p>During the fiscal year ended June 30, 2025, the City incurred expenditures prior to receiving Metro approval. The expenditures incurred prior to approval were as follows:</p> <ul style="list-style-type: none"> • \$313,956 for Project Code 490 — JPA Transit Contribution (PALRF); and • \$158,459 for Project Code 705 — Annual Resurfacing Project (PCLRF). <p>In addition, the City incurred expenditures related to the fiscal year 2024 prior to receiving Metro approval. These amounts were subsequently recorded as prior period adjustments in the fiscal year 2025. The prior-year expenditures totaled \$795,698, all of which pertain to PCLRF projects, and consisted of:</p> <ul style="list-style-type: none"> • \$319,306 for Project Code 705 — FY 23/24 Annual Resurfacing Project; and • \$476,392 for Project Code 705 — FY 23/24 Annual Slurry Seal Project. <p>This is a repeat finding from the fiscal year 2024.</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 Finance Director position remaining vacant since March 2023.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

**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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-011 (Significant Deficiency) (Continued)	City of Palos Verdes Estates
Management’s Response	The City accepts the finding. The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.
Finding Corrected During the Audit	<p>On December 10 and December 11, 2025, the City received retroactive approval from Metro for the budget related to Project Code 490 – JPA Transit Contribution to the Palos Verdes Peninsula Transit Authority Project (PALRF) in the amount of \$314,000, and Project Code 705 – Annual Resurfacing Project (PCLRF) in the amount of \$782,000, respectively.</p> <p>On December 18, 2025, the City additionally received retroactive approval from Metro in the amounts of \$319,400 for the FY 23/24 Annual Resurfacing Project and in the amount of \$476,400 for the FY 23/24 Annual Slurry Seal Project. No 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, 2025
 (Continued)**

PCLRF Finding #2025-012 (Significant Deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section V, Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits.”
Condition	During the procedures performed to reconcile the beginning balances of the fiscal year 2025 financial statements to the audited ending balances as of June 30, 2024, for PCLRF, we noted that the City recorded certain fiscal year 2024 Local Return Funds project expenditures after the completion and issuance of the fiscal year 2024 Local Return Funds audit reports. These transactions were not recorded in the City’s accounting records at the time the fiscal year 2024 audits were completed and were subsequently recorded by the City at the beginning of the fiscal year 2025. As a result of these post-year entries, cash and investments were overstated and expenditures were understated in the following fund: <ul style="list-style-type: none"> • PCLRF: \$795,698 Because these transactions related to fiscal year 2024 activities but were recorded after the issuance of the fiscal year 2024 Local Return Funds audit reports, they were recorded as prior period adjustments in the fiscal year 2025.
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 Finance Director position remaining vacant since March 2023. In addition, the City personnel were unfamiliar with the City's fund requirements and Local Return reporting processes, and the City engaged an external accounting support team to assist with the year-end closing process. Collectively, these circumstances adversely affected controls over the Local Return Funds and Metro-related projects, and contributed to delays in critical reconciliations, account analyses, and the preparation of supporting documentation required for year-end financial reporting and audit purposes.

**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, 2025
 (Continued)**

PCLRF Finding #2025-012 (Significant Deficiency) (Continued)	City of Palos Verdes Estates
Effect	<p>Although supporting documentation was maintained by the external accounting support team, the City personnel were unable to readily locate or provide the documentation upon requested, resulting in unresolved differences between amounts recorded in the City’s general ledger and those reported to Metro. As a result, these conditions increased the risk of:</p> <ul style="list-style-type: none"> (a) inaccurate or misstated financial records and reports; and (b) noncompliance with applicable local return guidelines. <p>In addition, deficiencies in the City’s year-end closing and documentation processes contributed to delays in the completion of the required audits.</p>
Recommendation	<p>We recommend that management prioritize timely completion of the year-end closing process and strengthen controls over period-end financial reporting.</p> <p>This should include implementing a structured closing process with clearly defined roles, responsibilities, and timelines. In addition, management should ensure appropriate supervisory review and oversight to verify that all required reconciliations, documentation, and adjustments are completed accurately and timely prior to finalizing the year-end close.</p>
Management’s Response	<p>The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.</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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-013 (Significant Deficiency)	City of Redondo Beach
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 on December 16, 2025, the City's year-end closing process had not yet been completed. Accordingly, we noted the following matters:</p> <ul style="list-style-type: none"> (a) Bank reconciliations for May and June 2025 had not been completed due to unresolved reconciling items. (b) Interest income allocations for all local return funds had not been finalized, and interest earned but not yet received as of June 30, 2025 had not been accrued. (c) Unrealized gains and losses on investments had not been recorded as of year-end.
Cause	The City implemented a new permit management and financial system in August 2024, which created reconciliation challenges between permit payment activity and bank records. Due to ongoing issues, the City discontinued the system and transitioned to a new system in April 2025. While the new system is operating more effectively, unresolved reconciliation issues remain for the March through April 2025 transition period, primarily related to transactions recorded in both systems. In addition, staffing shortages within the Finance Department further contributed to delays in completing year-end reconciliations and closing activities. As a result, the City was unable to finalize the year-end closing process and related allocations prior to the audit.
Effect	Delays in preparing bank reconciliations and year-end closing procedures increase the risk of errors or omissions in the City's financial records. Because interest allocations, accrued interest, and unrealized gains and losses were not recorded, interest income, interest receivable, investment balances, and related fund balances may be misstated or not properly allocated among Local Return funds. These conditions also limit management's ability to detect and correct errors on a timely basis and weaken internal controls over financial reporting.

**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, 2025
 (Continued)**

PALRF and PCLRF Finding #2025-013 (Significant Deficiency) (Continued)	City of Redondo Beach
Recommendation	We recommend that the Finance Department establish and follow a documented year-end closing process to ensure that: <ul style="list-style-type: none"> • Bank reconciliations are completed monthly and reviewed. • Interest income allocations and accruals are finalized prior to closing. • Unrealized investment gains and losses are recorded at year-end, and all closing entries are subject to supervisory review. • We further recommend prioritizing completion of the outstanding reconciliations for May and June 2025 and providing additional training to staff on the new financial system and year-end procedures.
Management’s Response	Management agrees with the recommendation and will strengthen the financial statement closing process by enhancing year-end procedures through improved documentation, clearer task assignments, and the implementation of a structured close checklist and timeline. The Finance Department will complete interest allocations, along with pooled cash and related bank reconciliations, on a monthly basis with established internal deadlines, and supervisor will perform monthly reviews to ensure accuracy and completeness. Responsibilities for bank reconciliations and interest allocations have been reassigned to designated staff to provide continuity. Progress will be monitored regularly to ensure alignment with financial reporting and audit timelines.

**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, 2025
 (Continued)**

PCLRF Finding #2025-014 (Significant Deficiency)	City of San Dimas
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 2022 ending fund balance in the amount of \$9,994 was not expended within 3 years as of June 30, 2025 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, 2026 on October 27, 2025. This is a repeat finding from the fiscal year 2024.
Cause	Major projects to be funded by PCLRF have been delayed as the City waits for necessary approvals from outside agencies that need to be completed prior to the bid award. The City believed that these major projects will be able to move forward in the fiscal year 2025-26, which will utilize majority of the available funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
Management's Response	If the City determines that the budgeted projects will not move forward prior to the end of the fiscal year, Administration will work with Public Works to identify projects that can be completed and submit amendments to the City Council in order to expend the lapsing funds in a timely manner.
Finding Corrected During the Audit	On October 27, 2025, the Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2026. 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, 2025
(Continued)**

PALRF Finding #2025-015	City of San Marino
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to PALRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to San Marino Unified School District were allowable and properly supported by invoices and cancelled checks, the expenditures in the total amount of \$150,000 paid to San Marino Unified School District were charged to PALRF’s Project Code 155, Recreational Transit Athletic Trips, without a properly executed contract.
Cause	Due to a change in the City’s personnel, the extension amendment to the contract was overlooked.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	On November 12, 2025, the City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. As an internal control, management added a purchase order starting in the fiscal year 2025-26 to help ensure that all contracts are up to date.
Finding Corrected During the Audit	The City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2025
(Continued)**

PCLRF Finding #2025-016	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City incurred expenditures totaling \$94,940 for Proposition C Local Return Fund (PCLRF) Project Code 765, Pavement Management prior to receiving budget approval from Metro. Subsequently, on September 30, 2025, Metro approved a budget allocation of \$94,940 for this project.
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, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City will establish procedures to review and ensure that the City obtains prior Metro's approval before expenditures are incurred.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on September 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, 2025
 (Continued)**

PCLRF Finding #2025-017	City of Signal Hill
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.</p>
Condition	<p>A PMS Certification Form was required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management. However, the City did not submit PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in January 2025.</p>
Cause	<p>This was an oversight on the part of the City.</p>
Effect	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</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, 2025
 (Continued)**

PCLRF Finding #2025-017 (Continued)	City of Signal Hill
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026 and Metro granted the extension on November 19, 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
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 (Continued)**

PALRF Finding #2025-018	City of Temple City
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance” and Section V, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc. were allowable and were properly supported by invoices and cancelled checks, the expenditures were not supported by current and valid contracts. No amendments to the contracts were issued since their expiration dates of June 30, 2018 for both Elite School Transit and Inland Empire Stages, LTD, and June 30, 2020 for ShelterClean Services, Inc. The amounts of \$22,025 paid to Elite School Transit and \$37,981 paid to Inland Empire Stages, LTD were charged to PALRF’s Project Code 155, Recreational Transit. Likewise, the total amount of \$10,439 paid to ShelterClean Services, Inc. was charged to PALRF’s Project Code 205, Bus Shelter Maintenance.
Cause	Certain expired contracts were inadvertently overlooked and not renewed in a timely manner.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	The City is currently working on extending the contract agreements with Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc.

**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, 2025
 (Continued)**

<p align="center">PCLRF Finding #2025-019</p>	<p align="center">City of West Covina</p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”</p> <p>In addition, the Metro Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution or their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025
 (Continued)**

PCLRF Finding #2025-019 (Continued)	City of West Covina
Condition	<p>During our payroll testing, we noted that the payroll costs allocated to the Proposition C Local Return Fund (PCLRF) Administration Project Code 620 (Project) were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities.</p> <p>In addition, the employees’ timesheets did not identify the specific hours worked on the Project for the following payroll periods tested:</p> <ul style="list-style-type: none"> (a) August 30, 2024 (b) November 8, 2024 (c) December 6, 2024 (d) March 14, 2025 (e) May 23, 2025 <p>As a result, we were unable to verify that the payroll costs and employee benefits charged to the Project were based on actual time spent on eligible PCLRF activities for a total amount of \$71,611.</p>
Cause	<p>During the fiscal year 2024-25, the City converted its system to Tyler Munis ERP and planned to use this new system to streamline payroll processing and track the actual hours spent by the employees on each project. The City eliminated the use of the hard copy timesheets. However, due to the delay in the application of the new software, the estimated percentages were used to allocate the salaries to PCLRF.</p>
Effect	<p>The payroll costs and employee benefits claimed under the PCLRF projects may include disallowed Proposition C project expenditures. This resulted in questioned costs of \$71,611 for PCLRF.</p>
Recommendation	<p>We recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.</p>
Management’s Response	<p>The City management acknowledges the audit finding regarding the use of budgeted allocations for administrative costs instead of actual hours. Beginning January 2026, the City will implement the timesheet tracking for all administrative personnel to ensure costs are accurately allocated based on actual times spent on each project.</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, 2025
(Continued)

PCLRF Finding #2025-019 (Continued)	City of West Covina
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$71,611 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.

**FISCAL YEAR 2025
PROPOSITION A AND PROPOSITION 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

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

MARCH 4, 2026



*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 Proposition 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 Proposition 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 Proposition 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 \$13.0 million compared to prior year (1.2% change from prior year). The decrease is mainly due to less consumer spending during FY 2024-25.
- Actual expenditures decreased by \$4.7 million compared to prior year (1.1% change from prior year) due primarily to lower sales tax revenue collected.
- Transfers out decreased by \$171.7 million, a 26.0% decrease from the previous year, due to completion of major capital projects such as: 1) P3010 LRV project; 2) HR5000 heavy rail vehicle procurement; 3) Rail-to-rail active transportation projects and 4) P2550 LRV mid-life overhaul project.
- Actual sales tax revenue was less than budgeted by \$76.0 million.
- Actual expenditures were less than budgeted by \$18.8 million mainly due to lower allocations to cities/agencies on local return subsidies brought by lower sales tax revenue collected during FY 2024-25.
- Actual transfers out were less than budgeted by \$38.8 million mainly due to lower transfers to Enterprise Fund for rail operations and capital projects.
- Proposition A fund at June 30, 2025 had an excess of revenues and other financing sources over expenditures and other financing uses of \$232.9 million, increasing Proposition A fund balance from \$669.7 million to \$902.6 million at June 30, 2025.

Financial Highlights (Continued)

Proposition C

- Sales tax revenue decreased by \$13.0 million compared to prior year (1.2% change from prior year). The decrease is mainly due to lower consumer spending during FY 2024-25.
- Expenditures increased by \$49.0 million compared to prior year (7.6% change from prior year). Increase was mainly due to increase in local transportation subsidies and higher project expenditures for the Regional Integration Intelligent System, Freeway Service Patrol and increase allocation for the LIFE program.
- Transfers in decreased by \$138.3 million compared to prior year (60.1% change from prior year) due to lower transfers received from other funds for the Regional Bikeways, Commuter Rail operations, Regional Surface Transportation, Local Traffic System and MTA-sponsored CFP/PC25 Projects.
- Transfers out decreased by \$275.0 million, a 30.8% decrease from the previous year, lower actual capital billing transfers for Operations Transportation and Maintenance, lower transfers for Rail Operations - Lines A, B and E as well as for certain capital projects (Regional Bikeways and Sepulveda Transit Corridor).
- Actual sales tax revenue was less than budgeted by \$76.0 million.

Financial Highlights (Continued)

Proposition C

- Actual expenditures were \$116.7 million below budget mainly due to lower-than-expected spending on administration and other transportation projects. Actual transportation subsidies for local cities programs (Local Return subsidies, Regional Surface Transportation, Local Traffic System, Transportation Demand Management) and Transit Operators (Commuter Rails, Prop C Discretionary and Transit Security) also came in under budget.
- Transfers in were \$35.6 million below budget, primarily due to lower-than-expected revenue billings for Regional Bikeways, Regional Surface Transportation and Local Traffic System programs.
- Transfers out were below budget by \$72.5 million primarily because anticipated allocations for certain projects did not occur as planned. Allocations for the Regional Tap and Microtransit operations came in lower than anticipated.
- Proposition C fund at June 30, 2025 had a deficiency of revenues and other financing sources over expenditures and other financing uses of \$69.5 million, decreasing Proposition C fund balance from \$905.1 million to \$835.6 million at June 30, 2025.

Required Communications

with Those Charged with Governance

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, 2025.

2025 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, 2025 Annual Comprehensive Financial Report (ACFR)

BCA Watson Rice LLP

Audit Engagement Team

- Marialyn Labastilla, Engagement Partner (mstabastilla@bcawr.com)
- Helen Chu, Quality Control Partner (hchu@bcawr.com)
- 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, 2025
(Package B)**

Simpson & Simpson, LLP



Proposition A and Proposition C
Independent Citizen's Advisory and Oversight Committee (ICAOC) Meeting
Date: March 4, 2026

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:** \$562,924 identified during the FY2025 compliance audits. This represents approximately 0.3% of the total FY2025 allocations of \$182,900,003.
 - **Resolution:** All questioned costs were resolved during the audits.
 - PCLRF:
 - **Total questioned costs:** \$1,940,351 identified during the FY2025 compliance audits. This represents approximately 1.3% of the total FY2025 allocations of \$151,710,698.
 - **Resolution:** All questioned costs were resolved during the audits.



Summary of Audit Results (Cont.)

During our audit, we identified a total of 19 instances of non-compliance. The following were categorized as Significant Deficiencies:

- Significant Deficiencies (5 instances)
 - City of Glendora (#2025-006)
 - City of Palos Verdes Estates (#2025-011)
 - City of Palos Verdes Estates (#2025-012)
 - City of Redondo Beach (#2025-013)
 - City of San Dimas (#2025-014)

Further details about the specific conditions leading to these 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.	4	Bradbury (#2025-002) Glendora (#2025-005) Palos Verdes Estates (#2025-011) Signal Hill (#2025-016)	- \$ 81,525 313,956 -	\$ 51,897 - 954,157 94,940	\$ 51,897 81,525 1,268,113 94,940
Timely use of funds.	2	Lancaster (#2025-009) San Dimas (#2025-014)	- -	708,927 9,994	708,927 9,994



Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	El Segundo (#2025-004) La Verne (#2025-008)	None None	- -	None None
Pavement Management System (PMS) is in place and used for Street Maintenance or Improvement Projects Expenditures	3	Artesia (#2025-001) Palmdale (#2025-010) Signal Hill (#2025-017)	- - -	None None None	None None None



Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation are adequate.	8	Covina (#2025-003)	None	-	None
		Glendora (#2025-006)	None	None	None
		Glendora (#2025-007)	167,443	48,825	216,268
		Palos Verdes Estates (#2025-012)	-	None	None
		Redondo Beach (#2025-013)	None	None	None
		San Marino (#2025-015)	None	-	None
		Temple City (#2025-018)	None	-	None
		West Covina (#2025-019)	-	71,611	71,611
Total Findings and Questioned Costs	19		\$ 562,924	\$ 1,940,351	\$ 2,503,275



Significant Deficiencies In Internal Control over Compliance

➤ Significant Deficiency 1 of 5 :

City of Glendora (Finding #2025-006):

- **Issue:** The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024.
- **Reason:** The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.
- **Management's Response:** The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.



Significant Deficiencies

In Internal Control over Compliance (Cont.)

➤ Significant Deficiency 2 of 5:

City of Palos Verdes Estates (Finding #2025-011):

- **Issue:** The City incurred total expenditures of \$1,268,113 prior to receiving Metro's approval. This amount includes \$472,415 related to Fiscal Year 2025 projects, consisting of \$313,956 for Project Code 490 — JPA Transit Contribution (PALRF) and \$158,459 for Project Code 705 — Annual Resurfacing Project (PCLRF).

In addition, the City incurred \$795,698 related to Fiscal Year 2024 PCLRF projects prior to receiving Metro approval. These costs were subsequently recorded as prior period adjustments in Fiscal Year 2025 and consisted of \$319,306 for the FY 23/24 Annual Resurfacing Project and \$476,392 for the FY 23/24 Annual Slurry Seal Project under Project Code 705.

- **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 remaining vacant since March 2023.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.



Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ Significant Deficiency 2 of 5 (continued):

City of Palos Verdes Estates (Finding #2025-011):

- **Resolution:** On December 10 and 11, 2025, Metro granted retroactive budget approval for the projects. Specifically, Metro approved the budgets for Project Code 490 — JPA Transit Contribution (PALRF) and Project Code 705 — Annual Resurfacing Project (PCLRF). In addition, on December 18, 2025, Metro granted retroactive approval for the FY 23/24 Annual Resurfacing Project and the FY 23/24 Annual Slurry Seal Project. No further follow-up is required



Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ Significant Deficiency 3 of 5:

City of Palos Verdes Estates (Finding #2025-012):

- **Issue:** During the FY 2025 beginning balance reconciliation, the City recorded \$795,698 of FY 2024 Local Return Funds expenditures after completion of the FY 2024 audit (prior period adjustment), resulting in an overstatement of cash and understatement of PCLRF expenditures.
- **Reason:** Oversight resulted from recent administrative and management turnover, including the Public Works Director's departure in August 2024 and the Finance Director position being vacant since March 2023, compounded by staff unfamiliarity with fund requirements and reliance on external accounting support, which contributed to delays in reconciliations, analyses, and year-end reporting.
- **Management's response:** The City has updated the projects and budgets and will implement procedures and provide staff training to ensure timely updates and compliance with Metro requirements going forward.



Significant Deficiencies

In Internal Control over Compliance (Cont.)

➤ Significant Deficiency 4 of 5:

City of Redondo Beach (Finding #2025-013):

- **Issue:** As of the audit date of December 16, 2025, the City's year-end closing process was incomplete, with May and June 2025 bank reconciliations pending, interest income allocations and accruals not finalized, and unrealized investment gains and losses not recorded.
- **Reason:** The City's transition between permit and financial systems from August 2024 to April 2025, combined with Finance Department staffing shortages, caused reconciliation challenges and delays that prevented completion of the year-end closing process and related allocations before the audit.
- **Management's response:** Management will strengthen the year-end closing process through improved documentation, a structured checklist, and clear task assignments. Interest allocations and bank reconciliations will be completed monthly with supervisor review, responsibilities will be reassigned to ensure continuity, and progress will be regularly monitored to ensure timely and accurate financial reporting.



Significant Deficiencies

In Internal Control over Compliance (Cont.)

➤ Significant Deficiency 5 of 5:

City of San Dimas (Finding #2025-014):

- **Issue:** The City's Fiscal Year 2022 PCLRF ending fund balance of \$9,994 was not fully expended within three years as of June 30, 2025, nor reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
- **Reason:** Major PCLRF projects were delayed due to pending external approvals, but the City expects the projects to proceed in FY 2025–26 and use most of the available funds.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.
- **Resolution:** During the audit, Metro granted the City an extension for the usage of lapsed funds until June 30, 2026, on October 27, 2025. No further follow-up is required.

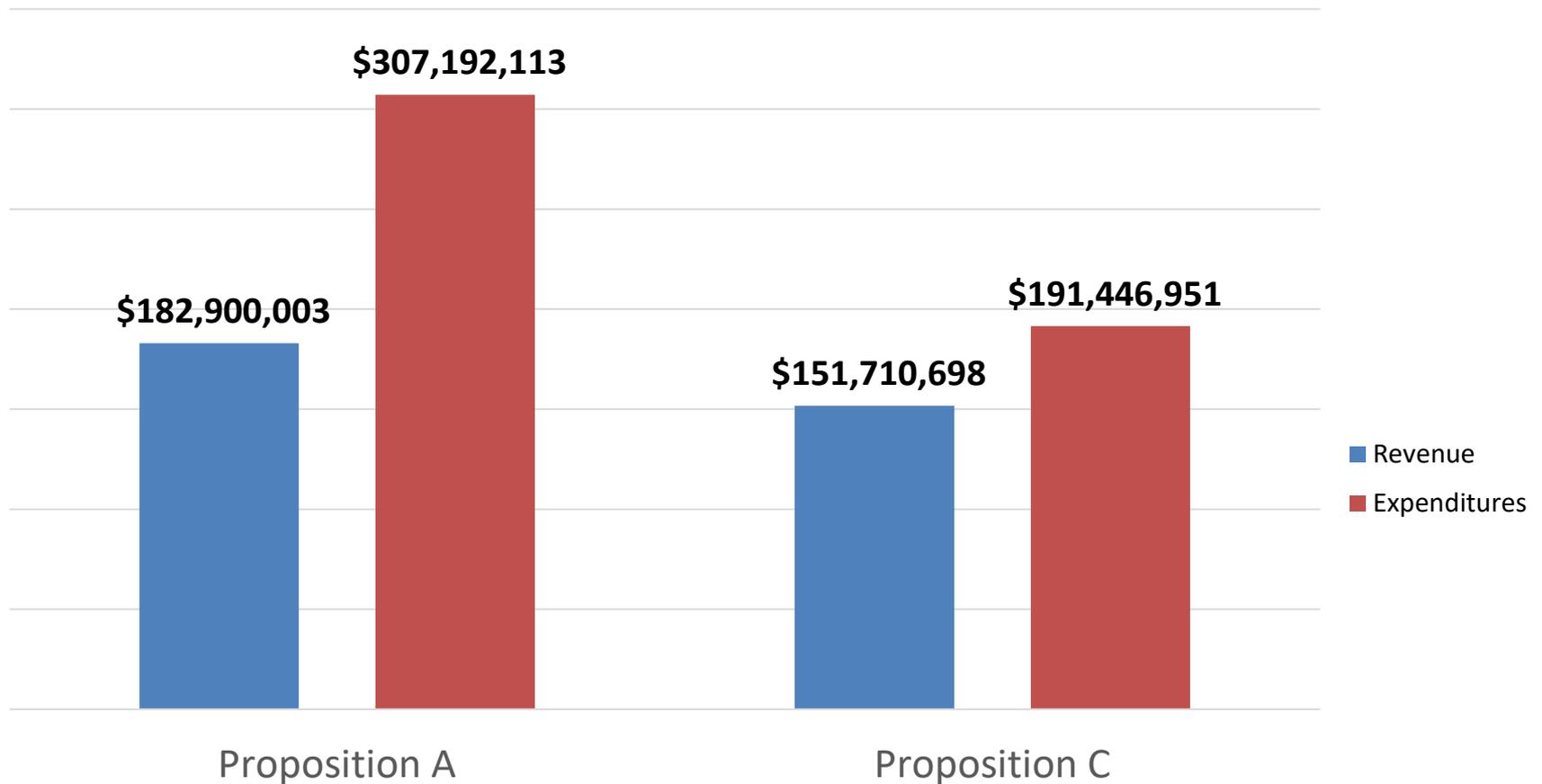


Analysis of Audit Results



Revenue and Expenditures of 49 Jurisdictions

FY 2025 Revenue and Expenditures – Proposition A & C



Simpson & Simpson CPAs

Contact information

Team member	Contact information
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Questions





Metro[®]

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

March 4, 2026



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/ Scope of the Audits



/ Scope of the Audits

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

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



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized



(1)
GAAS

Generally Accepted Auditing Standards

(2)
GAGAS

Generally Accepted Government Auditing Standards

(3)
Compliance Criteria Utilized in the Audits

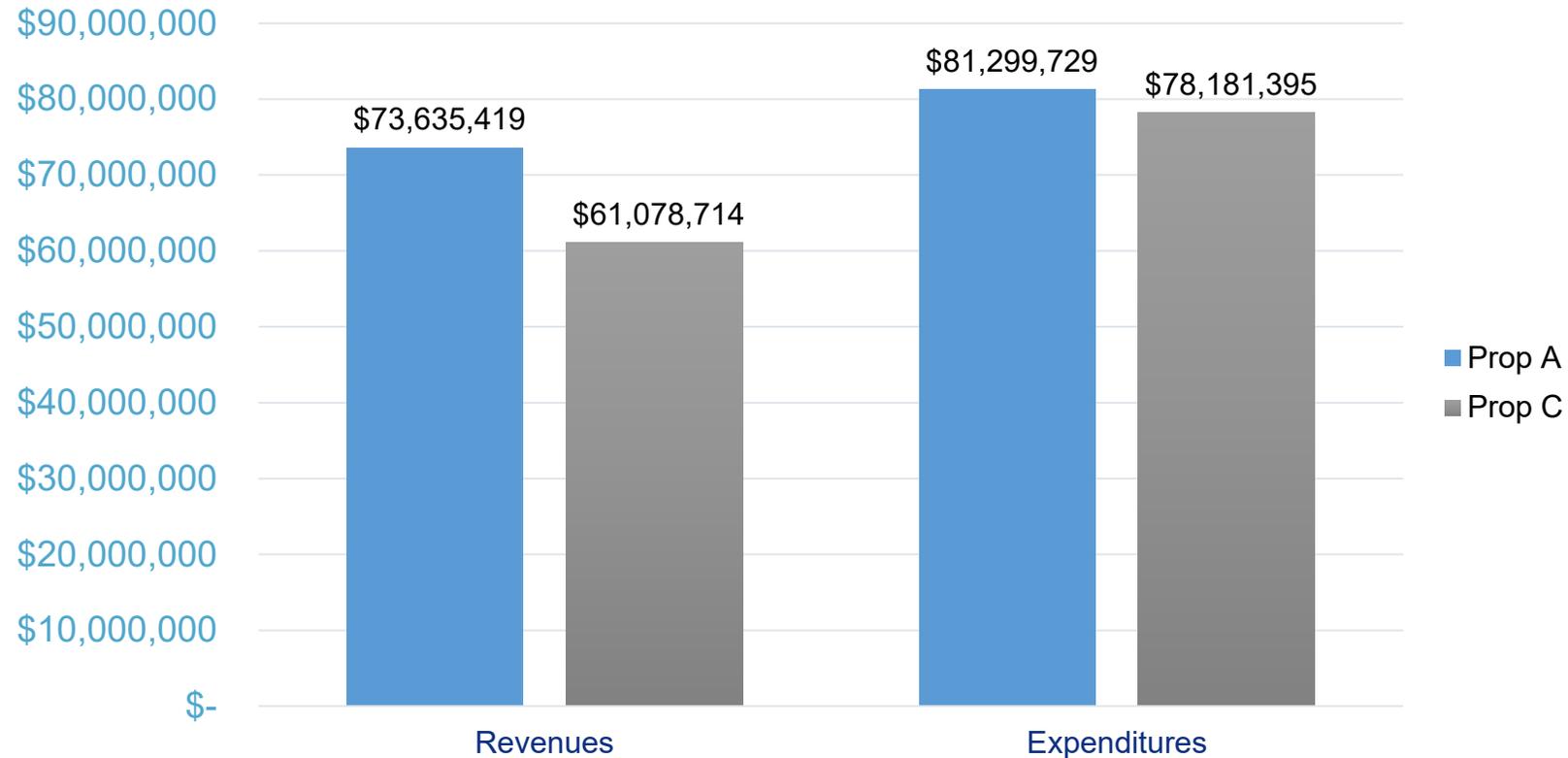
- Proposition A Ordinance (Ordinance No. 16)
- Proposition C Ordinance (Ordinance No. 49)
- Proposition A and C Local Return Guidelines (Board approved FY 2006-07)
- Proposition A and C Local Return Assurances and Understandings

/ 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 2025 Revenues and Expenditures



/ Overview of the Audit Results



/ Overview of the Audit Results

FY 2025 Summary of Audit Results

- Dollars associated with the findings have increased from \$ 862,275 in FY2024 to \$2,230,242 in FY2025 audit.
- This represents about 1.66% of the total Proposition A and Proposition C FY2025 allocations of \$134,714,133 to the County of Los Angeles and the 39 cities under Package A.

Questioned Costs

- \$359,609 of the questioned cost relates to Proposition A and Proposition C funds expended on eligible projects prior to Metro's approval.
- \$1,764,460 of the questioned cost relates to unused funds which lapsed as of June 30, 2025. The cities received a one-year extension to use the lapsed funds.
- \$106,173 of the questioned cost relates to administrative expenses in excess of the 20% cap.

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: 2 of 39 cities
- Questioned costs for 2025:

	Fund	Total Expenditures Claimed for 2025	Questioned	Report Reference
1. Huntington Park	Proposition A	\$ 1,462,920	\$ 10,945	Finding #2025-008, Page 17
	Proposition C	812,843	285,310	Finding #2025-008, Page 17
2. South Gate	Proposition A	2,120,238	8,115	Finding #2025-017, Page 32
	Proposition C	3,720,182	55,239	Finding #2025-017, Page 32
		\$ 8,116,183	\$ 359,609	

/ Details of Audit Results, continued

B. Funds were not used in a timely manner.

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

Number of cities involved: 2 of 39 cities

Questioned costs for 2025:

	Fund	Total Expenditures Claimed for 2025	Questioned	Report Reference
1. Compton	Proposition A	\$ 2,069,488	\$ 546,252	Finding #2025-004, Page 12
	Proposition C	1,115,352	1,215,734	Finding #2025-004, Page 12
2. Vernon	Proposition A	-	2,276	Finding #2025-018, Page 34
	Proposition C	-	198	Finding #2025-018, Page 34
		<u>\$ 3,184,840</u>	<u>\$ 1,764,460</u>	

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

/ Details of Audit Results, continued

C. Administrative expenses are within the 20% cap.

- Compliance Reference: Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, “The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges.”

Number of cities involved: 1 of 39 cities

- [City of Cudahy](#) (Finding #2025-006, page 15 of the report)

Questioned costs for 2025:

		Total Expenditures Claimed for 2025	Questioned	Report Reference
1. Cudahy	Proposition A	\$ 454,694	\$ 36,989	Finding #2025-006, Page 28
	Proposition C	137,090	69,184	Finding #2025-006, Page 28
		\$ 591,784	\$ 106,173	

/ Details of Audit Results, continued

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

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

Number of cities involved: 3 of 39 cities

- City of Bell Gardens (Finding #2025-001, page 8 of the report)
- City of Huntington Park (Finding #2025-009, page 19 of the report)
- City of Lynwood (Finding #2025-014, page 26 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

E. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.

- Compliance Reference: Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year”.

Number of cities involved: 2 of 39 cities

- City of Calabasas (Finding #2025-002, page 9 of the report)
- City of Huntington Park (Finding #2025-010, page 21 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

F. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.

- Compliance Reference: Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “Street Repair and Maintenance” or “Bikeway projects. Self-certifications executed by the jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria. A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840.”

Number of cities involved: 4 of 39 cities

- City of Carson (Finding #2025-003, page 10 of the report)
- City of Hawthorne (Finding #2025-007, page 16 of the report)
- City of Lawndale (Finding #2025-013, page 25 of the report)
- City of Montebello (Finding #2025-015, page 28 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

G. Recreational transit form was not submitted timely.

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

Number of cities involved: 1 of 39 cities

- [City of Huntington Park](#) (Finding #2025-011, page 22 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

H. 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: 3 of 39 cities

- City of Compton (Finding #2025-005, page 13 of the report)
- City of Huntington Park (Finding #2025-012, page 23 of the report)
- City of Santa Fe Springs (Finding #2025-016, page 30 of the report)

Questioned costs for 2025: None

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance



/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance

(1) Material Weaknesses

City of Compton

Finding #2025-005

During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2025 and prior years. As of December 30, 2025, accounting personnel and support staff are working toward closing the books and preparing 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, 2025.

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

(2) Material Weaknesses

City of Huntington Park

Finding #2025-0011

The City submitted its Recreational Transit Certification for PALRF on November 17, 2025, which was 33 days after the October 15, 2025 due date.

This is a repeat finding from the fiscal years 2023 and 2024.

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

(3) Material Weaknesses

City of Huntington Park

Finding #2025-0012

During the fiscal years 2021 through 2025, 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 2025 and prior years. As of December 29, 2025, the accounting personnel and support staff are working toward closing the books and preparing 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, 2025.

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

(4) Material Weaknesses

City of Santa Fe Springs

Finding #2025-0016

During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. As of December 30, 2025, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

A **disclaimer of opinion** was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2025.

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

(5) Significant Deficiencies (repeat finding)

City of Cudahy

Finding #2025-006

The City claimed PALRF administrative expenses in excess of the 20% cap, totaling \$9,893.

This is a repeat finding from prior year's audit relating to the PALRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 610, Administrative Prop A to \$121,791, resulting in an excess of \$27,096.

Additionally, the PCLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 620, Administration Prop C to \$77,180, resulted in an excess of \$69,184.

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

(5) Significant Deficiencies (repeat finding)

City of South Gate

Finding #2025-017

The City charged expenditures to several Proposition A and Proposition C projects before obtaining required Metro approval.

Prop A: Project 610 – Traffic Development Impact Fee Study – \$8,115

Prop C:

- Project 303 – Tweedy Blvd Traffic Signal Synchronization – \$47,124
- Project 620 – Traffic Development Impact Fee Study – \$8,115

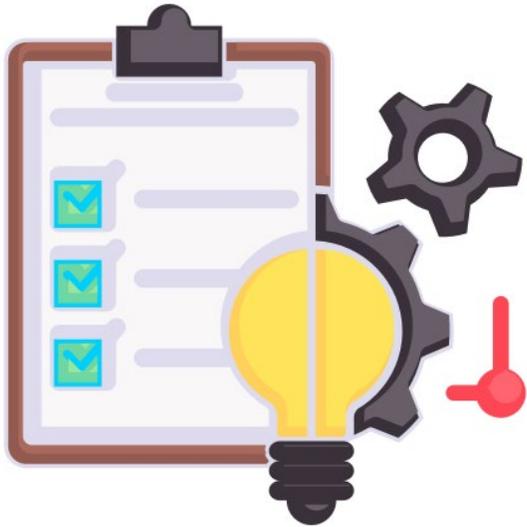
Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.

This is a repeat finding for PCLRF 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 55 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, and governmental entities.

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

