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Agenda - Final

Wednesday, August 17, 2022

1:30 PM

To give written or live public comment, please see the top of page 4

Finance, Budget and Audit Committee

Kathryn Barger, Chair

Holly J. Mitchell, Vice Chair

Paul Krekorian

Tim Sandoval

Gloria Roberts (Interim), non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for one (1) minute during this Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

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The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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A Spanish language interpreter is available at all Committee and Board Meetings. All other languages must be requested 72 hours in advance of the meeting by calling (213) 922-4600 or (323) 466-3876. Live Public Comment Instructions can also be translated if requested 72 hours in advance.



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The Committee Meeting begins at 1:30 PM Pacific Time on August 17, 2022; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-251-2949 and enter
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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

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La Reunion de la Junta comienza a las 1:30 PM, hora del Pacifico, el 17 de Agosto de 2022. Puedes unirse a la llamada 5 minutos antes del comienso de la junta.

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Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting.
Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
Post Office Mail:
Board Administration
One Gateway Plaza
MS: 99-3-1
Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

APPROVE Consent Calendar Items: 11, 12, and 13.

Consent Calendar items are approved by one vote unless held by a Director for discussion and/or separate action.

CONSENT CALENDAR

11. **SUBJECT: MANAGEMENT AUDIT SERVICES FY 2022 FOURTH QUARTER STATUS REPORT AND CUMULATIVE YEAR-END REPORT** [2022-0494](#)

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2022 fourth quarter status report and cumulative FY2022 year-end report.

Attachments: [Attachment A - FY 2022 Q4 Status Report Presentation](#)

12. **SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2021** [2022-0299](#)

RECOMMENDATION

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the Fiscal Year ending June 30, 2021.

Attachments: [Attachment A - FY21 Prop A & C - Vasquez](#)
[Attachment B - FY21 Prop A & C - Simpson](#)
[Attachment C - FY21 Measure R - Vasquez](#)
[Attachment D - FY21 Measure R - Simpson](#)
[Attachment E - FY21 Measure M - Vasquez](#)
[Attachment F - FY21 Measure M - Simpson](#)

13. **SUBJECT: CYBERSECURITY LIABILITY INSURANCE PROGRAM** [2022-0454](#)

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to \$50 million in limits at a cost not to exceed \$2.8 million for the 12-month period effective September 1, 2022 to September 1, 2023.

Attachments: [Attachment A - Options and Premiums](#)
 [Attachment B - Coverage Description](#)

NON-CONSENT

14. **SUBJECT:** **SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS' LOCAL CONTRIBUTION AND DIRECT LOAN TO ALAMEDA CORRIDOR EAST - MONTEBELLO CORRIDOR PROJECT** [2022-0470](#)

RECOMMENDATION

AUTHORIZE and delegate authority to the Chief Executive Officer (CEO) or their designee to negotiate and execute all necessary agreements to enter into a direct loan of \$61.1 million, current estimate, between the Los Angeles County Metropolitan Authority (Metro) and the San Gabriel Valley Council of Governments (SGVCOG). The loan advances partial funding for the Montebello Corridor Project that has a total project cost of \$216.2 million.

Attachments: [Attachment A - Motion 44](#)

15. **SUBJECT:** **FY23 AUDIT PLAN** [2022-0508](#)

RECOMMENDATION

ADOPT the Fiscal Year 2023 (FY23) Proposed Annual Audit Plan (AAP).

Attachments: [Attachment A - FY23 AAP Presentation](#)

16. **SUBJECT:** **FISCAL YEAR 2019-2021 TRIENNIAL PERFORMANCE REVIEW REPORTS** [2022-0320](#)

RECOMMENDATIONS

RECEIVE AND FILE:

- A. the fiscal year (FY) 2019-2021 Triennial Performance Review of Los Angeles County Transit Operators and Metro Operations; and
- B. the FY 2019-2021 Triennial Performance Review of the Los Angeles County Metropolitan Transportation Authority (Metro) as the Regional Transportation Planning Agency (RTPA).

Attachments: [Attachment A - FY19-21 Performance Review Summary of Transit Operators](#)
 [Attachment B - FY19-21 Performance Review Summary of Metro as RTPA](#)

SUBJECT: GENERAL PUBLIC COMMENT

[2022-0478](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S
SUBJECT MATTER JURISDICTION

Adjournment



Board Report

File #: 2022-0494, **File Type:** Informational Report

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 17, 2022

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2022 FOURTH QUARTER STATUS REPORT
AND CUMULATIVE YEAR-END REPORT**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Management Audit Services (MAS) FY 2022 fourth quarter status report and cumulative FY2022 year-end report.

ISSUE

MAS is required to provide a quarterly activity report to Metro's Board of Directors (Board) that presents information on audits that have been completed or in progress, including information related to audit follow-up activities.

BACKGROUND

It is customary practice for MAS to deliver the quarterly audit report. The FY 2022 fourth quarter report covers the period of April 1, 2022, through June 30, 2022; and the cumulative FY 2022 year-end for the period of July 1, 2021, through June 30, 2022.

MAS provides audit services in support of Metro's ability to provide responsive, accountable, and trustworthy governance. The department performs internal and external audits. Internal audits evaluate the processes and controls within the agency, while external audits analyze contractors, cities, and/or non-profit organizations that are recipients of Metro funds. The department delivers management audit services through functional groups: Performance Audit; Contract, Financial and Compliance Audit; and Administration and Policy, which includes audit support functions. Performance audit is mainly responsible for internal audits and reviews such as special projects related to the programs and activities under the purview of the Office of the Chief Executive Officer, the People Office (formerly Human Capital and Development), Operations, Program Management, Safety, Security and Law Enforcement, Planning and Development, including other Metro departments. Contract, Financial and Compliance Audit is primarily responsible for external audits in Planning and Development, Program Management, and Vendor/Contract Management. MAS' functional units assure the public that internal processes and programs are being managed efficiently,

effectively, economically, ethically, and equitably; and that desired outcomes are being achieved. This assurance is provided by MAS' functional units conducting audits of program effectiveness, economy and efficiency, internal controls, and compliance. MAS' Administration and Policy unit is responsible for administration, and financial management, including audit support, audit follow-up, and audit resolution tracking.

DISCUSSION

The following chart summarizes MAS activity for FY 2022 fourth quarter and FY 2022 year ending June 30, 2022.

	FY 2022 Fourth Quarter	FY 2022 Year-End	In-Progress as of June 30, 2022
Performance Audits		7 audit projects completed	8 audit projects
Contract, Financial and Compliance Audits	12 audit projects completed with a total value of \$33 million	27 audit projects completed with a total value of \$56 million	61 audit projects
Transitional Indirect Cost Rate (TICR) Determinations		2 approved	
Financial Compliance Audits of Metro		149 audit projects completed	
Audit Follow-up and Resolution*	21 closed	40 closed	
	12 closed (OIG)	47 closed (OIG)	

*Note: MAS performs audit follow-up for the Office of Inspector General (OIG).

The FY 2022 Fourth Quarter Status Report and Cumulative Year-End Report is included as Attachment A.

EQUITY PLATFORM

There are no equity impacts or concerns from audit services conducted during this period. However, MAS recognizes that the department's opportunity to advance equity starts with conducting audits with equity themes that lead to the accountability and compliance of programs and policies aimed directly or indirectly at creating more equitable outcomes in Equity Focus Communities throughout the Los Angeles region. In the future, MAS will consider and identify agency-wide policies and programs that have equity compliance aspects and support the monitoring and compliance reporting through audit engagements as appropriate.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Management Audit Services FY 2022 Fourth Quarter Status Report and Cumulative Year-End Report supports Metro's Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Management Audit Services will continue to report audit activity throughout the current fiscal year.

ATTACHMENT

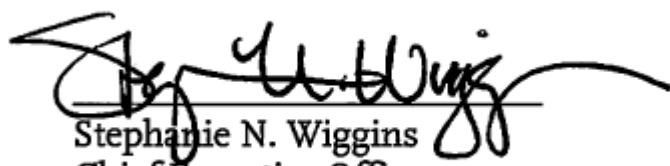
A. FY 2022 Fourth Quarter Status Report and Cumulative Year-End Report

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Fiscal Year 2022 Fourth Quarter Status Report and Cumulative Year-End Report



Metro

**MANAGEMENT
AUDIT SERVICES**

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Executive Summary

In Progress Audits
as of June 30, 2022

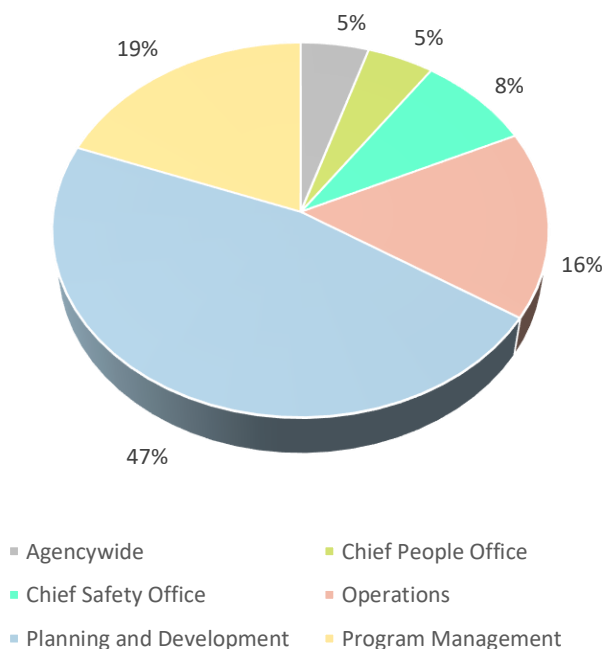


Summary of In Progress Audit Activity

Management Audit Services (MAS) has 69 in progress projects as of June 30, 2022, which include 8 performance audits and 61 contract, financial and compliance audits. The in-progress performance audits are listed in Appendix A.

As of the reporting period, there are 40 open MAS audit recommendations; and 14 open Office of Inspector General (OIG) audit recommendations.

Summary of Audit Activity by Department
Reporting Period
April 1, 2022 – June 30, 2022



Summary of Fourth Quarter Completed Audit Activity

MAS completed 12 audit projects and closed 21 open audit recommendations. The projects are comprised of 12 contract, financial and compliance audits.

The completed contract, financial and compliance audits are highlighted on page 4. A summary of closed and open audit recommendations is included on page 5.

Contract, Financial & Compliance Audits

MAS staff completed 12 independent auditor's reports on agreed-upon procedures of:

- JMDiaz, Inc's and LSA Associates, Inc's close-out incurred costs for SR-710 Gap Alternatives Analysis Project;
- WKE, Inc's interim incurred costs for Southern California Regional Interconnector Project;
- Safework, Inc.'s indirect cost rate for year ended December 31, 2017 for Westside Subway Extension Contract Management Support Services Project;
- Raimi and Associates' proposed indirect cost rate for year ended December 31, 2020 for Sustainability Program Assistance Services;
- STV/WSP, JV's interim incurred costs for Heavy Rail Vehicle Acquisition Program Control Support Services;
- City of Glendale's close-out incurred costs for the Pennsylvania Avenue Signal Improvements Project;
- Culver City's close-out incurred cost for the Sepulveda Boulevard Widening Project;
- City of Redondo Beach's close-out incurred cost for the Pacific Coast Highway at Torrance Boulevard Intersection Improvements Project;
- County of Los Angeles Department of Public Works' close-out incurred costs for the Gateway Cities Traffic Signal Corridors Project;
- City of Glendale's close-out incurred costs for the San Fernando Road and LA Street Traffic Signal Installation Project; and
- City of Inglewood's close-out incurred costs of the Inglewood Intermodal Transit / Park and Ride Facility Project.

MAS staff reviewed \$33 million of funds and identified \$4.8 million or 15% of funds that may be reprogrammed.

Details on contract, financial and compliance audits completed during FY 2022 fourth quarter are included in Appendix C.

Audit Support

Audit Follow-Up and Resolution

The tables below summarize the open and closed audit recommendations as of June 30, 2022.

MAS and External Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Operations	7	7	11	1	19
Program Management	3	1		7	8
Chief Safety Office	10		2		2
Chief of Staff			1		1
Strategic Financial Management	1				
Chief People Office				10	10
Total	21	8	14	18	40

OIG Audit Recommendations					
Executive Area	Closed	Late	Extended	Not Yet Due / Under Review	Total Open
Operations	2		1	1	2
Chief Safety Office	10	2	3	7	12
Total	12	2	4	8	14

Details of open audit recommendations for MAS and OIG are included in Appendix E and F.

FY 2021 Year-End Activity

Cumulative FY 2021 Completed Audit Activity

As of the FY 2022 year-end, MAS completed 183 audit projects and closed 87 audit recommendations. Additionally, MAS completed 2 TICR determinations.

Summary of Completed Projects

The completed audit projects comprise of:

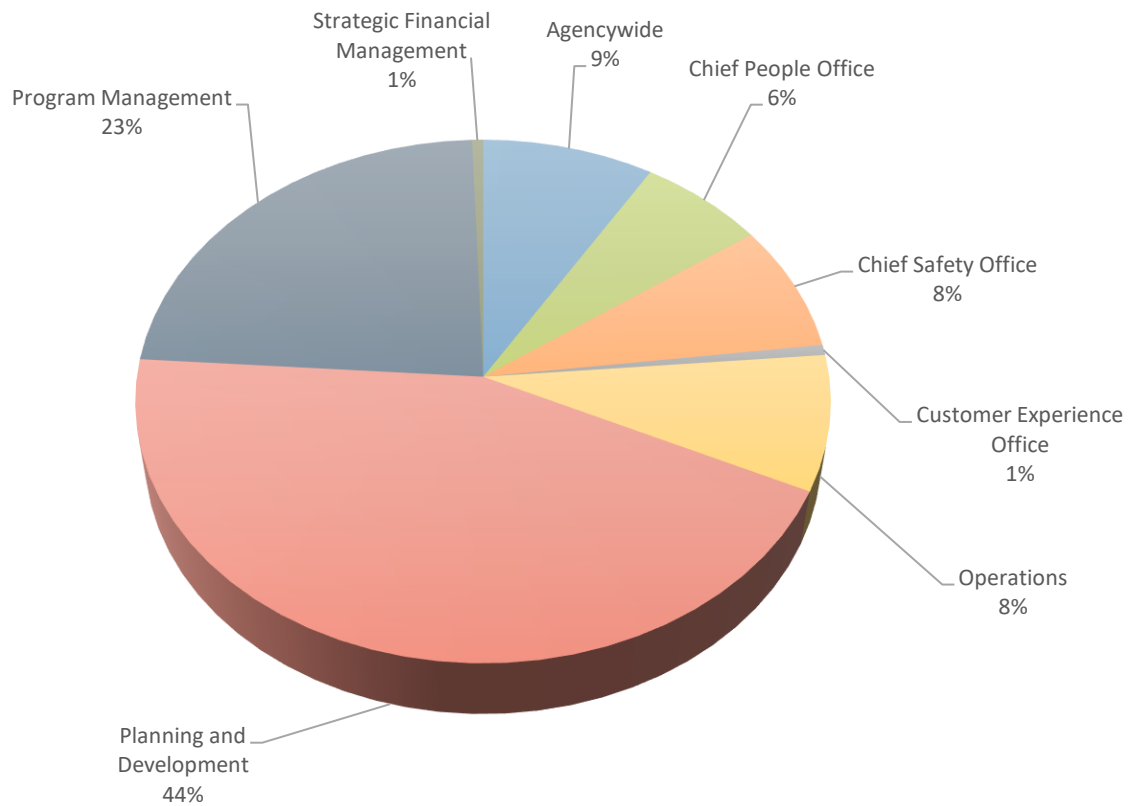
- 7 performance audits which also include independent reviews, analysis or assessments of select areas;
- 27 contract, financial and compliance audits with an audit value amount of \$56 million; of which \$6.3 million or 11% of identified unused funds that may be reprogrammed; and
- 149 financial and compliance audits comprised mainly of legally mandated audits such as Prop A & C, Measure R, Measure M, State Transit Assistance (STA), Transportation Development Act (TDA), National Transit Database (NTD), and other funds distributed to the cities and County of Los Angeles.

Refer to Appendix B – Performance Audits Completed; and Appendix C – Contract, Financial and Compliance Audits Completed.

In addition, 2 TICR determinations were reviewed and approved. A list of firms enrolled in the pilot program as of June 30, 2022 is included in Appendix D.

Audit Follow-up

MAS closed 40 open recommendations during the fiscal year and provided administrative support for the closure of 47 open OIG recommendations.

Cumulative FY 2022 Audit Activity by Department

Department Highlights

Administration and Policy

- **Quality Assurance Improvement Program (QAIP).** During FY 2022, MAS formalized its efforts in the QAIP and completed various activities to support improved performance, quality, and value-added internal audit services including completing a comprehensive review and update of MAS' Audit Charter, which was adopted by the Board in May 2022. In addition, the Association of Local Government Auditors (ALGA) completed an External Quality Assurance Review (Peer Review) for FY19-21 to assess MAS' internal quality control system and ensure compliance with auditing standards. The peer review team concluded that MAS fully complies with Red Book and Yellow book standards and practices.
- **Multidisciplinary Development Program (MDD).** In September 2020, MAS launched the MDD program to promote professional development; create a culture of continuous learning; cross-train staff in various areas of the audit practice and discipline; and build internal capacity in support of delivering value-added audit services. In FY2022, audit staff participated in industry specific and specialized training such as: audit report writing, data analytics, federal acquisition regulations, and updates to auditing standards. In addition, in FY22 MAS incorporated career pathway sessions to the MDD program where guest speakers come and discuss their career development with staff.
- **Updated and Adopted Charter.** In May 2022, the Board adopted MAS' updated Audit Charter. Auditing standards require that MAS review its internal audit charter periodically, present it to executive management and obtain Board approval. The internal audit charter is a formal document that defines MAS' purpose, authority, independence, and responsibility. The Audit Charter was last approved by the Board in October 2018, subsequently applicable auditing standards were revised. The Board approved Charter was compared to the updated standards and revised to be in compliance with the new requirements. Revisions to the charter were also made based on MAS' review and recommendations from the Internal Quality Self-Assessment team.

Appendix A

Performance Audit - In Progress Audits as of June 30, 2022				
No.	Area	Audit Number & Title	Description	Estimated Date of Completion
1	Planning & Development	21-PLN-P01 - Micro Mobility Vehicles Program	Assess the progress made in achieving program goals and objectives, including the consideration given to the Metro Rapid Equity Assessment Tool.	8/2022
2	Chief Safety Office	21-RSK-P03 - Transit Asset Inventory Records	Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records.	8/2022
3	Chief People Office	22-ITS-P01 - Follow-up of Cybersecurity Assessment Recommendations	Agreed upon procedures report to assess the status of work done by ITS in response to a previously performed cybersecurity review.	9/2022
4	Operations	22-OPS-P03 - OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees working in Maintenance and Transportation with applicable Federal, State, and technical requirements. In addition, the training records will be assessed for accuracy and completeness.	10/2022
5	Operations	22-OPS-P01 - Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit program	10/2022
6	Operations	22-OPS-P04 - CMS Fabrication Process Special Review	Review primarily the Central Maintenance Shops manufacturing request process. The process will be assessed for reasonableness, efficiency (time and cost), completeness and safety considerations, and provide observations and recommendations as appropriate.	10/2022
7	Operations	21-SEC-P01 - Business Continuity Plan	Evaluate the adequacy of Rail Operations' COOP and SOPs to support Rail Operations' mission essential functions during emergencies.	12/2022
8	Planning & Development	21-PLN-P02 - Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.	4/2023

Appendix B

Performance Audit - Audits Completed as of June 30, 2022				
No.	Area	Audit Number & Title	Description	Date of Completion
1	Chief of Staff	Independent Auditor's Report on Compliance for Business Interruption Fund (BIF) Pilot Program	Validate compliance with administrative guidelines and fund disbursement procedures.	3/2022
2	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	3/2022
3	Program Management	21-CON-P01 - Attestation Engagement for Metro-owned Renewable Identification Numbers	Verify that Metro's EPA reporting of RINs (renewable identification numbers) for renewable energy credits are complete and accurate for calendar year 2020.	1/2022
4	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	Assess the conformity of services performed and billed by the contractor to the scope of work and other provisions of the contract.	11/2021
5	Operations	21-AGW-P01B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	Evaluate adequacy of the internal controls over overtime payments for AFSCME union employees within Operations for selected positions.	10/2021
6	Customer Experience Office / Strategic Financial Planning	20-COM-P01 - Performance Audit of Expanded Discount Programs	Determine the adequacy and effectiveness of internal controls over the expanded discount (special fares for patrons) programs.	10/2021
7	Chief Safety Office	21-RSK-P02 - Performance Audit of COVID-19 Regulatory Compliance	Determine Metro's compliance with the COVID-19 planned document as well as with applicable state transit industry guidelines.	8/2021

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2022				
No.	Area	Audit Number & Type	Auditee	Date Completed
1	Program Management	21-CON-A05 - Agreed-Upon Procedures	Raimi and Associates, Inc.	6/2022
2	Operations	19-CON-A25 - Agreed-Upon Procedures	STV/WSP JV	6/2022
3	Planning & Development	22-HWY-A03 - Closeout	City of Glendale	6/2022
4	Planning & Development	22-HWY-A06 - Closeout	City of Inglewood	6/2022
5	Program Management	20-CON-A03 - Agreed-Upon Procedures	Safework	6/2022
6	Planning & Development	19-PLN-A13 - Closeout	County of Los Angeles	6/2022
7	Planning & Development	22-HWY-A05 - Closeout	City of Redondo Beach	6/2022
8	Planning & Development	19-PLN-A05 - Closeout	City of Culver City	6/2022
9	Planning & Development	20-PLN-A16 - Agreed-Upon Procedures	LSA Associates, Inc.	5/2022
10	Planning & Development	22-HWY-A01 - Closeout	City of Glendale	5/2022
11	Program Management	20-CON-A09 - Agreed-Upon Procedures	WKE, Inc.	5/2022

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2022				
No.	Area	Audit Number & Type	Auditee	Date Completed
12	Planning & Development	20-PLN-A17 - Agreed-Upon Procedures	JMDiaz, Inc.	4/2022
13	Planning & Development	20-HWY-A06 - Closeout	City of Burbank	3/2022
14	Operations	21-OPS-A01 - Agreed-Upon Procedures	New Flyer of America, Inc.	2/2022
15	Planning & Development	20-HWY-A08 - Closeout	City of Redondo Beach	1/2022
16	Planning & Development	18-PLN-A01 - Closeout	City of El Monte	12/2021
17	Planning & Development	21-HWY-A05A - Closeout	City of Inglewood	11/2021
18	Program Management	21-HWY-A05B - Closeout	City of Inglewood	11/2021
19	Planning & Development	21-HWY-A05C - Closeout	City of Inglewood	11/2021
20	Planning & Development	21-HWY-A05D - Closeout	City of Inglewood	11/2021
21	Program Management	19-CON-A05 - Agreed-Upon Procedures	BA Inc.	9/2021
22	Planning & Development	19-PLN-A18 - Closeout	City of Pasadena	9/2021

Appendix C

Contract, Financial and Compliance Audit - Audits Completed as of June 30, 2022				
No.	Area	Audit Number & Type	Auditee	Date Completed
23	Planning & Development	19-PLN-A11 - Closeout	City of Manhattan Beach	9/2021
24	Planning & Development	20-PLN-A18 - Agreed-Upon Procedures	McMillan Jacobs Associates, Inc.	9/2021
25	Program Management	19-CON-A26 - Agreed-Upon Procedures	LTK Engineering Services	8/2021
26	Planning & Development	20-PLN-A14 - Agreed-Upon Procedures	Epic Land Solutions, Inc.	8/2021
27	Planning & Development	20-PLN-A13 - Agreed-Upon Procedures	AECOM Technical Services, Inc.	8/2021

Appendix D

Transitional Indirect Cost Rate – Approved Firms as of June 30, 2022		
No.	Firm	Approval Date
1	Summit Consulting & Engineering, Inc.	7/30/2019
2	Conaway	8/18/2020
3	OhanaVet	8/18/2020
4	Sunenram	8/18/2020
5	Vicus	8/18/2020
6	EcoTeal, Inc.	4/22/2021
7	Redwood Resources	4/22/2021
8	3P Premier Program Partners	4/22/2021
9	Akima Consulting, LLC	4/22/2021
10	Loop Environmental	4/22/2021
11	Schweitzer	4/22/2021
12	Polytechnique	4/22/2021
13	Tim Reeve Consulting, Inc.	4/22/2021
14	Impact Sciences	4/22/2021

Appendix D

Transitional Indirect Cost Rate – Approved Firms as of June 30, 2022		
No.	Firm	Approval Date
15	All About Waste	4/22/2021
16	Letini Design & Marketing	4/22/2021
17	Chateau Vallon	7/13/2021
18	OFRS, Inc.	7/13/2021

Appendix E

Open Audit Recommendations as of June 30, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Chief of Staff	18-RSK-P01 - Performance Audit of Vendor / Contract Management's (V/CM's) Continuity of Operations Plan (COOP)	4	We recommend that the Chief Program Management Officer take the lead role in collaborating with all responsible parties, such as V/CM, Project Delivery Third Party Coordination, County Counsel, etc., to establish agreements with utility companies to guarantee service continuity and restoration in emergency situations. Update: Metro continues to negotiate Essential Use designation with SCE, DWP & CPUC as a basis for utility emergency service agreements.	3/31/2020	6/30/2022
2	Operations	19-OPS-P02 - Performance Audit of the Rail Communications Systems	3 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of June 2022, 9 of 12 recommendations were closed.	On-going	
3	Operations	19-OPS-P03 - Performance Audit of the SCADA Security Controls	7 Total	The recommendations included in this report address findings in Metro's Operational System. Update: As of June 2022, 6 of 13 recommendations were closed.	On-going	
4	Chief Safety Office	16-OPS-P03 - Performance Audit of Accident Prevention Practices in the Operations Department	3	We recommend that the Chief Risk, Safety & Asset Management Officer develop additional input controls in the Transit Safe System, by designating required FOF form fields as mandatory, including Supervisors sign-off to review for accuracy of information, to prevent the close out of FOF records without completion of all required fields and to ensure quality of information is maintained. Update: TransitSafe's replacement software is in the process of being configured and implemented and will include FOF reporting functionality. Due to the pandemic, vendor staffing changes and historical data transition issues, the implementation has been delayed.	7/31/2020	3/31/2022
5	Chief Safety Office	16-OPS-P03 - Performance Audit of Accident Prevention Practices in the Operations Department	4	We recommend that the Chief Risk, Safety & Asset Management Officer incorporate recommendation #3, above, in the upcoming replacement system of Transit Safe.	12/31/2021	
6	Operations	20-OPS-P02 - Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services	1	MAS recommends that Contract Services management establish a timeline and finalize the Contract Monitoring Plan.	7/30/2022	
7	Operations	20-OPS-P02 - Follow-up Performance Audit on Efficiency and Effectiveness of the Oversight of Contracted Bus Services	4	MAS recommends that Contract Services management continue to work with appropriate stakeholders to resolve the fareboxes issue and establish a timeline by when this will be completed. Once fareboxes are operational, the reconciliation process should be fully restored to include the triggering of a revenue compliance inspection for variances exceeding the threshold by above or below 2%. Update: The Fareless System Initiative has delayed the resolution of the fareboxes issue.	4/30/2021	8/30/2022

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

Open Audit Recommendations as of June 30, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	1	Bus and Rail Transportation management should implement periodic training or retraining for all Transit Operations Supervisors (TOS), Rail Transit Operations Supervisors (RTOS) and first line transportation management concerning the calculation of overtime eligible hours and the proper use of payroll codes. Update: Training content is nearing completion; work on delivery media is in progress.	12/31/2021	12/31/2022
9	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	3	Bus Transportation management should provide training to Bus Transportation managers, scheduling staff and TOS on these exceptions to enable proper scheduling and approvals of actual time incurred. Update: Training will be provided in the month following issuance of the new policy.	12/31/2021	12/31/2022
10	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	4	Bus and Rail Transportation management should enforce retention of required overtime (OT) related documents for all instances of OT worked, including partial and split shifts. Update: An on-line overtime request tool to replace paper request forms is now under development, which will permit storage, retention, retrieval and reporting of all overtime requests across the system at any time.	9/30/2021	7/31/2022
11	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	5	Bus and Rail Transportation management should train and periodically remind all line management, TOS and RTOS of overtime documentation and retention requirements. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	7/31/2022
12	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	6	Bus and Rail Transportation management should require employees to file copies of system overtime request forms for other divisions at their home division. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	7/31/2022
13	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	7	Bus and Rail Transportation management should require employees to bring supporting paperwork back to their home division each time they work at another division. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	7/31/2022

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

Open Audit Recommendations as of June 30, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
14	Operations	18-AGW-P01-B - Performance Audit of Internal Controls Over Overtime Payments – AFSCME (Transportation Operations)	8	Bus and Rail Transportation management should ensure copies of documentation supporting overtime are retained as required at both divisions when employees transfer permanently from one division to another. Update: The on-line request tool for Recommendation 4 above will resolve this issue.	9/30/2021	7/31/2022
15	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	1	Metro management should re-evaluate any need for 24-hour non-revenue passenger vehicles (NRVs) and establish a formal requirement for written approval prior to assignment of NRVs to Metro employees.	2/28/2022	
16	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	2	Metro should lease required project vehicles directly through Metro's procurement processes, and only include NRVs in professional services and/or consulting contracts upon conducting a needs assessment and cost-benefit analysis.	2/28/2022	
17	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	3	If Metro continues to allow employees to operate contractor owned/leased vehicles, Metro policies and procedures should be developed to guide usage by employees.	2/28/2022	
18	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	4	Metro management should provide relevant staff with compliance training for the Contract and related policies.	2/28/2022	
19	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5a	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Assess whether 24-hour use of an NRV is necessary, document the justification and obtain approval for use in writing.	2/28/2022	
20	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5b	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Determine how best to resolve and enforce the commuter mileage (fringe benefit tax) issue retroactively and ensure the required forms are completed and filed, including applicable penalties and interest for Metro and its employees to be in compliance. Any required forms that have not been submitted should be submitted, including 24-Hour Assigned Vehicle & Overnight Use Commuter Mileage Forms, if necessary and amended W-2s.	2/28/2022	
21	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5c	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Determine whether the monthly parking, that should have been paid by the six (6) Metro employees, that was paid through the Contract should be repaid by the employees to Metro.	2/28/2022	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

Open Audit Recommendations as of June 30, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
22	Program Management	22-CON-P02 - Performance Audit of Program Management Support Services	5d	Metro management should implement the following retroactive corrective action for the leased project vehicles operated by six (6) Metro employees within Program Management: Ensure Metro staff involved and injured in the vehicle incident as well as the Program Management Department complete all required forms to properly report the accident to the appropriate Metro department(s).	12/31/2021	
23	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	1	We recommend the Deputy Chief Information Technology Officer require that Information Security management specify the reminder notification requirements (e.g., due date, timing, and frequency of training reminders) via the Metro LMS, when Talent Development management enables the automated notification feature, and establish a formal guideline to escalate reporting for non-compliance with training requirements.	8/30/2022	
24	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	2	We recommend the Deputy Chief Information Technology Officer require Information Security management to: a) Determine whether there is a need for information security awareness training to cover necessary policy requirements related to information security; and b) Incorporate any near-term policy updates related to information security in the information security awareness training material.	12/31/2023	
25	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	3	We recommend the Deputy Chief Information Technology Officer require acknowledgement from system users of having received IT policies and standards that are critical to information security and/or evidence of completion of training(s) prior to granting access to Metro's network and system.	12/31/2022	
26	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	4	We recommend the Deputy Chief Information Technology Officer formally define, document, and communicate the roles and responsibilities related to oversight of mandatory and required trainings, including formalizing the definition of required training.	8/30/2022	
27	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	5	We recommend the Deputy Chief Information Technology Officer establish a timeframe target with the LMS for resolving the current outstanding technical issues.	8/30/2022	
28	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	6	We recommend the Deputy Chief Information Technology Officer establish a timeframe target with Human Capital & Development management to enable the automated notification feature.	8/30/2022	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix E

Open Audit Recommendations as of June 30, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
29	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	7	We recommend that the Deputy Chief Information Technology Officer require Information Security management to establish a formal guideline that guides decisions on who should receive information security awareness training and the type of such training method. This guideline should consider the access levels of users, the cost-benefit associated with training different groups of users, and the risks associated with not providing training to particular users. Training and its frequency may be customized and tailored to provide the education and information applicable and necessary to the group of participants.	6/30/2023	
30	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	8	We recommend that the Deputy Chief Information Technology Officer require Information Security management to consult with Metro County Counsel to establish a minimum requirement and/or expectation for consultants related to information security; a) Existing consultants, b) Future consultants.	9/30/2022	
31	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	10	We recommend the Talent Development management formally document the roles and responsibilities of i) Talent Development, and of ii) sponsoring departments when a required training course is developed. This includes, for example, identifying who will be taking the training, who will enroll participants, etc.	9/30/2022	
32	Chief People Office	20-ITS-P03 - Performance Audit of Information Security Awareness	11	We recommend the Talent Development management work with the LMS provider to support the training needs for consultants as necessary.	9/30/2022	

Any findings that have not been corrected 90 days after the due date are reported as late.

Appendix F

OIG Open Audit Recommendations as of June 30, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
1	Operations	17-AUD-04 - Review of Metro Safety Culture and Rail Operational Safety	1 Total	The 117 recommendations included in this report address findings in Safety Culture, Red Signal Violations, Safety Assessment of Infrastructure Elements, Technology, Operations and Maintenance, Human Resources, and etc. Update: As of June 2022, 116 of 117 recommendations were closed.	Pending	
2	Operations	20-AUD-06 - Review of LA Metro's Freeway Service Patrol Program	6	LA Metro FSP should set a target for its Benefit-to-Cost ratio, either in comparison to the statewide average or develop its own annual target. This is especially important as costs are expected to rise over the next several years as insurance and vehicle costs continue to escalate. If such the annual target is not met, it would trigger LA Metro FSP to conduct a deeper evaluation of its program and identify potential strategies to improve the following year's performance.	10/1/2020	7/1/2023
3	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	2	SSLE should ensure that future contracts include a contract budget that specifies the amount of funds budgeted for each contract year and develop procedures to help ensure that the annual budgets are adhered to.	Pending	
4	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	3	SSLE should in future contracts, to more effectively control and track the use of contract funds, allocate within the budget a separate reserve amount to be used for special events and enhanced deployments.	Pending	
5	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	4	SSLE should for future contracts, consider the impact that the use of full-time contracted personnel will have on the use of funds over the life of the contract. In addition, specify within the contract the job classifications, and number of positions within each classification that can be charged to the Metro contract on a full-time basis.	Pending	
6	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	10	SSLE should for future contracts, work with each contractor to include language in their respective contracts that more thoroughly and clearly define how services will be billed and what costs will be allowed and/or disallowed.	Pending	
7	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	11	SSLE should continue to work on strengthening controls in the area of monitoring and oversight by addressing the deficiencies cited in areas such as Community Policing and Key Performance Indicators.	Pending	

Appendix F

OIG Open Audit Recommendations as of June 30, 2022						
No.	Area	Audit Number & Title	Rec. No.	Recommendation	Original Completion Date	Extended Completion Date
8	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	13	SSLE should review on a periodic basis the qualifications of a sample of officers from each of the law enforcement agencies to determine that contract requirements are being adhered to.	10/31/2021	3/31/2022
9	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	15	SSLE should for required reporting, review with input from the law enforcement agencies, the reports and information currently required to determine if changes are necessary. As part of this review determine if different or additional information would be more beneficial.	Pending	
10	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	16	SSLE should with input from the three law enforcement agencies, develop baseline performance levels (targets and goals) for key performance indicators.	10/31/2021	1/31/2022
11	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	17	SSLE should develop and update annually a written agency-wide Community Policing Plan.	10/31/2021	1/31/2022
12	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	20	SSLE should include in future contracts the requirement of wearing body cameras by all contracted law enforcement personnel when policing the Metro System.	Pending	
13	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	26	LASD should include in its annual Community Policing Plan a description of the specific training provided to its officers in the area of Problem Oriented Policing.	10/31/2021	3/31/2022
14	Chief Safety Office	22-AUD-02 - Audit of Metro Transit Security Services Performance For the Fiscal Year Ended June 30, 2020	28	LBPd should assign only those officers to the contract who have 18 months of law enforcement experience and have met all other contract requirements related to personnel and training.	10/31/2021	3/31/2022

Management Audit Services

FY 2022 Fourth Quarter and FY 2022 Cumulative Year-end Report

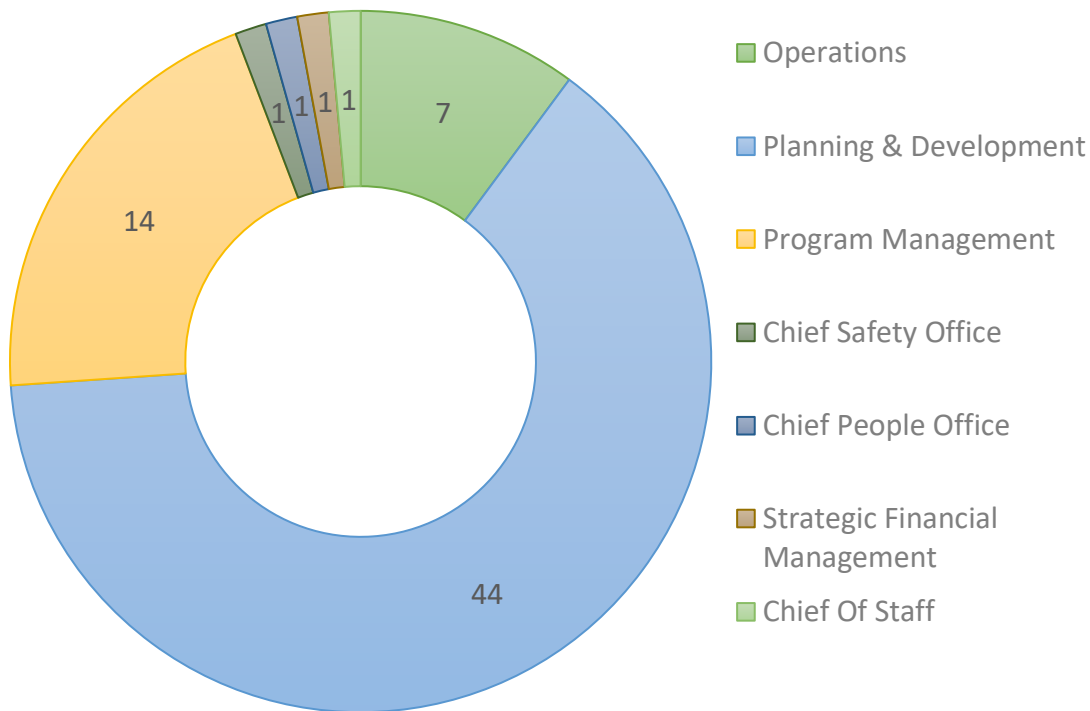
Finance, Budget & Audit Committee
August 17, 2022



MANAGEMENT
AUDIT SERVICES






In Progress: MAS Audit Activity

Agency Representation






- 8 Performance Audits
- 61 Contract, Financial and Compliance Audits

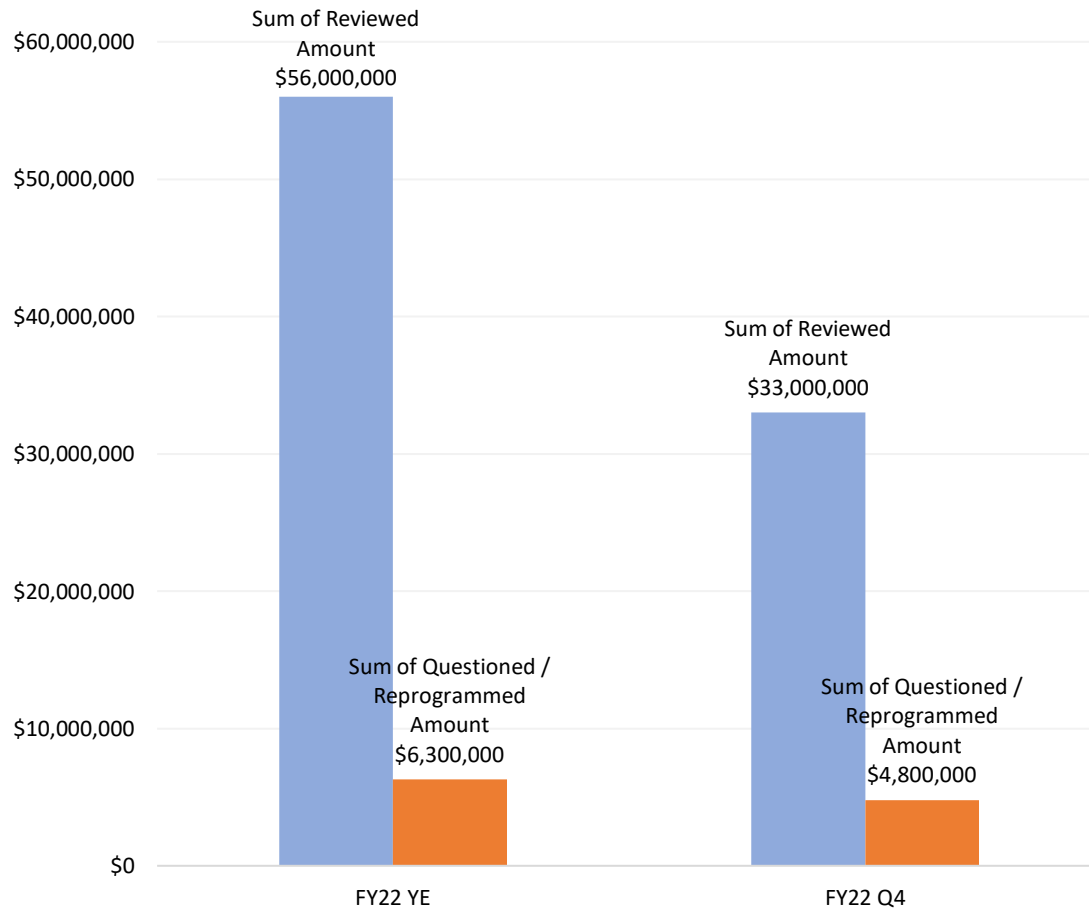
In Progress: Performance Audits

	Audit Title	Description	Estimated Completion			
			FY23 Q1 Jul - Sept	FY23 Q2 Oct - Dec	FY23 Q3 Jan - Mar	FY23 Q4 Apr - Jun
1	Micro Mobility Vehicles Program	Assess the progress made in achieving program goals and objectives, including assessing the consideration given to the Metro rapid equity assessment tool.				
2	Transit Asset Inventory Records	Evaluate the adequacy of the records for this area, with a focus on accuracy, completeness and proper controls over asset records.				
3	Cybersecurity Follow-up	Assess the status of work done by ITS in response to prior audit.				
4	OCI Training	Assess the compliance of training records of new Bus Operators and of Operations employees with applicable requirements, completeness and accuracy.				
5	Micro Transit Program	Assess Shared Mobility's efforts in managing the Micro Transit program				

In Progress: Performance Audits

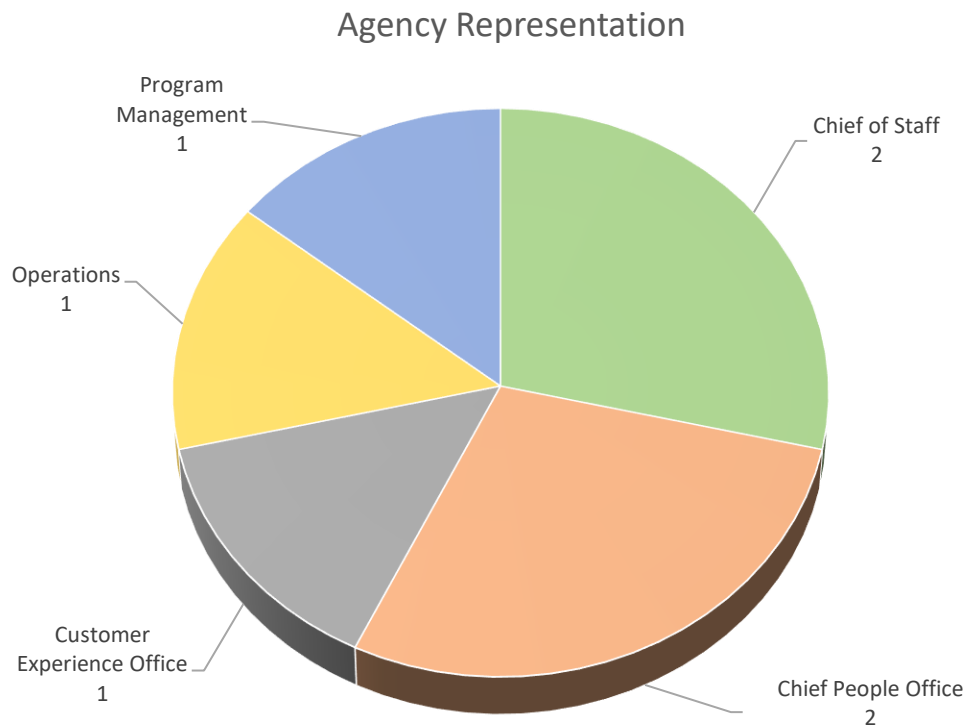
	Audit Title	Description	Estimated Completion			
			FY23 Q1 Jul - Sept	FY23 Q2 Oct - Dec	FY23 Q3 Jan - Mar	FY23 Q4 Apr - Jun
6	CMS Fabrication Process	Review primarily the Central Maintenance Shops manufacturing request process for reasonableness, efficiency (time and cost), completeness and safety considerations.				
7	Business Continuity Plan - Rail	Evaluate the adequacy of Rail Operations' COOP and SOPs to support Rail Operations' mission essential functions during emergencies.				
8	Real Estate Management System	Determine if prior audit findings and recommendations have been considered as part of the upcoming implementation of the new Real Estate Management System.				

Completed: Contract, Financial & Compliance Audits



Delivered financial audits that reviewed \$56M of funding for FY22 YE and \$33M for FY22 Q4; and identified \$6.3M and \$4.8M, respectively for reprogramming.

Completed: Performance Audits



Completed 7 Audits:

- COVID-19 Regulatory Compliance
- Internal Controls Over Overtime Payments – AFSCME
- Expanded Discount Programs
- Program Management Support Services
- Metro-owned Renewable Identification Numbers
- Information Security Awareness
- Business Interruption Fund (BIF) Pilot Program



Board Report

File #: 2022-0299, **File Type:** Informational Report

Agenda Number: 12.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 17, 2022

SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2021

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the Fiscal Year ending June 30, 2021.

ISSUE

As the Regional Transportation Planner for Los Angeles County, the Los Angeles County Metropolitan Transportation Authority (Metro) is responsible for planning, programming, and allocating transportation funding to Los Angeles County jurisdictions, transit operators, and other transportation programs. Metro has the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit and Compliance Reports (Consolidated Audit) are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source, and that operations data used to allocate funds is fair and in accordance with Federal Transit Administration (FTA) guidelines.

BACKGROUND

The consolidated audit process includes financial and compliance audits of the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure R Local Return
 - Measure M Local Return
 - Transportation Development Act (TDA) Article 3, Article 4 and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Prop A Discretionary Incentive Grant
 - Antelope Valley Transit Authority

- Pomona Valley Transportation Authority
- Transit System Operators of Commerce, Redondo Beach, Torrance
 - Transit System Funds
 - Measure M 20%
 - Measure R 20%
- Proposition A Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena
- Fare Subsidies Programs
 - Support for Homeless Re-Entry (SHORE) Program
 - Low-Income Fare is Easy (LIFE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT.

Metro allocates over \$650 million annually to the stated programs and distribution to the County of Los Angeles (County), the 88 cities in Los Angeles County (Cities), and other agencies. Annual audits of the programs ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed Memorandums of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering the programs.

Management Audit Services (MAS) contracted with the certified public accountant firms of Vasquez and Simpson to perform the financial and compliance audits and provide reasonable assurance to management whether recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The audits were conducted 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 issued by the Comptroller General of the United States; and the program guidelines.

The auditors concluded that the County, Cities, transit operators, and other agencies complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for the Fiscal Year ending June 30, 2021.

DISCUSSION

The consolidated audit process includes financial and compliance audits of Local Return programs. Following is a summary of consolidated audit results:

Proposition A and C

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return programs for the year ended June 30, 2021.

The auditors found 29 instances of non-compliance for Proposition A and C which consisted of 5 minor findings related to the untimely submittal of forms. Fourteen (14) findings were identified with questioned costs totaling approximately \$1.3 million for Proposition A and \$ 1.4 million for Proposition C which represent less than 1% of each total fund reviewed.

Measure R

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return programs for the year ended June 30, 2021.

The auditors found 10 instances of non-compliance for Measure R which consisted of 2 minor findings including the untimely submittal of forms. Seven (7) findings were identified with questioned costs totaling \$129 thousand for Measure R represents less than 1% of the total amount reviewed.

Measure M

Vasquez and Simpson found that the County and Cities complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return programs for the year ended June 30, 2021.

The auditors found 9 instances of non-compliance for Measure M, consisting of 2 minor findings including the untimely submittal of forms. Six (6) findings were identified with questioned costs totaling \$1.1 million for Measure M represents less than 1% of the total amount reviewed.

The consolidated audit process includes financial and compliance audits of Non- Local Return programs. Following is a summary of consolidated audit results:

The auditors found that schedules/financial statements for the various programs stated above present fairly, in all material respects. The auditors also found that the entities complied, in all material respects, with the compliance requirements of the respective guidelines. The auditors noted several compliance findings including 10 findings for the LIFE program and 8 findings for the TDA Article 3 program.

In response to the independent auditor findings for Metro's LIFE program, Metro management addressed the findings with the contracted LIFE program administrators. Management will continue to provide oversight of the contractor's accounting and payroll processes as the recommended controls are implemented. In addition, Metro management addressed the finding related to the questioned funds as identified in the audit, and the funds were returned to Metro in May 2022.

In response to the independent audit findings for TDA 3, Metro management has reviewed the findings and will continue to work with the respective fund recipients to resolve the findings. Management noted that Cities are required to spend funds within four (4) years, and due to extenuating circumstances such as the COVID-19 pandemic and delayed projects, Cities may not expend all of the funds. In the event of such instances and findings, Metro program managers will continue to work with the Cities to resolve the findings.

The independent auditors will validate the resolution of the findings within next year's annual Consolidated Audit Financial and Compliance Report process.

Due to the considerable size of the documents, the Reports on Compliance with Requirements Applicable to Propositions A and C and Measures R and M Ordinances; and Local Return Guidelines are provided as Attachment A through F. The additional Consolidated Audit reports are accessible online.

The comprehensive financial and compliance audit reports issued by Vasquez are accessible online at:

[<http://libraryarchives.metro.net/DB_Attachments/Vasquez%202022/>](http://libraryarchives.metro.net/DB_Attachments/Vasquez%202022/)

The comprehensive financial and compliance audit reports issued by Simpson are accessible online at :

http://libraryarchives.metro.net/DB_Attachments/Simpson%202022/
<https://gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Flibraryarchives.metro.net%2FDB_Attachments%2FSimpson%25202022%2F&data=05%7C01%7CDELTOROM%40metro.net%7C31a8c7e713ad43bd93e308da561c2c9b%7Cab57129bdbfd4caca77fc74c40364af%7C1%7C0%7C637916976252160772%7CUnknown%7CTWFpbGZsb3d8eyJWljiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEhaWwiLCJXVCi6Mn0%3D%7C3000%7C%7C%7C&sdata=Ye36Vfh9D7sB3kl7BozNIbb%2Bm6vvtpsSIh0KraItU48%3D&reserved=0>

FINANCIAL IMPACT

This is an informational report and does not have a direct financial impact on Metro as the auditors concluded that the County, Cities, transit operators and other agencies complied, in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return and other applicable programs for the Fiscal Year ending June 30, 2021; and Metro program managers are working with the respective funds recipients to resolve the stated findings.

Impact to Budget

This is an informational report and does not impact the FY 2023 budget.

EQUITY PLATFORM

There is no equity impact with this action.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects/programs developed with these funds directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

NEXT STEPS

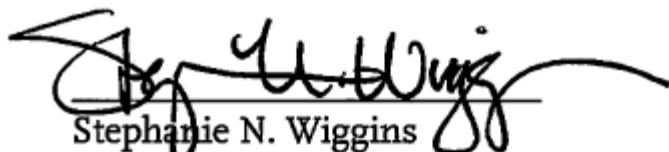
The Local Return program manager will continue to work with the respective cities to resolve the findings. As many of the findings are related to late form submittals and process updates, the auditors will validate the resolution of the findings within next year's annual Consolidated Audit process. Findings that were not resolved will be identified as repeat findings and will escalate in materiality.

ATTACHMENTS

- A. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Vasquez)
- B. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Simpson)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson)
- E. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Vasquez)
- F. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Simpson)

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Stephanie N. Wiggins
Chief Executive Officer



**INDEPENDENT AUDITOR'S REPORT
ON 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, 2021**

**INDEPENDENT AUDITOR'S REPORT
ON 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, 2021

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2021**

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

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

Report on Compliance

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, 2021 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and the Requirements is the responsibility of the respective management of the County and the Cities.

Auditor's Responsibility

Our responsibility is to express opinions on the County and each City's compliance with the Guidelines and the Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs occurred. An audit includes examining, on a test basis, evidence about the County and each City's compliance with the Guidelines and the Requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of the County and each City's compliance with the Guidelines and the Requirements.

Opinion

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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and 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 #2021-001 through #2021-008. Our opinion is not modified with respect to these matters.

The County and the Cities' responses to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The County and the Cities' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

The management of the County and each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and the Requirements referred to above. In planning and performing our audits of compliance, we considered the County and each City's internal control over compliance with the Guidelines and the Requirements that could have a direct and material effect on the Proposition A and Proposition C Local Return programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County and each City's internal control over compliance.

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2021-005, that we consider to be a significant deficiency.

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

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

A handwritten signature in black ink that reads "Vagstad & Company LLP".

**Glendale, California
December 30, 2021**

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2021**

1. COUNTY OF LOS ANGELES
2. CITY OF AGOURA HILLS
3. CITY OF AZUSA
4. CITY OF BALDWIN PARK
5. CITY OF BELL
6. CITY OF BELL GARDENS
7. CITY OF BEVERLY HILLS
8. CITY OF CALABASAS
9. CITY OF CARSON
10. CITY OF COMMERCE
11. CITY OF COMPTON
12. CITY OF CUDAHY
13. CITY OF CULVER CITY
14. CITY OF EL MONTE
15. CITY OF GARDENA
16. CITY OF HAWTHORNE
17. CITY OF HIDDEN HILLS
18. CITY OF HUNTINGTON PARK
19. CITY OF INDUSTRY
20. CITY OF INGLEWOOD
21. CITY OF IRWINDALE
22. CITY OF LA PUENTE
23. CITY OF LAWNDALE
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, 2021

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, 2021**

The audits of the County of Los Angeles and the 39 cities have resulted in 8 findings. The table below summarized those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	1	Montebello (See Finding #2021-005)	\$ 1,767	\$ 74,980	\$ 76,747
Timely use of funds.	2	Lawndale (See Finding #2021-004)	-	174,817	174,817
		Montebello (See Finding #2021-006)	615,004	-	615,004
Administrative expenses are within the 20% cap.	1	Calabasas (See Finding #2021-002)	37,984	124,898	162,882
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Agoura Hills (See Finding #2021-001)	None	None	None
		Calabasas (See Finding #2021-003)	None	None	None
		County of Los Angeles (See Finding #2021-008)	None	-	None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	Montebello (See Finding #2021-007)	-	None	None
Total Findings and Questioned Costs	8		\$ 654,755	\$ 374,695	\$ 1,029,450

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, 2021**

Finding #2021-001: PALRF and PCLRF	City of Agoura Hills
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) 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 for the following projects:</p> <ul style="list-style-type: none"> a. PALRF's Project Code 107, Dial-A-Ride. Amount in excess of 25 percent of the approved budget was \$6,804; and b. PCLRF's Project Code 303, Traffic Signal Sync Maintenance project. Amount in excess of 25 percent of the approved budget was \$8,750. <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.</p> <p>The City submitted the Budget Requests through Local Return Management System (LRMS) and obtained a retroactive approval of the project from Metro Program Manager.</p>
Cause	Revision to the budget for Dial-A-Ride as a result of unanticipated increase ridership in connection with the unknown fluctuations associated with the pandemic. Revision to the Traffic Signal Sync Maintenance project was the result of additional required work performed.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-001: PALRF and PCLRF (Continued)	City of Agoura Hills
Recommendation	We recommend that the City submit revised Form A or submit Budget Requests to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City concurs with the finding and will establish procedures to ensure that any projects exceeding the 25 percent threshold are identified and updated Project Description Form (Form A) or Budget Request is submitted to Metro for approval prior to the expenditure of funds.
Findings Resolved During the Audit	Metro Program Manager granted retroactive approval of the said projects on December 10, 2021 and December 13, 2021. 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, 2021
(Continued)

Finding #2021-002: PALRF and PCLRF	City of Calabasas
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section II(A)(15) states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on the year-end expenditures, and will be subject to an audit finding if the amount exceeds 20 percent".
Condition	The City's administration expenditures exceeded more than 20 percent of its PALRF and PCLRF total annual local return expenditures by \$37,984 and \$124,898, respectively.
Cause	The City is aware of the 20% limit of actual expenditures on Direct Administration. However, budgeted project expenditures were lower than expected, which reduced the threshold for allowable administrative costs.
Effect	Administrative expenses exceeded over 20% of the total annual local return expenditures. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures to ensure that administrative expenditures claimed under the local return funds be limited to 20 percent of the fund's total annual expenditures.
Management's Response	During the year, the City did not lay off any transit staff. With that being said and observing that this past year was an unusual year while services were not fully operating due to the pandemic, we requested and received a reprieve on the 20% cap requirement from Metro.
Finding Corrected During the Audit	On November 8, 2021, Metro Transportation Planning Manager waived the direct administration cap of 20% requirement for the City of Calabasas for FY 2020/21. 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, 2021
(Continued)

Finding #2021-003: PALRF and PCLRF	City of Calabasas
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) 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 SmartSheets for the following projects:</p> <ul style="list-style-type: none"> a. PALRF's Project Code 130, Dial-A-Ride project. Amount in excess of 25 percent of the approved budget was \$26,635; b. PCLRF's Project Code 130, Dial-A-Ride project. Amount in excess of 25 percent of the approved budget was \$21,030; and c. PCLRF's Project Code 620, Direct Administration. Amount in excess of 25 percent of the approved budget was \$116,842; and <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 via SmartSheets.</p> <p>The City submitted revised budgets via SmartSheets and obtained a retroactive approval of the project on November 19, 2021.</p>
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the project budget approved by Metro prior to approval of the revised budget from Metro, which resulted in the City's noncompliance with the Guidelines.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-003: PALRF and PCLRf (Continued)	City of Calabasas
Recommendation	We recommend that the City submit revised budgets via SmartSheets to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City submitted revised budgets via SmartSheets and obtained an approval for the increase in the project budgets from Metro Program Manager.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of said project on November 19, 2021. 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, 2021
(Continued)

Finding #2021-004: PCLRF	City of Lawndale
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition C funds amounting to \$174,817 which lapsed as of June 30, 2021.
Cause	The City was unaware that there were lapsing allocations in the Proposition C Local Return Fund.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition C funds are used timely.
Management's Response	The City agrees with the auditor's findings and recommended actions to establish procedures and internal controls to ensure that Proposition C funds are used timely. The City will develop internal controls to monitor when funds are received, so that an aging schedules can be put in place to monitor when revenues will lapse.
Findings Resolved During the Audit	On December 15, 2021, Metro Transportation Planning Manager granted a one-time, one-year extension for the use of the lapsed 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, 2021
(Continued)

Finding #2021-005: PALRF and PCLRF	City of Montebello
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects prior to approval by Metro.</p> <ul style="list-style-type: none"> a. PALRF Project Code 610, Administrative Overhead, totaling \$300; b. PALRF Project Code 610, Finance Overhead, totaling \$1,467; c. PCLRF Project Code 175, Inspect/Repair Transformer - Metrolink, totaling \$3,383; d. PCLRF Project Code 205, Bus Stop Pads Improvement Project (Citywide), totaling \$2,389; e. PCLRF Project Code 620, Administrative Overhead, totaling \$18,400; f. PCLRF Project Code 620, Finance Overhead, totaling \$1,784; g. PCLRF Project Code 490, Sales Tax Revenue Bonds, totaling \$1,500; and h. PCLRF Project Code 715, Paving the Way - Prop C, totaling \$47,524. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior year's audit of PCLRF.</p>
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting 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, 2021
(Continued)

Finding #2021-005: PALRF and PCLRF (continued)	City of Montebello
Effect	The City claimed expenditures totaling \$1,767 of Proposition A and \$74,980 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021.
Findings Resolved During the Audit	Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. 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, 2021
(Continued)

Finding #2021-006: PALRF	City of Montebello
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and 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 funds amounting to \$615,004 which lapsed as of June 30, 2021.
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A funds are used timely.
Management's Response	The City submitted a request to Metro Transportation Planning Manager to extend the use of the funds.
Finding Corrected During the Audit	On September 27, 2021, Metro Transportation Planning Manager granted a one-time, one-year extension for the use of the lapsed 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, 2021
(Continued)**

Finding #2021-007: PCLRF	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, 806, and 840."</p>
Condition	<p>The City did not submit a signed Pavement Management System (PMS) certification in FY 2020/21, which is required to be conducted and maintained every 3 years. The City's latest certification submitted to Metro on April 13, 2017 has a December 13, 2016 inventory update and review of pavement condition completion date which was already over three years as of June 30, 2021.</p> <p>A PMS Certification is required for the following PCLRF projects:</p> <ul style="list-style-type: none"> a) Project Code 705, Beverly Blvd Street Improvements (21st to Howard); and b) Project Code 705, Montebello Blvd ATP (Lincoln to Paramount).
Cause	There was a turnover in permanent staff and a turnover on the consultants.
Effect	The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any local return funds spent on the projects maybe required to be returned to the Local Return Funds.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

Finding #2021-007: PCLRF (Continued)	City of Montebello
Recommendation	We recommend that the City submit to Metro and keep on file an updated PMS certification for eligibility of its new or ongoing street maintenance or bikeway projects.
Management's Response	The City is currently in the process of preparing a new PMS certification to be submitted in FY 2022. The City also requested from Metro Program Manager to extend the City's submittal date.
Finding Corrected During the Audit	On November 9, 2021, Metro Transportation Planning Manager granted an extension for the submittal of the PMS certification by January 3, 2022 as requested.

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, 2021
(Continued)

Finding #2021-008: PALRF	County of Los Angeles
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) 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 County exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through Form A for PALRF's Project Code 105, Florence-Firestone/Walnut Park Youth project. Amount in excess of 25 percent of the approved budget was \$54,947.</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).</p> <p>The County submitted a Form A to the Metro Program Manager and obtained a retroactive approval of the project on October 12, 2021.</p>
Cause	This condition was caused by staff oversight.
Effect	The County's PALRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval, which resulted in the County's noncompliance with the Guidelines.
Recommendation	We recommend that the County submit a revised budget request in the LRMS to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The County submitted budget request to the Metro Program Manager and obtained a retroactive approval of the said project on October 12, 2021.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on October 12, 2021. No additional follow up is required.



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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH 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, 2021



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH 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 Oversight
Committee

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the 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 and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' management.

Auditor's Responsibility

Our responsibility is to express opinions on each City's compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



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Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-021. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and the Requirements that could have a direct and material effect on the Proposition A and Proposition C Local Return programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified 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 under the Guidelines and Requirements 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 under the Guidelines and Requirements 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 #2021-008, #2021-009 and #2021-020 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 and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-011 and #2021-018 that we consider to be significant deficiencies.

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

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

A handwritten signature in cursive script, reading 'Simpson & Simpson'.

Los Angeles, California
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2021**

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 2021

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, 2021

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 21 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	4	Artesia (#2021-003) Diamond Bar (#2021-007) Downey (#2021-010) Long Beach (#2021-016)	- - - -	\$ 319,027 58,308 31,027 493,322	\$ 319,027 58,308 31,027 493,322
Timely use of funds.	2	Artesia (#2021-002) Palos Verdes Estates (#2021-018)	\$ 15,503	-	15,503
			-	119,441	119,441
Administrative expenses are within the 20% cap.	1	Diamond Bar (#2021-006)	78,759	-	78,759
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	6	La Mirada (#2021-012)	None	-	None
		Lakewood (#2021-014)	None	-	None
		Long Beach (#2021-015)	None	-	None
		Palos Verdes Estates (#2021-017)	None	-	None
		Rolling Hills Estates (#2021-019)	None	-	None
		Torrance (#2021-021)	None	-	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	1	Claremont (#2021-005)	None	None	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	1	Bradbury (#2021-004)	None	None	None

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021
(Continued)

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Recreational transit form was submitted on time.	2	Arcadia (#2021-001) La Mirada (#2021-013)	None None	- -	None None
Accounting procedures, record keeping and documentation are adequate.	4	Downey (#2021-008) Downey (#2021-009) Glendora (#2021-011) Temple City (#2021-020)	380,376 126,690 None 66,260	51,258 - - -	None None None None
Total Findings and Questioned Cost	21		\$ 667,588	\$ 1,072,383	\$ 1,115,387

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, 2021**

PALRF Finding #2021-001	City of Arcadia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II, A.1.3 Recreational Transit Service, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2021 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 14, 2021.
Cause	This was an oversight by the City for not submitting the Recreational Transit Form by the due date.
Effect	The City did not comply with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15 to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	City submitted the Recreational Transit Form on December 14, 2021 due to oversight. In the future the City will make sure to submit Recreational Transit Form by the October 15 deadline to ensure compliance with the requirements.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 14, 2021. 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, 2021
(Continued)

PALRF Finding #2021-002	City of Artesia
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 2018 ending fund balance in the amount of \$15,503 was not fully expended within 3 years as of June 30, 2021 and it was not reserved for capital projects as required by the Proposition A Local Return Guidelines. However, on December 17, 2021, Metro granted the City an extension on the usage of lapsed funds until June 30, 2022.
Cause	This was an oversight of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On December 17, 2021, Metro granted the City an extension on the usage of lapsed funds until June 30, 2022.

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, 2021
(Continued)

PCLRF Finding #2021-003	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City expended a total of \$319,027 for the following three projects in FY2020/21 prior to receiving approvals from Metro: (1) PMS & Drainage Plans in the amount of \$38,400; (2) ATP Cycle 3 in the amount of \$272,306; and (3) Alley Improvement Study in the amount of \$8,321.
Cause	This was an oversight of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	In accordance with the Guidelines, we recommend that the City strengthen internal control procedures to ensure all expenditures are approved by Metro prior to expending the funds.
Management's Response	In the future management will ensure obtaining Metro's approval before expenditures incurred.
Corrected During the Audit	The City's project approval request was submitted and retroactively approved by Metro on December 17, 2021. 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, 2021
(Continued)

PALRF & PCLRF Finding #2021-004	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I. C, Proposition A and Proposition C Forms and Submittal Requirements – Annual Expenditure Report (Form C), "On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures."
Condition	The City did not meet the October 15, 2021 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 20, 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a staff turnover during fiscal year 2021 and the new management team was unaware of compliance requirements of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 20, 2021. No follow up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF & PCLRF Finding #2021-005	City of Claremont
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I.C, "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."
Condition	<p>The City did not meet the August 1, 2020 deadline for submitting the Annual Project Update in the Local Return Management System (LRMS).</p> <p>In FY 2021, Metro extended the August 1 deadline to October 1, 2020, to facilitate a smooth LRMS transition. However, the City updated the information in the LRMS on October 16, 2020.</p>
Cause	This was due to an oversight of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Annual Project Update is entered in the LRMS before the due date so that the City's expenditures of the Proposition A and Proposition C Local Return Funds will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 16, 2020. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF Finding #2021-006	City of Diamond Bar
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.15, “The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20 percent;” and “The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges.”
Condition	The City’s administrative expenditures exceeded more than 20 percent of its total PALRF annual expenditures less fund exchange with Foothill Transit in the amount of \$78,759. The amount of \$78,759 represents the excess over 20 percent of the PALRF’s total local return annual expenditures.
Cause	All professional staff in the Finance department left or retired during the last months of the fiscal year 2020-21 starting in April 2021, including the City staff who was directly involved in the monitoring and managing of the administrative costs. As a result, the determination of the administrative expenditures exceeding more than 20 percent of its total PALRF expenditures less fund exchange with Foothill Transit was overlooked. Furthermore, some of the approved projects were severely impacted by the pandemic which resulted in a significant underspending during the fiscal year ended June 30, 2021.
Effect	The City’s Proposition A Administration Project Code 610 expenditures exceeded 20 percent of its PALRF annual expenditures less fund exchange with Foothill Transit. Therefore, the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures are within the 20 percent cap of the PALRF’s total annual expenditures reduced by any fund exchanges with other cities or transit authorities.
Management’s Response	In the future, the City will monitor the administrative expenditures that they will not exceed more than 20 percent cap of PALRF’s total expenditures less any fund exchanges with other cities or transit authorities.
Corrected During the Audit	Metro Program Manager granted the City a waiver to reimburse its PALRF account for the questioned cost of \$78,759 on December 27, 2021. 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, 2021
(Continued)

PCLRF Finding #2021-007	City of Diamond Bar
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City incurred expenditures prior to receiving approval from Metro PCLRF's Project Code 620, Administration, in the amount of \$58,308. However, the City subsequently received an approved budget in the amount of \$60,000 from Metro for the PCLRF project on November 19, 2021.
Cause	The request for Metro's approval of the Administration project prior to incurring expenditures was an oversight.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	In the future, the City staff will seek prior approval prior to charging any expenditures to PCLRF.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 19, 2021. 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, 2021
(Continued)

PALRF & PCLRF Finding #2021-008	City of Downey
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 LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF & PCLRF Finding #2021-008 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, the salaries and benefits expenditures should be supported by time records, special funding certifications, activity reports, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged were based on estimated percentages on PALRF and PCLRF activities rather than the employee's actual hours worked on the projects. Although the City provided a time study listing for the employees charged to PALRF and PCLRF, the salaries and benefits on the time study were based on estimated percentages. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2020-21. The following is a list of the unsupported salaries and benefits allocations per project:</p> <ul style="list-style-type: none"> (a) PALRF's Fixed Route Program Project Code 105 in the amount of \$55,663. (b) PALRF's Senior/Handicapped Transit Program Project Code 107 in the amount of \$324,713. (c) PCLRF's Ride Sharing Program Project Code 620 in the amount of \$18,902. (d) PCLRF's Local Return Fund Administration (Public Works) Project Code 620 in the amount of \$32,356. <p>This is a repeat finding from the prior five fiscal years.</p>
Cause	<p>The City allocated the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations were used in prior fiscal years. Additionally, the City believed the estimated percentages charged to the funds for salaries and benefit expenses were still less than the actual costs incurred for the programs.</p>
Effect	<p>The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may be disallowed Proposition A and Proposition C project expenditures. This resulted in questioned costs of \$380,376 and \$51,258 for PALRF and PCLRF, respectively.</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, 2021
(Continued)**

PALRF & PCLRF Finding #2021-008 (Continued)	City of Downey
Recommendation	We recommend that the City reimburse its PALRF and PCLRF accounts for \$380,376 and \$51,258, respectively. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the programs.
Management's Response	The City's management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the programs. Although the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program since fiscal year 2019-20, the City plans to have an outside agency perform a cost allocation study to help determine a more appropriate allocation of the salaries and benefits to the funds in fiscal year 2021-22. The study is estimated to begin in February 2022 and to be completed by July 1, 2022.

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, 2021
(Continued)

PALRF Finding #2021-009	City of Downey
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>To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. However, payments for equipment rental in the amount of \$126,690 were charged to PALRF's Revised Senior/Handicapped Transit Program, Project Code 107, without appropriate supporting documentation, i.e., invoices, purchase orders, contracts, etc., to validate the disbursements.</p> <p>This is a repeat finding from the prior four fiscal years.</p>
Cause	The City allocated equipment rental charges based on a time study from fiscal year 2011-12. The same percentage allocation were used in prior fiscal years. Additionally, the City believed the estimated percentage charged to the fund for equipment rental expenditures were still less than the actual costs incurred for the program.
Effect	The unsupported expenditures for the equipment rental resulted in questioned costs of \$126,690.
Recommendation	We recommend that the City reimburse its PALRF account for \$126,690. In addition, we recommend that the City strengthen its controls over the allocation of equipment rental costs by using an equitable and supported allocation basis to substantiate the costs charged to the program.
Management's Response	The City's management agrees with the recommendation about its control over the allocation of the costs and also, agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for the allocation of equipment rental expenditures are less than the actual costs incurred to administer the program. For example, the maintenance costs are directly charged to the City's equipment fund and monthly charges are distributed to various departments for the repairs, maintenance, and general upkeep of the vehicles.

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, 2021
(Continued)

PCLRF Finding #2021-010	City of Downey
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 following PCLRF projects were incurred prior to Metro's approval:</p> <ul style="list-style-type: none"> a. Project Code 302, Imperial Highway Traffic Signal Upgrades and Safety Enhancements, in the amount of \$12,125. b. Project Code 620, Ride Sharing Program, in the amount of \$18,902. <p>However, the City subsequently received approved budget in the amount of \$200,000 from Metro for the Imperial Highway Traffic Signal Upgrades and Safety Enhancements Project Code 302 on September 23, 2021.</p> <p>Likewise, the City subsequently received an approved budget amount of \$18,902 from Metro for the Ride Sharing Program Project Code 620 on November 16, 2021.</p>
Cause	The request for the budget approvals from Metro for these projects were overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF projects were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all PCLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approvals of the said projects on September 23, 2021 and November 16, 2021. 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, 2021
(Continued)

PALRF Finding #2021-011	City of Glendora
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance," and Section V: Audit Section, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation..."
Condition	<p>During our payroll testing, the City did not provide the timesheets but only provided the Special Funding Time Certification (Certification) which is a supplemental form for the timesheet that is signed by both the employee and the employee's supervisor. The Certification was prepared annually and provided the hours worked by the employee on PALRF project for all payroll periods during the fiscal year 2020-21.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) December 27, 2020 b) January 10, 2021 c) January 24, 2021 d) June 27, 2021 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October 2021, which were four to ten months after the fact.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	During fiscal year 2020-21, the Finance division experienced staff turnovers, and the City staff who was directly involved in the preparation of the annual Certifications was on leave for four months from June 2021 through September 2021. Due to the turnover and the absence of the City staff, the Certifications were not prepared and signed by both employees and supervisors in a timely manner.
Effect	Without employees and supervisors preparing the timecards/certifications in a timely manner, the City may be unable to substantiate the actual hours worked by the employees that were charged to the programs. Untimely support for salaries could result in disallowed costs.

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, 2021
(Continued)

PALRF Finding #2021-011 (Continued)	City of Glendora
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the Certifications at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds' projects.
Management's Response	The City will re-evaluate the preparation of the Certifications process to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time, either monthly or quarterly.

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF Finding #2021-012	City of La Mirada
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 150, Transit Security Patrol Presence at Bus Stops, in the amount of \$312,362. However, the City submitted a request to increase the budget to Metro in the amount of \$300,000 and received subsequent approval on August 26, 2021.
Cause	The Transit Security Patrol Presence at Bus Stops project was approved by Metro at the beginning of fiscal year 2020-21. However, there was an error during the submission of the project approval request. The amount of \$30,000 was inadvertently entered into the LRMS. The correct amount for the request was \$300,000. The error was noted during the close of fiscal year 2020-21. The City staff immediately notified Metro of the error on August 26, 2021 and the amount was appropriately revised and approved in the Local Return Management System (LRMS) database by Metro.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Management System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	In the future, the City staff will review all of the budget approvals for all of the projects before submitting to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$300,000 for the said project on August 26, 2021. 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, 2021
(Continued)**

PALRF Finding #2021-013	City of La Mirada
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2021 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 8, 2021.
Cause	Since the reporting for Local Return Funds has moved from an excel format to the smartsheet local return database (LRMS) in fiscal year 2020-21, the City staff mistakenly made an assumption that the submission of the Recreational Transit Services Listing form is already done through reporting in LRMS.
Effect	The City's Listing of Recreational Transit Services was not submitted timely as required by the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Recreational Transit Services Listing is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the Proposition A Local Return Fund will be in accordance with Metro's approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by Metro to indicate the form was submitted in a timely manner.
Management's Response	The City staff will continue to submit the report to Metro before October 15th of each year in the same manner as it was done in prior years.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 8, 2021. 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, 2021
(Continued)

PALRF Finding #2021-014	City of Lakewood
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 190, Geographical Information System for City's Bus Shelters, in the amount of \$50. However, the City submitted a request to increase the budget to Metro in the amount of \$5,442 and received subsequent approval on October 14, 2021.
Cause	The budget for the project was originally requested for \$17,111 and was later reduced to \$4,314 based on the estimated expenditures for the fiscal year 2020-21. However, the actual expenditures exceeded than what was anticipated.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The City staff will strive to obtain better information on the expenditures in order to request for a more appropriate Metro budget that is at least closer to the actual project expenditures.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$5,442 for the said project on October 14, 2021. 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, 2021
(Continued)

PALRF Finding #2021-015	City of Long Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 170, Landscape Maintenance Blue Line, in the amount of \$94,979. However, the City submitted a request to increase the budget to Metro in the amount of \$439,000 and received subsequent approval on October 14, 2021.
Cause	It is the City's understanding that the new financial reporting system in fiscal year 2020-21 will carry over the budget amounts for the previously Metro-approved projects to the next fiscal year. Since the City staff was not aware of the change in the budget for the Landscape Maintenance Blue Line Project Code 170, the expenditures incurred for the project exceeded more than 25 percent of the decreased budget.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	Moving forward, the City will review and ensure that the approved project budget amounts are properly reflected in Metro's new system, LRMS.
Corrected During the Audit	The City will perform periodic reviews of project activity to ensure that all prior fiscal year approved project budgets are included in the current fiscal year's budget submittal request to Metro in the new system, LRMS.

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, 2021
(Continued)

PCLRF Finding #2021-016	City of Long Beach
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	<p>The City incurred expenditures prior to receiving approval from Metro for the following projects:</p> <ul style="list-style-type: none"> (a) PCLRF's Proposition C Administration Program Project Code 620 in the amount of \$337,230; (b) PCLRF's Street Maintenance on Magnolia Avenue between Spring Street and Wardlow Road Project Code 705 in the amount of \$30,009; (c) PCLRF's Queens Way Drive between Queens Way Underpass and Harbor Plaza Project Code 705 in the amount of \$979; (d) PCLRF's Ocean Boulevard between Long Beach Boulevard and Atlantic Avenue Project Code 705 in the amount of \$82,300; (e) PCLRF's Magnolia Avenue between 4th and Anaheim Project Code 705 in the amount of \$42,804. <p>However, the projects above were subsequently approved on October 14, 2021.</p>
Cause	It is the City's understanding that the new financial reporting system in fiscal year 2020-21 will carry over the previously Metro-approved projects to the next fiscal year. Since the City staff was not aware of the updated functionality of Metro's new financial reporting system, the submission of the budgets for the above projects was overlooked.
Effect	The City did not comply with the Guidelines as expenditures for PCLRF projects are incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Proposition C Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and 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, 2021
(Continued)

PCLRF Finding #2021-016 (Continued)	City of Long Beach
Management's Response	The City will perform periodic reviews of project activity to ensure that all prior fiscal year approved project budgets are included in the current fiscal year's budget submittal request to Metro in the new system, LRMS.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said expenditures on October 14, 2021. 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, 2021
(Continued)

PALRF Finding #2021-017	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; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 105, PV Transit/DAR prior to approval from Metro. The amount that exceeded the approved budget by more than 25 percent was \$1,299. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 105 and received subsequent approval on November 19, 2021.
Cause	It was due to staff turnover and oversight by the City's program department.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should update in the Local Return Management System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditure of funds.
Management's Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget.
Corrected During the Audit	The City requested and obtained a budget increase from Metro on November 19, 2021. 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, 2021
(Continued)

PCLRF Finding #2021-018	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "Under the Proposition A and Proposition C Ordinances, Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	<p>The City's fiscal year 2018 ending fund balance in the amount of \$119,441 was not expended within 3 years as of June 30, 2021 and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.</p> <p>This is a repeat finding from the fiscal year 2019.</p>
Cause	It was due to staff turnover and oversight by the City's program department.
Effect	The City is not in compliance with the requirements of the Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved for capital projects according to the Proposition A and Proposition C Local Return Guidelines.
Corrected During the Audit	On November 19, 2021, Metro granted the City an extension on the usage of lapsed funds until June 30, 2022.

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, 2021
(Continued)

PALRF Finding #2021-019	City of Rolling Hills Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C) Project Description Form (Form A), "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved Local Return project budget or scope on all operating or capital Local Return projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 105, Palos Verdes Transit/Dial-A-Ride, in the amount of \$152,249. However, the City submitted a request to increase the budget to Metro in the amount of \$143,000 and received subsequent approval on October 14, 2021.
Cause	The budget for the project was originally requested and approved for \$0 and was not modified during the fiscal year 2020-21.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The Director of Community Development & Public Works will ensure that actual project expenditures do not exceed the annual budget by 25%.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$143,000 for the said project on October 14, 2021. 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, 2021
(Continued)

PALRF Finding #2021-020	City of Temple City
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 LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2021
(Continued)

PALRF Finding #2021-020 (Continued)	City of Temple City
Condition	To support the propriety of expenditures charged to the Proposition A and Proposition C Local Return Funds, the salaries and benefits expenditures should be supported by time records, special funding certifications, activity reports, or other official documentation evidencing in proper detail the nature of the charges. The salaries and benefits charged to PALRF's Project Code 610, Direct Administration, in the total amount of \$66,260 were based on estimated percentages on activities rather than the employee's actual hours worked on the projects. In prior fiscal years, adjustments were made to reflect the "true" hours worked on the projects at the end of the fiscal year. However, the adjustments were not recorded in fiscal year ended June 30, 2021.
Cause	Due to the mitigated coronavirus (COVID-19) protocols, the City was not able to record the necessary adjustments to reflect the actual hours worked on PALRF projects.
Effect	The payroll costs claimed under the PALRF projects may include expenditures which may be disallowed Proposition A project expenditures. This resulted in questioned costs of \$66,260 for PALRF.
Recommendation	We recommend that the City reimburse its PALRF account for \$66,260. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by making the proper adjustments to reflect the "true" hours worked on the projects, particularly, if the salaries are initially allocated to PALRF based on estimated percentages.
Management's Response	Beginning July 1, 2021, the City employees who work on the PALRF operations or projects were instructed to indicate the actual hours on their timesheet.

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, 2021
(Continued)

PALRF Finding #2021-021	City of Torrance
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 105 Fixed Route Operating Assistance and Project Code 610 Admin Charges Associated with Fixed Route prior to approval from Metro. The amounts that exceeded the approved budgets by more than 25 percent for PALRF Project Code 105 Fixed Route Operating Assistance and Project Code 610 Admin Charges Associated with Fixed Route were \$20,031 and \$5,007, respectively. Subsequently, the City submitted a project budget update in the Local Return Management System (LRMS) to obtain a budget increase from Metro and received an approval on December 15, 2021.
Cause	It was due to an oversight by the City's program department.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget. If the City expects project expenditures will be in excess of 25 percent of the approved budget, the City should submit a project budget update in the LRMS prior to the expenditure of funds.
Management's Response	The City will establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget.
Corrected During the Audit	Project budget updates in the LRMS for Project Code 105 Fixed Route Operating Assistance and Project Code 610 Admin Charges Associated with Fixed Route were submitted to Metro and were approved on December 15, 2021. No follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

Report on Compliance

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective management of the County and the Cities.

Auditor's Responsibility

Our responsibility is to express opinions on the County and each City's compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about the County and each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of the County's and each City's compliance with the Guidelines and Requirements.



Opinion

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-003. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

The management of the County and each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered the County and each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's and each City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2021-002, that we consider to be a material weakness.



The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Vazquez & Company LLP".

Glendale, California
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2021**

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

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

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021**

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

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Agoura Hills (See Finding #2021-001)	\$ 4,063	\$ 4,063
		Calabasas (See Finding #2021-002)	29,039	29,039
		Montebello (See Finding #2021-003)	24,988	24,988
Total Findings and Questioned Costs	3		\$ 58,090	\$ 58,090

Details of the findings are in Schedule 2.

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

Finding #2021-001	City of Agoura Hills
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures for MRLRF Project Code 705, Sidewalk Repairs, amounting to \$4,063 prior to approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro.</p>
Cause	Due to unanticipated work related to the Sidewalk Repairs project.
Effect	The City claimed expenditures totaling \$4,063 prior to approval from Metro. Lack of prior approvals results in noncompliance.
Recommendation	We recommend the City establish procedures and implement internal controls to ensure that approval is obtained from Metro prior to spending on any local return-funded projects.
Management's Response	<p>The City concurs with the finding that a budget request should have been submitted to Metro for approval.</p> <p>The City continues to reevaluate the processes that are in place to ensure budgets are submitted for all projects to Metro timely.</p>
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of said projects on November 23, 2021. No additional follow up is required.

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

Finding #2021-002	City of Calabasas
Compliance Reference	<p>Section B(II)(1) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that "To maintain eligibility and meet Measure R LR program compliance requirements, jurisdictions shall submit to Metro an Expenditure Plan (Form One) annually by August 1st of each year.</p> <p>Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p>
Condition	<p>The City claimed expenditures under MRLRF Project Code 630, Direct Administration, totaling \$29,039 with no prior approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the project had no prior approval from Metro.</p> <p>This is a repeat finding from prior years' audits.</p>
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed expenditures totaling \$29,039 prior to approval from Metro. Lack of prior approvals results in noncompliance with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects.
Management's Response	The City agrees with the findings. The City will establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure R-funded projects.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said project on November 23, 2021. No additional follow up is required.

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

Finding #2021-003	City of Montebello
Compliance Reference	<p>Section B (II) Expenditure Plan (Form One) of Measure R Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year.</p> <p>"Expenditure Plan (Form One) provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB2321, Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	<p>The City claimed expenditures for the following MRLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project Code 380, Traffic Engineering Studies, totaling \$4,610; b. Project Code 490, Sales Tax Revenue Bonds, totaling \$1,535; c. Project Code 630, Administrative Overhead, totaling \$15,100; d. Project Code 630, Finance Overhead, totaling \$2,275; e. Project Code 705, Los Amigos Avenue (Welmar to Las Flores, totaling \$976; f. Project Code 705, Hay Street (Garfield to Sly City Limit), totaling \$366; and g. Project Code 705, Beverly Terrace (Maple to Park), totaling \$126. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
Effect	The City claimed expenditures totaling \$24,988 prior to approval from Metro. Lack of prior approval results in noncompliance with the Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure R-funded projects.

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

Finding #2021-003 (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. No additional follow up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by Metro and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' management.

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



The CPA. Never Underestimate The Value.™



Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-007. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified 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 under the Guidelines and Requirements 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 under the Guidelines and Requirements 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 Finding #2021-004 to be a material weakness.



A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-003 and #2021-005 to be significant deficiencies.

The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

Los Angeles, California
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2021**

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

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

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

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 7 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Downey (#2021-003) Temple City (#2021-007)	\$ 34,312 2,500	\$ 34,312 2,500
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	1	Claremont (#2021-002)	None	None
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	1	Bradbury (#2021-001)	None	None
Accounting procedures, record keeping, and documentation are adequate.	3	Downey (#2021-004) Glendora (#2021-005) Glendora (#2021-006)	25,885 None 8,647	- None -
Total Findings and Questioned Costs	7		\$ 71,344	\$ 36,812

Details of the findings are in Schedule 2.

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

Finding #2021-001	City of Bradbury
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2021 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 20, 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a staff turnover during fiscal year 2021 and the new management team was unaware of compliance requirements of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 20, 2021. No follow up is required.

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

Finding #2021-002	City of Claremont
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II. 1), Expenditure Plan (Form One): "Jurisdictions shall submit to Metro an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2020 deadline for submitting the Expenditure Plan in the Local Return Management System (LRMS). In FY2021, Metro extended August 1, 2020 deadline to October 1, 2020, to facilitate a smooth LRMS transition. However, the City updated the information in the LRMS on October 16, 2020.
Cause	This was due to an oversight of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City's expenditures of Measure R Local Return Funds will be in accordance with Metro's approval and the guidelines.
Management's Response	The City concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 16, 2020. No follow-up is required.

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

Finding #2021-003	City of Downey
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	<p>The expenditures for MRLRF's Project Code 720, CIP 17-09: Paramount Boulevard Signalization and Safety Enhancements, in the amount of \$34,312 were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$34,312 from Metro for the MRLRF project on November 16, 2021.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The request for the budget approval from Metro for this project was overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Measure R Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City's management agrees with the finding. In the future, the City will review all MRLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 16, 2021. No follow-up is required.

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

Finding #2021-004	City of Downey
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” In addition, the LACMTA Local Return Program Manager issued a memo dated on April 29, 2014 to jurisdictions to provide recommendations that ensure jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines. The recommendations state, “that an electronic system is acceptable as long as how much time is identified on the project (i.e. not just a clock-in-clock-out system) and this non-timesheet system, excel file or other, is authenticated by the employee and approved by one’s supervisor.” Also, the memo states that:</p> <p>“(4) Where employees work on multiple activities or cost objectives, a distribution of 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: 80px;">(b) A Federal award and non-Federal award.</p> <p style="padding-left: 40px;">:</p> <p>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">(a) They must reflect an after the fact distribution of the actual activity of each employee,</p> <p style="padding-left: 40px;">:</p> <p style="padding-left: 40px;">(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit’s system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised as least quarterly, if necessary, to reflect changed circumstances.”</p>

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

Finding #2021-004 (Continued)	City of Downey
Condition	<p>To support the propriety of expenditures charged to the Measure R Local Return Fund, the salaries and benefits expenditures should be supported by time records, activity reports, special funding certifications, or other official documentation evidencing in proper detail the nature of the charges. However, the salaries and benefits charged to Public Works Executive Management Salary Project Code 630 in the amount of \$25,885 were based on estimated percentages on MRLRF activity rather than the employee's actual hours worked on the project. Although the City provided a time study listing for the employees charged to MRLRF, the salaries and benefits were based on estimated percentages. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2020-21.</p> <p>This is a repeat finding from the prior five fiscal years.</p>
Cause	<p>The City allocated the salaries and benefits charges based on a time study from fiscal year 2011-12. The same percentage allocations were used in prior fiscal years. Additionally, the City believed the estimated percentages charged to the funds for salaries and benefit expenses were still less than the actual costs incurred for the programs.</p>
Effect	<p>The payroll costs claimed under the MRLRF projects may include expenditures which may be disallowed Measure R project expenditures. This resulted in questioned cost of \$25,885.</p>
Recommendation	<p>We recommend that the City reimburse its MRLRF account for \$25,885. In addition, we recommend that the City strengthen its controls over the allocation of payroll costs by using a supported allocation basis, time sheets or similar documentation to substantiate the actual hours worked by employees charged to the program.</p>
Management's Response	<p>The City's management agrees that the amounts were based on a time study from fiscal year 2011-12. However, the City believes that the percentage charged to all City funds (Enterprise, Special Revenue, Successor Agency) for salaries and benefits are less than the actual costs incurred for the programs. Although the City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on projects and to be able to track the time spent on each program since fiscal year 2019-20, the City plans to have an outside agency perform a cost allocation study to help determine a more appropriate allocation of the salaries and benefits to the funds in fiscal year 2021-22. The study is estimated to begin in February 2022 and to be completed by July 1, 2022.</p>

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

Finding #2021-005	City of Glendora
Compliance Reference	The Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”
Condition	<p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet that is signed by both the employee and the employee’s supervisor. The Certification is prepared annually and provides the hours worked by the employee on MRLRF projects for all pay periods during the fiscal year 2020-21.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) December 27, 2020 b) January 10, 2021 c) January 24, 2021 d) June 27, 2021 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October 2021, which were four to ten months after the fact.</p> <p>This is a repeat finding from prior fiscal year.</p>
Cause	During fiscal year 2020-21, the Finance division experienced staff turnovers and the City staff who was directly involved in the preparation of the annual Certifications was on leave for four months from June 2021 through September 2021. Due to the turnover and the absence of the City staff, the Certifications were not prepared and signed by both employees and supervisors in a timely manner.
Effect	Without employees and supervisors preparing the timecards/certifications in a timely manner, the City may be unable to substantiate the actual hours worked by the employees who were charged to the programs. Untimely support for salaries could result in disallowed costs.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the Certifications at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds’ projects.
Management’s Response	The City will re-evaluate the preparation of the Certifications process to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time, either monthly or quarterly.

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

Finding #2021-006	City of Glendora
Compliance Reference	The Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”
Condition	<p>During fiscal year 2020-21, the City recorded expenditures to MRLRF’s Street Repair and Maintenance Project Code 705 in the amount of \$38,874 which were contributions to the pension plan that was provided through CalPERS. The contributions were based on CalPERS employer rate of 10.502% multiplied by the employees’ gross salaries.</p> <p>Based on our calculation, we determined that the City over-allocated \$8,647 of pension contributions to MRLRF.</p>
Cause	This is the first year that the City allocated debt service payments to the Pension Obligation Bonds outside of the issuance year. The City estimated the allocations based on trends and analysis, but did not establish a system to allocate the payments of the actual pension costs to the affected funds.
Effect	The unsupported pension benefits allocated to MRLRF resulted in questioned costs of \$8,647.
Recommendation	We recommend that the City reimburse its MRLRF account for \$8,647. In addition, we recommend that the City strengthen its controls over the allocation of pension costs by using the proper basis, the actual salaries charged to the fund multiplied by the appropriate employer rate provided by CalPERS.
Management’s Response	The City plans to reimburse its MRLRF account in the amount of \$8,647 in January 2022. Also, the City will continue to monitor and evaluate the process for charging pension benefits to ensure that the proper debt service payments are allocated to the City funds, including the local return funds.

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

Finding #2021-007	City of Temple City
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The expenditures for MRLRF's Project Code 705, San Gabriel Valley Council of Governments Vehicle Miles Traveled (VMT) Analysis, in the amount of \$2,500 were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$2,500 from Metro for the MRLRF project on December 2, 2021.
Cause	Due to the mitigated coronavirus (COVID-19) protocols, the City staff were not able to coordinate their efforts to obtain approval prior to incurring expenditures on MRLRF projects.
Effect	The City did not comply with the Guidelines as expenditures for the MRLRF project were incurred prior to Metro's approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City's expenditures of Measure R Local funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MRLRF projects.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on December 2, 2021. No follow-up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

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

Report on Compliance

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective management of the County and the Cities.

Auditor's Responsibility

Our responsibility is to express opinions on the County and each City's compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure M Local Return program occurred. An audit includes examining, on a test basis, evidence about the County and each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of the County's and each City's compliance with the Guidelines and Requirements.



Opinion

In our opinion, the County and the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-003. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

The management of the County and each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered the County and each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure M Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County and each City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2021-001, that we consider to be a significant deficiency.



The City's response to the finding identified in our audits is described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Vazquez & Company LLP".

Glendale, California
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package A Jurisdictions
Fiscal Year Ended June 30, 2021**

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

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

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

SUMMARY OF AUDIT RESULTS

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

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

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

Details of the findings are in Schedule 2.

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

Finding #2021-001	City of Calabasas
Compliance Reference	<p>Section XXV Administrative, Reporting Requirements, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p>
Condition	<p>The City claimed expenditures under MMLRF Project Code 640, Direct Administration, totaling \$39,196 with no prior approval from Metro.</p> <p>Although we found the expenditures to be eligible for Local Return funding, the projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior year's audit.</p>
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City claimed expenditures totaling \$39,196 prior to approval from Metro. Lack of prior approvals results in non-compliance with the Guidelines.
Recommendation	We recommend the City establish procedures to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.
Management's Response	The City agrees with the findings. The City will establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on any Measure M-funded projects.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of said project on November 23, 2021. No additional follow up is required.

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

Finding #2021-002	City of Lawndale
Compliance Reference	<p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan".</p>
Condition	<p>The City claimed expenditures for the following MMLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project 705, Street Improvements, totaling \$354,000; and b. Project 640, Administration, totaling \$334. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
Effect	The City claimed expenditures totaling \$354,334 prior to approval from Metro. Lack of prior approval results in noncompliance.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.

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

Finding #2021-002 (Continued)	City of Lawndale
Management's Response	The City agrees with the auditor's findings and recommended actions to establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects. The City will establish internal controls to ensure that prior to the City budgeting a project or expenditure, that the project or expenditure be approved by Metro. This will prevent requisitions/purchase orders and expenditures to being incurred prior to Metro approval.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects on October 13, 2021. No additional follow up is required.

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

Finding #2021-003	City of Montebello
Compliance Reference	<p>Section XXV Administrative, Expenditure Plan (Form M-One) of the Measure M Local Return Program Guidelines state that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1st of each year".</p> <p>"Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). Metro will provide LR funds to a capital project or program sponsor who submits the required expenditure plan."</p>
Condition	<p>The City claimed expenditures for the following MMLRF projects with no prior approval from Metro:</p> <ul style="list-style-type: none"> a. Project Code 490, Sales Tax Revenue Bonds, totaling \$1,570; b. Project Code 640, Finance Overhead, totaling \$1,573; c. Project Code 705, Weimar Way (Avenida La Merced to Los Amigos), totaling \$91; d. Project Code 705, Beverly Terrace (Maple to Park), totaling \$224; e. Project Code 705, Holger Drive (Victoria to Forbes), totaling \$91; and f. Project Code 705, Oakwood Avenue (Montebello to Spruce), totaling \$470. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p>
Cause	The City was unfamiliar with the new process due to staff turnover and a new system for reporting to Metro.
Effect	The City claimed expenditures totaling \$4,019 prior to approval from Metro. Lack of prior approval results in noncompliance.

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

Finding #2021-003 (Continued)	City of Montebello
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Measure M-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said projects on September 20 and 23, 2021.
Finding Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects on September 20 and 23, 2021. No additional follow up is required.



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Simpson & Simpson, LLP
Certified Public Accountants

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

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

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

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by Metro and the respective Cities for the year ended June 30, 2021 (collectively, the Requirements). Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' management.

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure M Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



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Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure M Local Return program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-006. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure M Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

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

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



The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

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

Los Angeles, California
December 30, 2021

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2021**

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

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

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

SUMMARY OF AUDIT RESULTS

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

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

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

Details of the findings are in Schedule 2.

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

Finding #2021-001	City of Bradbury
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative, "The submittal of an Expenditure Report (Form M- Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdictions shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not meet the October 15, 2021 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on December 20, 2021.
Cause	It was due to an oversight by the City's finance department.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with Metro's Guidelines.
Management's Response	The City has a staff turnover during fiscal year 2021 and the new management team was unaware of compliance requirements of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 20, 2021. No follow up is required.

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

Finding #2021-002	City of Claremont
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements - Expenditure Plan (Form M-One), "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year."
Condition	<p>The City did not meet the August 1, 2020 deadline for submitting the Expenditure Plan in the Local Return Management System (LRMS).</p> <p>In FY2021, Metro extended August 1, 2020 deadline to October 1, 2020, to facilitate a smooth LRMS transition. However, the City updated the information in the LRMS on October 16, 2020.</p>
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Measure M Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan is entered in the LRMS before the due date so that the City's expenditures of Measure M Local Return Funds will be in accordance with Metro's approval and the guidelines.
Management's Response	The City concurred with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 16, 2020. No follow-up is required.

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

Finding #2021-003	City of Downey
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:... Verification that funds were expended with Metro’s approval.”
Condition	<p>The expenditures for MMLRF's Project Code 720, CIP 17-10: Stewart and Gray Signalization and Safety Improvements, in the amount of \$454,680 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$454,680 from Metro for the MMLRF project on November 16, 2021.</p> <p>This is a repeat finding from the prior fiscal year.</p>
Cause	The request for the budget approval from Metro for this project was overlooked in fiscal year 2020-21.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City’s management agrees with the finding. In the future, the City will review all MMLRF projects prior to the fiscal year end and ensure that each project has the appropriate Metro-approved budget.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 16, 2021. No follow-up is required.

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

Finding #2021-004	City of Glendora
Compliance Reference	The Measure M Local Return Guidelines, Section XXV: Program Objective, states, "The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to cities and County of Los Angeles (Jurisdictions) may be used for purposes other than transportation purposes." and Audit Requirements, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation..."
Condition	<p>During our payroll testing, the City did not provide the timesheets but only provided the Special Funding Time Certification (Certification) which is a supplemental form for the timesheet that is signed by both the employee and the employee's supervisor. The Certification is prepared annually and provides the hours worked by the employee on MMLRF project for all payroll periods during the fiscal year 2020-21.</p> <p>The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) December 27, 2020 b) January 10, 2021 c) January 24, 2021 d) June 27, 2021 <p>We noted that the Certifications sampled were signed and dated by the employees and supervisors after the year-end, October 2021, which were four to ten months after the fact.</p> <p>This is a repeat finding from prior fiscal year.</p>
Cause	During fiscal year 2020-21, the Finance division experienced staff turnovers and the City staff who was directly involved in the preparation of the annual Certifications was on leave for four months from June 2021 through September 2021. Due to the turnover and the absence of the City staff, the Certifications were not prepared and signed by both employees and supervisors in a timely manner.
Effect	Without employees and supervisors preparing the timecards/certifications in a timely manner, the City may be unable to substantiate the actual hours worked by the employees that were charged to the programs. Untimely support for salaries could result in disallowed costs.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the Certifications at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds' projects.
Management's Response	The City will re-evaluate the preparation of the Certifications process to ensure that the forms are signed and dated by the employees and supervisors within a reasonable period of time, either monthly or quarterly.

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

Finding #2021-005	City of La Mirada
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures prior to receiving approval from Metro for MMLRF’s Project Code 302, Rosecrans Avenue Corridor Traffic Signal Update, in the amount of \$215,823. However, the City subsequently received an approved budget amount of \$220,000 from Metro for the MMLRF project on August 27, 2021.
Cause	When the FY 2020-21 Capital Improvement Project (CIP) was adopted, the Rosecrans Avenue Corridor Traffic Signal Update project was estimated to be completed in fiscal year 2019-20. Therefore, the project was not carried over to the following year. During the close of fiscal year 2020-21, the expenditures for the project were identified and a project approval request form was immediately submitted to Metro.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred before Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City staff will submit project approval requests to Metro prior to funding a project. The City staff will also review expenditure activity during the fiscal year to ensure that projects have been approved and sufficient budget amount was requested to Metro in the LRMS database.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said expenditures on August 27, 2021. No follow-up is required.

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

Finding #2021-006	City of Temple City
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures prior to receiving approval from Metro for MMLRF’s Project Code 705, San Gabriel Valley Council of Governments VMT Mitigation, in the amount of \$5,000. However, the City subsequently received an approved budget amount of \$5,000 from Metro for the MMLRF project on December 2, 2021.
Cause	Due to the mitigated coronavirus (COVID-19) protocols, the City staff were not able to coordinate their efforts to obtain approval prior to incurring expenditures on MMLRF projects.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF project were incurred before Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure M Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City instructed the employees who are involved in obtaining budget approvals to ensure that the proper approvals are received from Metro before expenditures are incurred on MMLRF projects.
Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on December 2, 2021. No follow-up is required.



Board Report

File #: 2022-0454, File Type: Program

Agenda Number: 13.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 17, 2022

SUBJECT: CYBERSECURITY LIABILITY INSURANCE PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase a cybersecurity liability insurance policy with up to \$50 million in limits at a cost not to exceed \$2.8 million for the 12-month period effective September 1, 2022 to September 1, 2023.

ISSUE

To date, Metro has not purchased an insurance policy to cover our cybersecurity liability exposures. Cybersecurity is the practice of being protected against criminal or unauthorized use of systems and electronic data. These exposures include but are not limited to:

- Unavailability of IT systems and networks
- Physical asset damage and associated loss of use
- Loss or deletion of data
- Data corruption or loss of data integrity
- Data breach leading to compromise of third party confidential/personal data
- Cyber espionage resulting in release of confidential/sensitive information
- Extortion demands to cease a cyber attack
- Direct financial loss due to theft
- Damage to reputation
- Bodily injury/property damage to third parties

Without this insurance, Metro is subject to unlimited liability for claims resulting from a cyber-attack or data breach event.

BACKGROUND

Metro's insurance broker, USI Insurance Services ("USI") was requested to market a cybersecurity liability insurance program to qualified insurance carriers. USI partnered with London broker Howden to develop the program of insurance. As a result, we received a quote from a carrier with A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. The premium

indications below are based on current market expectations. The quoted price expires September 1, 2022.

USI provides a not-to-exceed number that serves three functions. First, the number provides an amount to cover the recommended premium and contingency that Risk Management can bring to the CEO and Board to obtain approval for the binding of the new program. Second, the number allows our broker ample time to continue to negotiate with underwriters to ensure that Metro obtains the most competitive pricing available. And third, the not-to-exceed amount allows Metro to secure the quoted premium during the board cycle process prior to quote expiration.

DISCUSSION

Public entities are increasingly coming under cyber-attacks. A robust cybersecurity insurance program could help reduce the number of successful cyber-attacks and financial risks associated with doing business online by 1) promoting the adoption of preventative measures in return for more coverage; and 2) encouraging the implementation of best practices by basing premiums on an insured's level of self-protection.

Robert Rosenzweig, a national cyber practice leader for Risk Strategies stated during Advisen's virtual Cyber Risk Insights Conference last October, "Underwriters, unable to ignore increased claim frequency and severity, now need more information from buyers and have been more 'discerning' about where to deploy capital. More data and better correlation from threats to losses is making the difference." He commented, "Risk selection is paramount. It's tougher for insureds to get the capacity they need in the market. If controls aren't there, where you find yourself on the spectrum of average rate increases is going to fluctuate to the high end." At the same conference, Paul Needle, senior vice president of cyber treaty reinsurance at Munich Re concluded, "What the cyber market has going for it right now is a drastic increase in expertise for underwriting. We've come a long way in thinking critically about the controls an insured might have."

Multiple questionnaires and interviews were completed by Metro's information security and Supervisory Control And Data Acquisition (SCADA) team's experts on our systems and network controls. USI and Howden provided a proposal of coverage for cybersecurity liability insurance based on the findings and the insurance carrier's knowledge of Metro's internal controls. The proposed program from carrier BRIT Re, a Lloyds of London consortium, provides up to \$75 million in excess coverage on a claims-made basis with a \$10 million self-insured retention (deductible). Attachment A summarizes the premium options and Attachment B summarizes the coverages. The proposal was reviewed by Risk Management and Information Technology Services (ITS) team members who agree the proposed coverage will help mitigate Metro's financial and reputational risk should the agency experience a cyber-attack event.

According to a report published by S&P Global Ratings in September 2021, "The pandemic caused economic and insured losses from cyber-attacks to skyrocket, which has heightened awareness of the risk and increased demand for cyber insurance. 'Prices in the cyber insurance market could therefore rise sharply over 2021-2023, even doubling in some cases,'" said S&P Global Ratings credit analyst Manuel Adam. "The market faces increasing demand, but limited supply. In our opinion, lack of capacity could be holding back the development of a sustainable cyber insurance

market.” We appreciate the hard work of our Metro team and broker to present this insurance program in a difficult and demanding insurance market.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation to purchase a cybersecurity liability insurance policy will not directly impact the safety of Metro's patrons or employees. The policy will limit Metro's liability for claims resulting from a cyber-attack or data breach event. Additionally, the policy will aide in Metro's recovery and moderate financial losses as well as harm to Metro's reputation resulting from cyber events and incidents.

FINANCIAL IMPACT

Funding for ten months of \$2 million for this action is included in the FY23 Budget in cost center 0531, Risk Management - Non Departmental Costs, under projects 100001 General Overhead, 300022 Rail Operations - Blue Line, 300033 Rail Operations - Green Line, 300044 Rail Operations - Red Line, 300055 Gold Line, 300066 Rail Operation - Expo Line, 301012 Metro Orange Line, 306001 Operations Transportation, 306002 Operations Maintenance, 320011 Union Station and 610061 Owned Property in account 50699 (Ins Prem For Other Ins). Additional funding of \$237,000 required to cover premium costs beyond FY23 budgeted amounts will be addressed by fund reallocations during the year.

The remaining two months of premiums will be requested during the FY24 Budget development cycle, cost center 0531, Risk Management - Non Departmental Costs, under projects 100001 General Overhead, 300022 Rail Operations - Blue Line, 300033 Rail Operations - Green Line, 300044 Rail Operations - Red Line, 300055 Gold Line, 300066 Rail Operation - Expo Line, 301012 Metro Orange Line, 306001 Operations Transportation, 306002 Operations Maintenance, 320011 Union Station and 610061 Owned Property in account 50699 (Ins Prem For Other Ins).

Impact to Budget

The current fiscal year funding for this action will come from the Enterprise, General and Internal Service funds paralleling funding for the actual benefiting projects charged. This activity will result in an increase in operating costs from the prior fiscal year.

EQUITY PLATFORM

There are no equity impacts anticipated as a result of this action.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal # 5 “Provide responsive, accountable and trustworthy governance within the LA Metro organization.” The responsible administration of Metro's risk management programs includes the use of insurance to mitigate large financial risks resulting from cybersecurity events.

ALTERNATIVES CONSIDERED

The Board may choose to continue the past practice of not covering cybersecurity liability risks through an insurance policy. This alternative is not recommended as it can expose Metro to unlimited liability costs for claims resulting from a cybersecurity incident.

Various limits of coverage were considered as outlined in Attachment A for the cybersecurity liability program of insurance. All options include a deductible of \$10 million for the same program. Option A provides \$25 million in coverage, Option B provides \$50 million, and Option C provides \$75 million in coverage.

Option B is recommended as the best value option while retaining a reasonable amount of risk over the coverage limit. Option A, with a premium within the adopted FY23 budget, is not recommended since the double amount of coverage afforded by Option B is more cost effective. Option C is not recommended since the additional premium outweighs the benefit of additional coverage.

NEXT STEPS

Upon Board approval of this action, staff will advise USI to proceed with the placement of the cybersecurity liability insurance program outlined herein effective September 1, 2022.

ATTACHMENTS

Attachment A - Coverage Options and Premiums

Attachment B - Coverage Description

Prepared by: Tim Rosevear, Manager, Risk Financing, (213) 922-6354

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Stephanie N. Wiggins
Chief Executive Officer

ATTACHMENT A**Coverage Options and Premiums**

Carrier: BRIT Re

Cyber Security Insurance Program Premium and Proposed Options

	CURRENT PROGRAM	OPTIONS		
		A	B	C
Self-Insured Retention (SIR)	Unlimited	\$10 mil	\$10 mil	\$10 mil
Limit of Coverage	None	\$25 mil	\$50 mil	\$75 mil
Premium *		\$1,876,357	\$2,663,635	\$3,431,918
Contingency **		\$123,643	\$136,365	\$68,082
Not to Exceed		\$2,000,000	\$2,800,000	\$3,500,000
Premium per million coverage		\$75,054	\$53,273	\$45,759

* Includes commissions, taxes and fees.

** For carrier and premium adjustments, tax and fees.

ATTACHMENT B

Coverage Description

USI provided a proposal of coverage for cyber liability insurance. The following summarizes the coverages and exclusions:

Included Coverage

Exposure	Brief Description
SECURITY AND PRIVACY LIABILITY (INCLUDING EMPLOYEE PRIVACY)	Covers the insured's liability for damages resulting from a data breach. Such liability most often results from (1) loss, theft, or unauthorized disclosure of personally identifiable information (PII) in the insured's care, custody, and control; (2) damage to data stored in the insured's computer systems belonging to a third party; (3) transmission of malicious code or denial of service to a third party's computer system; (4) failure to timely disclose a data breach; (5) failure of the insured to comply with its own privacy policy prohibiting disclosure or sharing of PII; and (6) failure to administer an identity theft program required by governmental regulation or to take necessary actions to prevent identity theft. In addition, this insuring agreement covers the cost of defending claims associated with each of these circumstances
SECURITY BREACH RESPONSE COVERAGE	Coverage for the expenses involved in responding to a data breach. These include legal expenses, forensic experts, costs to notify affected parties and provide credit monitoring, and public relations expenses to mitigate reputational damage.
PRIVACY REGULATORY CLAIMS COVERAGE	The insuring agreement covers the costs of dealing with state and federal regulatory agencies (which oversee data breach laws and regulations), including (1) the costs of hiring attorneys to consult with regulators during investigations and (2) the payment of regulatory fines and penalties that are levied against the insured (as a result of the breach).
PCI-DSS ASSESSMENT COVERAGE	Payment Card Industry Data Security Standard (PCI DSS) was formed around 2004 by the major credit card companies to establish guidelines in the handling and processing of transactions including personal information. The policy will provide coverage for assessments, fines or penalties imposed by banks or credit card companies due to non-compliance with the Payment Card Industry

	Data Security Standard (PCI DSS) or payment card company rules.
CYBER EXTORTION COVERAGE	Cyber extortion is an online crime in which hackers hold your data, website, computer systems, or other sensitive information hostage until you meet their demands for payment. The policy will cover the cost to investigate a ransomware attack and negotiate with the hackers.
MULTIMEDIA LIABILITY	Multimedia Liability provides coverage for third-party liability claims alleging damage resulting from dissemination of media material. This covers both electronic and non-electronic media material and may include claims of copyright or trademark infringement. libel.
DIGITAL ASSET RESTORATION COSTS	Digital assets loss occurs when company data or software is corrupted or destroyed because of a network security failure. This type of loss can come because of an outside network breach or an inside job carried out by an employee. The policy covers the reasonable and necessary cost to replace, restore or re-collect digital property from written or electronic records. Additionally, investigation expenses such as disaster recovery and computer forensics is also covered.
BUSINESS INCOME LOSS RESULTING FROM A NETWORK DISRUPTION	Business Interruption covers business income loss and extra expenses incurred during a computer network outage. The coverage applies to outages of <i>internally managed IT</i> , such as employee devices or internal networks or databases -- not a cloud computing provider or other type of third-party IT vendor.
Bodily Injury	Injury to persons (including death)

Excluded Coverage

The proposal of coverage also indicates various exclusions or exposures that will not be covered:

Exposure	Brief Description
BUSINESS INCOME LOSS (Physical Damage)	Some insurers have brought forward business interruption coverage as part of cyber insurance or as stand-alone business interruption insurance policies. There doesn't have to be a complete shutdown to trigger the coverage. Instead, a system slowdown due to network issues or malicious elements can also be classified as a trigger.

	However, the proposal indicates there will be no coverage for physical damage BI claims.
ENSUING PROPERTY DAMAGE LOSS	Exception to an exclusion in a first-party property policy that applies in a special type of fact pattern where the damage caused by an excluded peril operates as a link in the "chain of events" that enables a covered peril to damage other property. (proximate cause) Symbolically, a classic ensuing loss fact pattern can be represented as follows: <i>excluded peril → excluded damage → covered peril → ensuing damage</i> . Note that there must be two kinds of damages—an initial loss and an ensuing loss. Most courts will not apply an ensuing loss provision if an excluded peril caused a covered peril that results in only one kind of damage.
Inspection and Loss Prevention/Mitigation Expense	Loss prevention aims to reduce the possibility of damage and lessen the severity if such a loss should occur.
Debris Removal	Debris removal insurance is a section of a property insurance policy that provides reimbursement for clean-up costs associated with damage to property.



Board Report

File #: 2022-0470, **File Type:** Program**Agenda Number:** 14.

**FINANCE, BUDGET & AUDIT COMMITTEE
AUGUST 17, 2022****SUBJECT: SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS' LOCAL CONTRIBUTION
AND DIRECT LOAN TO ALAMEDA CORRIDOR EAST - MONTEBELLO CORRIDOR
PROJECT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

AUTHORIZE and delegate authority to the Chief Executive Officer (CEO) or their designee to negotiate and execute all necessary agreements to enter into a direct loan of \$61.1 million, current estimate, between the Los Angeles County Metropolitan Authority (Metro) and the San Gabriel Valley Council of Governments (SGVCOG). The loan advances partial funding for the Montebello Corridor Project that has a total project cost of \$216.2 million.

ISSUE

The SGVCOG is seeking to fund the Montebello Corridor Project, which includes the construction of an underpass on Montebello Boulevard ("Grade Separation Project") and at-grade safety improvements at Vail Avenue, Greenwood Avenue and Maple Avenue ("At-Grade Improvements") along the Alameda Corridor-East ("ACE") Trade Corridor. Cost increases associated with the Grade Separation Project have created a potential funding shortfall that could jeopardize the timely allocation of state grant funding awarded to the Grade Separation Project by the California Transportation Commission ("CTC"). The state has requested that the SGVCOG identify local match funds to allow the state to "allocate" the funds and avoid relinquishing the state grant funding.

BACKGROUND

The SGVCOG established the ACE Construction Authority in 1998 to provide direction and oversight of the ACE Project, which includes a series of rail-highway grade separation and at-grade safety improvement projects, to mitigate the impacts of significant increases in freight rail traffic on over 70 miles of mainline railroad in the San Gabriel Valley of Los Angeles County. In the same year, Metro and SGVCOG entered into a funding agreement to support the ACE Project.

In May 2019, the Metro Board of Directors approved San Gabriel Valley Subregion's first Measure M Multi-Year Subregional Program ("MSP") Five-Year Plan and programmed funds in: 1) Active Transportation Program; 2) Bus System Improvement Program; 3) First/Last Mile and Complete

Streets; and 4) Highway Efficiency Program. Measure M MSPs are included in the Measure M Expenditure Plan. All MSP funds are limited to capital projects. The annual update approves additional eligible projects for funding and allows the San Gabriel Valley subregion and implementing agencies to revise the scope of work and schedule.

In December 2021, the Metro Board approved Motion 44 (Attachment A) by Directors Solis, Hahn, Barger, Sandoval, and Butts regarding this Montebello Corridor Project.

Of primary importance is to address the SGVCOG's need to resolve the funding shortfalls for the Montebello Boulevard Grade Separation Project to ensure that the CTC Trade Corridor Enhancement Program ("TCEP") funding is not relinquished. Metro staff has identified a path forward to allow the SGVCOG to secure CTC allocation of TCEP funding for the Grade Separation Project and to complete the At-Grade Improvements through a loan from Metro to the SGVCOG secured by future Measure M MSP funds.

DISCUSSION

At this time, staff recommends developing a funding plan that includes a local match financial contribution agreement between the SGVCOG and Metro. The SGVCOG will repay the advance by making payments of principal plus interest as outlined in the promissory note. The funding plan will begin with an approximately \$16.3 million initial draw in Fiscal Year ("FY") 2026, followed by a \$29.7 million draw in FY 2027 and a \$15.1 million draw in FY 2028 based on cashflow provided by SGVCOG. Repayment is scheduled to begin in FY 2029 for a period of six years. The exact terms and conditions of the promissory note will be negotiated and approved by the Metro CEO or their designee.

Repayment Provisions of the Local Match Financial Contribution Agreement

The loan agreement is payable from Measure M MSP funds that Metro allocates to the SGVCOG, net of any amounts previously programmed by Metro for other identified uses that are included in a funding agreement between Metro and SGVCOG (for the purposes of the loan agreement, "programmed" means the allocation of MSP funds for specified and mutually agreed upon uses).

Metro will identify the amount of MSP available to the SGVCOG in October of each year. The amount of MSP allocated to the SGVCOG will include a rolling five (5) year period beginning with the then current fiscal year, less all amounts previously programmed to the SGVCOG. The amount of allocated MSP in the final year of the five (5) year period will not include any deductions for previously programmed funds as this fiscal year has heretofore not been available to the SGVCOG, and will be reduced by the amount of loan debt service that is payable in this fiscal year. In the event the amount of final year MSP funding is insufficient for loan debt service payable in this fiscal year, all previously allocated but unprogrammed MSP funds will be reduced by the amount needed to fully pay the loan debt service due in the fiscal year. Metro will use the reduced or deducted amount of MSP funds to meet the loan debt service payments.

The MSP funds are comprised of eight (8) separate programs that are designated for specified purposes. The loan is payable from the Goods Movement and Highway Efficiency MSP programs

included in the Measure M Ordinance. The Measure M Ordinance restricts the use on construction of both Goods Movement and Highway Efficiency Program prior to fiscal year 2048. Therefore, the amount of loan debt service paid from the MSP funds will be exchanged with the following MSP that are allocated to the SGVCOG in fiscal years 2018 through 2057: i) Active Transportation Program, ii) Bus System Improvement Program, iii) First/Last Mile and Complete Streets, and iv) Highway Demand Based Program. The amount allocated to the SGVCOG for each MSP that is available for construction in fiscal years 2018 through 2057 is equal to 1% of the total for the first ten years and 3% of the total, adjusted for inflation, in the subsequent thirty years.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

Since this is a multi-year project, the Countywide Planning & Development staff will be responsible for budgeting in future years.

Impact to Budget

Approval of this action has no impact on the FY23 budget.

EQUITY PLATFORM

Approval to develop a funding plan for the Montebello Corridor Project that includes a local match financial contribution will ensure the SGVCOG avoids relinquishing the state grant funding and will facilitate the completion of the Grade Separation Project and at-grade safety improvements in Equity Focus Communities ("EFCs") within and adjacent to the project area.

The Montebello Corridor Project enhances safety for vulnerable roadway users by incorporating protected pedestrian walkways at grade separated project sites, as well as installation of active warning signs, new pedestrian sidewalks and protections, and a variety of median improvements to discourage and/or prevent motorists from driving around lowered crossing gates at at-grade rail and highway crossings.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Board approval will support Metro's Strategic Plan Goals to (1) Provide high-quality mobility options that enable people to spend less time traveling and (3) Enhance communities and lives through mobility and access to opportunity.

ALTERNATIVES CONSIDERED

The Board could choose not to approve this action. However, this is not recommended as the Project is subject to loss of previously approved State funds.

NEXT STEPS

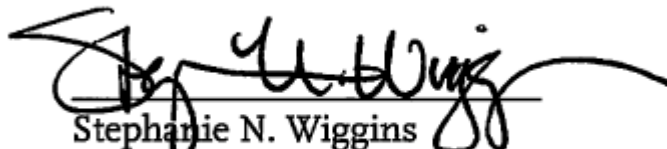
Upon Board approval, staff will take the appropriate steps needed to execute a loan agreement with assistance from County Counsel to demonstrate to the State a local funding commitment for the Montebello Corridor Project.

ATTACHMENTS

Attachment A - Motion 44

Prepared by: Rodney Johnson, Deputy Executive Officer, Finance, (213) 922-3417
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Stephanie N. Wiggins
Chief Executive Officer



Metro

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

Board Report

File #: 2021-0767, **File Type:** Motion / Motion Response

Agenda Number: 44.

REVISED
REGULAR BOARD MEETING
DECEMBER 2, 2021

Motion by:

DIRECTORS SOLIS, HAHN, BARGER, SANDOVAL, AND BUTTS

Alameda Corridor-East Projects

The San Gabriel Valley Council of Governments (SGVCOG) intends to seek the allocation of previously programmed state funds for the final two Alameda Corridor-East (ACE) grade separation projects by vote of the California Transportation Commission (CTC) by no later than June 2022. However, due to extraordinary recent increases in construction phase and right-of-way costs as experienced by multiple public projects across the transportation infrastructure sector in Southern California, a shortfall in local match funds to the state funds has developed. If local match is not timely secured, the ACE Project will forfeit a total of \$116,851,000 in state funds programmed to the Montebello Boulevard grade separation project and the Turnbull Canyon Road grade separation project and committed from the following state programs: Proposition 1B Trade Corridor Improvement Fund (\$18,851,000), 2018 SB1 Trade Corridor Enhancement Program (\$78,000,000), and Section 190 priority grade separation funds (\$20,000,000).

Since inception of the ACE Project in 1998, SGVCOG has successfully secured federal, state and local funding and cost-efficiently implemented the design and construction of the ACE Project, a series of rail-highway grade separation and at-grade safety projects in the San Gabriel Valley of Los Angeles County.

The ACE Project was among 25 projects in the nation designated in the federal SAFETEA-LU transportation program legislation in 2005 as Projects of National and Regional Significance, nationally recognized as enhancing the safe, secure, and efficient movement of people and goods through the U.S. to improve the national economy. At the state level, the ACE Project was awarded funding from the 2006 Prop 1B Trade Corridor Improvement Fund intended for infrastructure improvements along federally designated "Trade Corridors of National Significance." LA Metro has acknowledged the regional significance of the ACE Project via multiple funding agreements and amendments since an initial agreement between Metro and SGVCOG (previously the ACE Construction Authority) was entered into in July 1998.

With the federal, state and local funding SGVCOG has fully funded and completed 14 grade separation projects and multiple at-grade crossing safety projects. Three grade separations are fully

funded and currently in construction. Lacking sufficient local funds to advance into construction are two grade separations projects in the design and right-of-way phases, one located in the City of Montebello and another located in the City of Industry and the unincorporated community of Hacienda Heights, as well as a program of at-grade pedestrian crossing safety improvements at four crossings in the City of Pomona. All three projects are located in Metro Equity Focus Communities or within state-defined Disadvantaged Communities.

The total shortfall in local funds for the three projects is estimated at \$136,00,000. Metro can partner with the SGVCOG to provide technical assistance and explore and identify funding streams to help close this funding gap, which will allow SGVCOG to secure a fund allocation vote from the CTC, thereby avoiding forfeiture of the state funds and moving the projects into the construction phase as scheduled.

SUBJECT: ALAMEDA CORRIDOR-EAST PROJECTS

RECOMMENDATION

APPROVE Motion by Directors Solis, Hahn, Barger, Sandoval, and Butts that the Board of Directors direct the Chief Executive Officer to:

- A. Collaborate with the SGVCOG to evaluate the cost increases for the three projects and potential strategies such as value engineering to close the funding gap;
- B. Explore funding streams such as grant funding and other sources to help the SGVCOG secure sufficient funding to complete all three projects, with priority placed on securing full funding for the grade separation projects prior to the CTC funding allocation vote by no later than June 2022;
- C. Assist and collaborate with SGVCOG in developing Project Labor Agreements for the two grade separation projects to prioritize partnerships with labor in expeditiously advancing construction of the grade separation projects and the employment of Los Angeles County workers;
- D. Report back on all directives in March ~~2021~~ 2022.



Board Report

File #: 2022-0508, **File Type:** Plan

Agenda Number: 15.

FINANCE, BUDGET AND AUDIT COMMITTEE AUGUST 17, 2022

SUBJECT: FY23 AUDIT PLAN

ACTION: ADOPT RECOMMENDATION

RECOMMENDATION

ADOPT the Fiscal Year 2023 (FY23) Proposed Annual Audit Plan (AAP).

ISSUE

Management Audit Services (MAS) is required to complete an annual agency-wide risk assessment and submit an annual audit plan to the Board of Directors for approval.

BACKGROUND

The Board approved Financial Stability Policy requires MAS to develop a risk assessment and an annual audit plan (AAP) each year and present it to the Board. It also requires the Finance, Budget, and Audit Committee to provide input and approve the audit plan.

DISCUSSION

The FY23 AAP has been developed with consideration to the current state of the agency, which is still recovering from the impacts of the COVID-19 pandemic. In addition, the AAP was prepared with consideration of the results of the agency-wide risk assessment. The agency-wide risk assessment incorporated research and input received from Metro's senior leadership teams across the agency. MAS leveraged the results of the risk assessment to prepare an AAP that is flexible, relevant and risk based. The AAP includes audit projects which add value, provide actionable information to support agency risk management efforts, and will lend to the achievement of organizational goals aligned with Metro's Vision 2028 Strategic Plan.

A. Risk Assessment

MAS staff performed an agency-wide risk assessment between March 2022 and July 2022. The agency-wide risk assessment was a structured, systematic process consisting of both research and stakeholder engagement. The agency-wide risk assessment is the primary basis for selecting internal audit projects which will add value and support the agency's objectives. The recognized risks

varied in nature, the likelihood of occurrence, and their potential impact on the agency. The agency-wide risk assessment also identified areas of potential future opportunity related to the agency goals and objectives.

To help MAS understand the various risks the agency currently faces and their potential impacts, MAS incorporated the following foundational principles in the development of the FY23 AAP which include:

- Identification of auditable units
- Identification of potential risks
- Categorization of identified risks
- Assessment of the likelihood of identified risks qualitatively and quantitatively
- Assessment of the impact of identified risks qualitatively and quantitatively

The following risk categories were considered in the performance of the agency-wide risk assessment:

- Capital Project
- Financial
- Human Capital
- Information Technology
- Legal / Regulatory
- Operational
- Public Image / Reputational
- Safety / Security.

B. Enterprise Risk Themes

The agency-wide risk assessment process led to the identification of the core enterprise-risk themes summarized below:

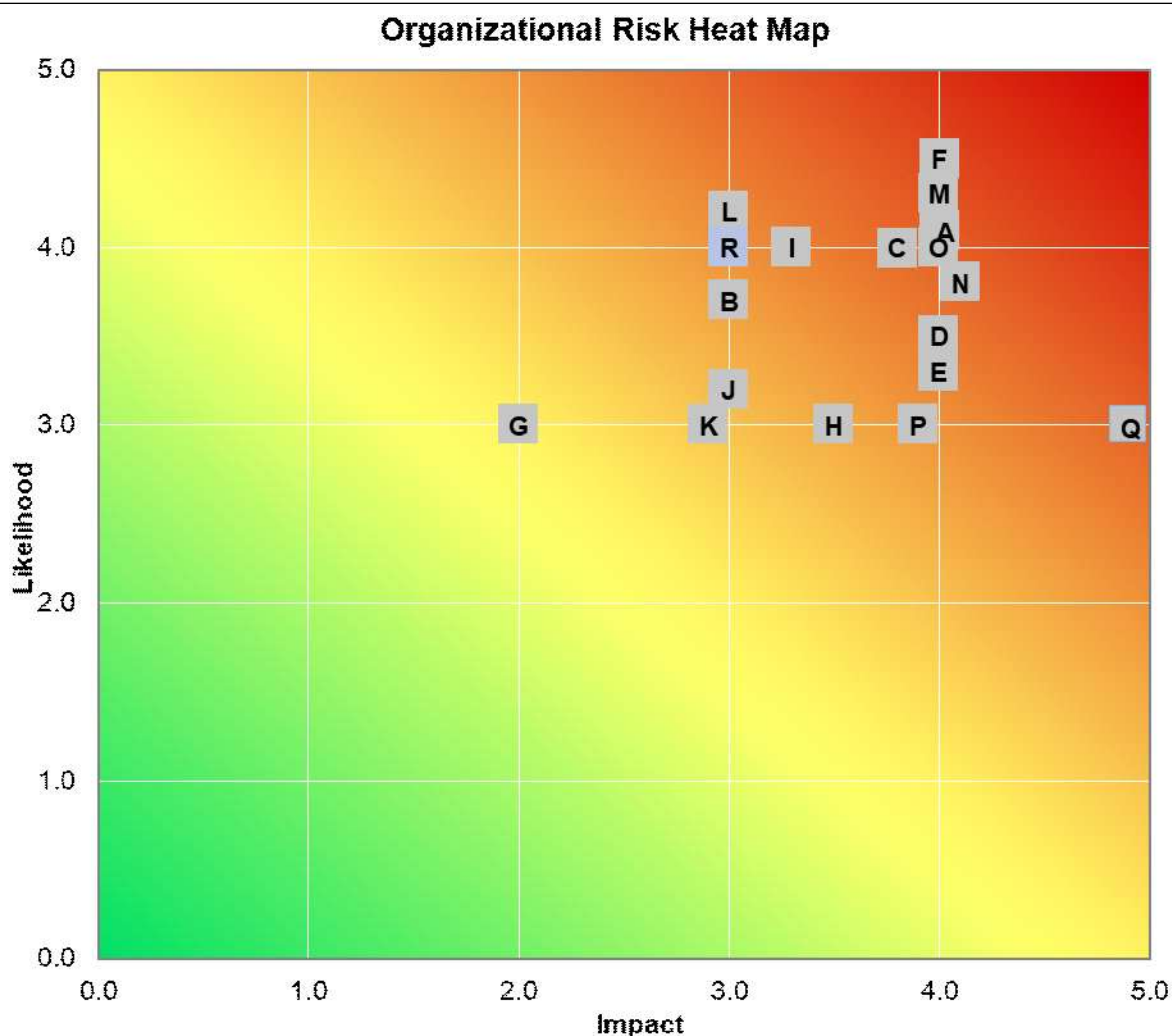
- **Staffing:** Metro leadership across all departments expressed concern related to the competitive labor market, and the agency's ability to recruit and retain critical workforce needed to fulfill the agency's mission, goals, and objectives. The staffing risks presented as a high-level risk, particularly in regard to recruitment of bus operators, skilled labor, and the professional workforce needed to support the delivery of the agency's capital program.
- **Political/external:** Risks were identified related to the agency's ability to deal effectively with the increase of the unhoused and other crisis populations on Metro buses, trains, and throughout stations. Risks were also identified regarding the public perception of safety while riding Metro buses and trains, and the potential impact this could have on restoring ridership to pre-pandemic levels.
- **Financial:** The agency's ability to replace lost revenues when one-time large-scale infusions of federal funds are exhausted presented as a concern. This includes funding that was provided as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The

impact of inflation on the cost of utilities, fuel, and spare parts inventories were also risks identified as part of the agency-wide risk assessment. In addition, uncertainty about the definitive amount of funding that will be made available to the agency from the November 2021 Infrastructure Investment and Jobs Act lends to potential exposure.

- **Resources for capital projects:** As projects move from the planning phase to the construction phase risks were identified related to the reliance that Program Management has on consultant resources. Risks and opportunities were identified related to alternative project delivery methods such as progressive design build and construction manager/general contractor.
- **Global/supply chain:** The impacts of the pandemic led to disruptions in the supply chain, such as key material shortages and delays in delivery. The current rate of inflation may exacerbate the effects of supply chain disruptions and in-turn remain an enterprise risk to the agency. These continued impacts to the supply chain presented as a risk, including the ongoing impacts of global factors such as the conflict in Ukraine.
- **Unknown:** There are also unique risks that do not fit clearly into one of the outlined major risk categories, as well as unique risks that may have not been identified and/or presented during the agency-wide risk assessment, hence defined as “unknown” risks.

C. Audit Plan

The FY23 AAP is based primarily on the results of the agency-wide risk assessment. The most prominent risks from the risk assessment and the projects associated with those risks are presented in the heat map below:



A.	Continuity of Operations Plan - Bus Operations	J.	Monitoring of Environmental Contracts
B.	Metro Center Street Project	K.	Contract price structures for professional services
C.	Westside Purple Line Extension 1	L.	Information Technology Governance
D.	Spare Parts Inventory	M.	Continuity of Operations Plan - Rail
E.	Information Security Risk - Contractors	N.	Micro Transit
F.	Construction Inflation Risk	O.	Operations Central Instruction & Development Training
G.	Business Interruption Fund	P.	Central Maintenance Shops Manufacturing Process
H.	Operations and Maint. of CNG Div.	Q.	Cybersecurity Follow-Up
I.	Division 20 Portal Widening Project	R.	Real Estate Management System

The total score assigned to a risk is based on the risk score, which is a consideration of the assigned likelihood and potential impact. The risk score may place the risk in a low, moderately low, moderate, moderately high, or a high- risk range. Higher risk scores occur when the risk identified is high in likelihood and potential impact. These risks were therefore identified as areas that would benefit from

independent audit engagement.

Of note, risk scores were not the only guide used by MAS to select audit projects for the FY23 AAP. Additional factors were considered as part of the agency-wide risks assessment such as:

- Perceived strength of management controls
- Prior audits or reviews
- Subject matter expertise/capacity required by MAS to perform an audit or review
- Complexity of the risk area
- Input from senior leadership

Accordingly, the AAP includes audit projects to address areas of moderate risk which are expected to add value, mitigate potential future risks, and will lead to advancement of enterprise opportunities.

The FY23 AAP includes 18 audit projects in three categories: priority, carryover, and discretionary.

- Priority: Audit projects that will be given primary focus and initiated during the first part of FY23. The priority projects address high-level risk areas.
- Carryover: Audit projects that were initiated in FY22 which will be completed in FY23.
- Discretionary: Audit projects in areas with relatively lower-level risk scores. These are projects that MAS will perform based on the status of Priority and carryover projects throughout the course of the annual audit plan year.

A summary of the FY 23 priority, carryover, and discretion audits is provided as Attachment A.

The FY23 AAP also includes the required Contract and Financial Compliance Audits throughout the year. These audits include contract pre-award and incurred cost audits as requested by Vendor/Contract Management, incurred cost audits of various grant projects, and external financial and compliance audits of Metro and subrecipients.

Professional audit standards and leading practices indicate that the agency is best served if the audit plan is a dynamic plan that can be modified based upon changing business conditions, the discovery of new information, or areas being elevated to priority status based upon the needs of the Board of Directors, Chief Executive Officer, and/or senior leadership.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro patrons or employees.

FINANCIAL IMPACT

Funding for the annual audit plan has been included within Management Audit's FY23 budget and corresponding cost center.

EQUITY PLATFORM

In applying an equity lens to the FY23 AAP, MAS included a program area for audit in the FY 23 AAP where MAS will assess if the department overseeing the selected program completed a Rapid Equity Assessment or Equity Planning and Evaluation Tool. The inclusion of this project is consistent with goals articulated in FY 23 Comprehensive Agency Performance Evaluation for MAS.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects included in the Audit Plan directly or indirectly support various goals outlined in Metro's Vision 2028 Strategic Plan.

ALTERNATIVES CONSIDERED

An alternative is not to approve the Annual Audit Plan. This is not recommended since the Annual Audit Plan is a management tool to systematically assign resources for the delivery of an agency-wide audit plan in accordance with the Financial Stability Policy. Additionally, the development of an annual internal audit plan is consistent with the MAS' Charter and with Generally Accepted Government Auditing Standards.

NEXT STEPS

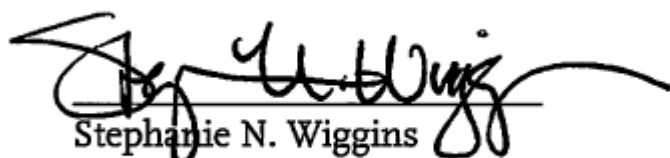
Upon Board approval, MAS will develop the Annual Audit Plan schedule and deliver quarterly status reports to the Board of Directors.

ATTACHMENTS

Attachment A - FY23 Proposed Audit Plan

Prepared by: Shalonda Baldwin, Executive Officer, Administration, (213) 418-3265
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Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101



Stephanie N. Wiggins
Chief Executive Officer

Priority Projects

Continuity of Operation Plan (COOP) - Bus	
Office:	Operations
Objective:	To evaluate the adequacy of the Bus Operations' COOP and Standard Operating Procedures to support Bus Operations' mission essential functions in emergency situations.
Anticipated Value:	Independent assurance about bus operations emergency preparedness & response.

Metro Center Steet Project (MCP)	
Office:	Program Management
Objective:	To evaluate the overall project management processes for the Metro Center Street Project (MCP) for sufficiency and effectiveness.
Anticipated Value:	Independent assurance about MCP project management controls and effectiveness.

Westside Purple Line Extension (WPLE) 1	
Office:	Program Management
Objective:	To evaluate the state of post-construction final-year processes and planning (acceptance, testing, certification, training, activation) for the WPLE 1 transit project prior to start of revenue operations.
Anticipated Value:	Added expertise to identify any potential unaddressed gaps in readiness about key compliance controls for the area

Spare Parts Inventory	
Offices:	Operations, Strategic Financial Management
Objective:	To assess Metro's identification of key spare parts for Rail and Bus Operations, including evaluating Metro's reliance on third parties and identification of alternatives in the event of supply-chain disruptions. The audit will also review Metro's determination of minimum on-hand and reorder quantities.
Anticipated Value:	Key inventory management controls & processes will be tested for effectiveness

Third Party Risk Management – Outsourced Service Providers

Office: Chief People Office

Objective: To assess Metro's third-party information security risk management policy and program.

Anticipated Value: Insight about the agency's efforts to mitigate 3rd party information security risk

Construction Inflation Risk

Offices: Program Management, Strategic Financial Management

Objective: To review Metro's process for projecting and managing inflation risk for construction projects.

Anticipated Value: Independent and objective feedback about the agency's risk response to a critical area

Business Interruption Fund (BIF)

Offices: Chief of Staff

Objective: This audit will verify Pacific Coast Regional Small Business Development Corporation's compliance with the Los Angeles County Metropolitan Transportation Authority's BIF Administrative Guidelines and Fund Disbursement Procedures as listed in the notes to the BIF Pilot Program for the period July 1, 2021 to June 30, 2022.

Anticipated Value: Independent assurance about compliance with BIF reporting requirements

Discretionary Projects

Operations and Maintenance of Compressed Natural Gas (CNG) Divisions

Office:	Operations
Objective:	To assess oversight and monitoring activities over Contract No. OP749030003367 with Clean Energy, for Operation and Maintenance of CNG fueling stations at Divisions 1, 3, 5, 7, 10 & 18.
Anticipated Value:	Independent assurance about contract management activity over this operational area

Division 20 Portal Widening Project
--

Office:	Program Management
Objective:	To evaluate the overall project management processes for the Division 20 Portal Widening project.
Anticipated Value:	Independent assurance about project management controls and effectiveness

Monitoring of Environmental Contracts
--

Office:	Program Management
Objective:	To evaluate management oversight of Metro's environmental contracts for consistency, quality of services, risk management practices, and internal controls.
Anticipated Value:	Independent assurance about contract management over this key area

Contract Price Structures for Professional Services
--

Office:	Strategic Financial Management
Objective:	To assess the process performed by contract administrators and project managers for firm fixed price professional service contracts, payment structures and performance milestones.
Anticipated Value:	Assessment of the process used to determine the use of firm fixed price professional service contracts

Discretionary Projects**Information Technology Governance**

Office: Chief People Office

Objective: To assess Metro's IT Governance Framework which would include examination of the strategic alignment between IT and business objectives, performance management, delivering value, and risk management.

Anticipated Value: Independent assurance about the agency's governance framework after reorganization

Carry Over Projects

Continuity of Operations Plan - Rail	
Office:	Operations
Objective:	This audit will evaluate the adequacy of the Bus Operations' COOP and Standard Operating Procedures to support Bus Operations' mission essential functions in emergency situations.
Anticipated Value:	Independent assurance about rail operations emergency preparedness & response

Micro Transit	
Office:	Operations
Objective:	The general objective and scope of the audit is to assess Shared Mobility's efforts in managing the Micro Transit program, including review of monitoring processes and review of selected Micro Transit Pilot Project Contract documentation.
Anticipated Value:	Insight about contract management effectiveness and contractor compliance

Carry Over Projects

Operations Central Instruction and Development Training	
Office:	Operations
Objective:	The general objective and scope of the audit will be to assess the training records of new Bus Operators and other Operations employees for accuracy, completeness, and compliance of with applicable requirements.
Anticipated Value:	Insight about the reliability and completeness of operations staff training records

Central Maintenance Shops Manufacturing Process	
Office:	Operations
Objective:	The objective of this engagement will be to review primarily the CMS manufacturing request process. The process will be assessed for reasonableness, efficiency (time and cost), completeness and safety considerations.
Anticipated Value:	Insight about the efficiency of an important internal process

Cybersecurity Follow-Up	
Office:	Chief People Office
Objective:	Verify if corrective actions have been taken by ITS on the prior external review recommendations provided for this area.
Anticipated Value:	The results of remedial steps taken by ITS to address cybersecurity gap will be reported

Real Estate Management System	
Office:	Planning and Development
Objective:	This project will be a collaboration with the Real Estate Department to determine if prior audit findings have been considered as part of the upcoming implementation of the new Real Estate Management System.
Anticipated Value:	Confirmation that prior MAS findings have been addressed as part of a new system

Contract, Financial and Compliance Annual Audits

Pre-Award Audits

Office:	Strategic Financial Management
Objective:	Pre-award audits for procurements and modifications
Anticipated Value:	Independent verification of condition of contractor accounting system prior to award

Incurred Cost Grant Audits

Office:	Planning and Development / Program Management
Objective:	Verify that costs are reasonable, allowable and allocable on cost reimbursable contracts for contractors
Anticipated Value:	Confirmation that billed contract costs are appropriate and supported

Financial and Compliance External Audits

Offices:	Agencywide
Objective:	Complete legally mandated financial and compliance audits
Anticipated Value:	Confirmation of third-party financial condition and compliance

FY23 Proposed Annual Audit Plan

Finance, Budget and Audit Committee

August 17, 2022

Risk Assessment Results

A risk assessment was done to identify areas of high importance which resulted in a tentative workplan with three project categories:

- *Priority projects* which are deemed to be of high importance and will be worked on first.
- *Discretionary projects* which are less critical but that will be performed as time and resources permit.
- *Carry Over projects* which are projects initiated in FY22 to be completed in FY23.

Category Factors

Relevance

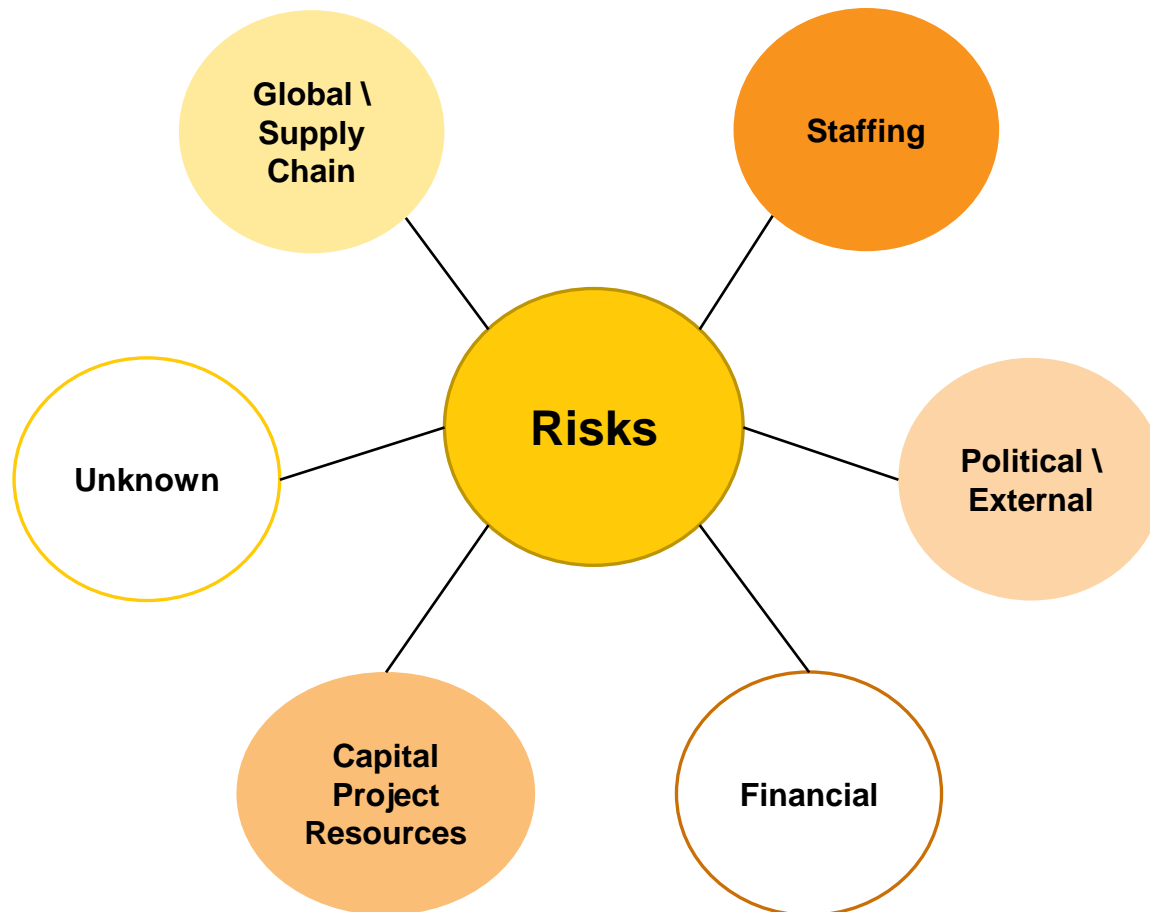
Potential
Value

Timely
Completion

Resource
Balancing

Stakeholder
Feedback

Risk Discussion Themes



Proposed Audit Plan

Priority	Discretionary	Carry Over
Continuity of Operations Plan - Bus	Operations and Maintenance of CNG Divisions	Continuity of Operation Plan - Rail
Metro Center Street Project	Division 20 Portal Widening	Micro Transit
Westside Purple Line Ext. 1	Monitoring of Environmental Contracts	Operations Central Instruction and Development Training
Spare Parts Inventory	Contract Price Structures for Professional Services	Central Maintenance Shops Manufacturing Process
Third Party Risk Management	IT Governance	Cybersecurity Follow-up
Capital Project Inflation Risk		Real Estate Management System
Business Interruption Fund		

Next Steps

- Initiate kick-off process – September 2022
- Quarterly reporting to the Board – through June 30, 2023



Metro

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

Board Report

File #: 2022-0320, **File Type:** Informational Report

Agenda Number: 16.

FINANCE, BUDGET, AND AUDIT COMMITTEE AUGUST 17, 2022

SUBJECT: FISCAL YEAR 2019-2021 TRIENNIAL PERFORMANCE REVIEW REPORTS

ACTION: RECEIVE AND FILE

RECOMMENDATIONS

RECEIVE AND FILE:

- A. the fiscal year (FY) 2019-2021 Triennial Performance Review of Los Angeles County Transit Operators and Metro Operations; and
- B. the FY 2019-2021 Triennial Performance Review of the Los Angeles County Metropolitan Transportation Authority (Metro) as the Regional Transportation Planning Agency (RTPA).

ISSUE

The Transportation Development Act (TDA) requires Triennial Performance Reviews of Transit Operators and Regional Transportation Planning Agencies (RTPAs). The FY 2019-2021 Triennial Performance Review Report is complete and this report presents the results of the review.

DISCUSSION

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires Metro to conduct an independent performance review of all Los Angeles County Transit Operators receiving TDA Article 4 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The TDA also requires that RTPAs undergo an independent performance review, focusing particularly on the planning roles. The review is conducted every three years, and Metro must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that Metro may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

Under contract to Metro, the firm of BCA Watson Rice, LLP independently conducted the FY 2019-

2021 Performance Review of the Transit Operators, Metro Operations and Metro as the RTPA for Los Angeles County. The following summarizes the scope of the review:

A. Review of Los Angeles County Transit Operators and Metro Operations

The following Los Angeles County transit operators were included in this review:

- Antelope Valley Transit Authority (AVTA)
- Arcadia Transit
- City of Redondo Beach - Beach Cities Transit
- Claremont Dial-A-Ride
- Commerce Transit
- Culver City Bus
- Foothill Transit
- GTrans
- L.A. County Metropolitan Transportation Authority Operations
- La Mirada Transit
- Long Beach Transit
- Los Angeles Department of Transportation (LADOT)
- Montebello Bus Lines
- Norwalk Transit System
- Santa Clarita Transit
- Santa Monica's Big Blue Bus (BBB)
- Torrance Transit
- City of Burbank
- City of Glendale
- City of Los Angeles - Community DASH Services
- Pasadena Transit

The FY 2019-2021 Performance Review included all areas that the State mandates. Areas reviewed were:

- Verification of TDA data collection and reporting requirements;
- Compliance with requirements;
- Progress in implementing prior review recommendations;
- Review of TDA performance indicator trend analysis; and
- High level functional area performance review.

In addition, operators' data submitted for Metro's Transit Performance Measurement Program (TPM) was reviewed. Metro uses the TPM data to allocate transit subsidy funds to Los Angeles County Transit Operators, including Metro Operations.

Attachment A provides an Executive Summary of the FY2019-2021 Triennial Performance Review reports for transit operators and Metro operations.

B. Review of Metro as the Regional Transportation Planning Agency (RTPA)

The review of Metro as the RTPA included:

- Progress on implementing prior review recommendations;
- Compliance with PUC requirements;
- Review of Metro Functions; and
- Findings and Recommendations.

Progress on Implementing Prior Review Recommendations

The prior review of Metro as the RTPA included no recommendations.

Compliance with Requirements

Metro is in full compliance with requirements as defined in the Public Utilities Code, the California Code of Regulations, and other relevant state and federal laws and compliance requirements reviewed as part of this Triennial Review.

Review of Metro Functions

Key conclusions from the review of Metro functions include:

- Metro planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial period.
- Metro effectively and efficiently administered transportation funds for the region during the triennium, including clear identification of guidelines or requirements, appropriate tracking and certifying of the use of funds, reasonable flexibility, and coordination and assistance to municipal operators receiving funds.
- Metro continues to be effective in planning, designing, and constructing a rail transit system for Los Angeles County.
- Metro's Government Relations function provides a well-focused, well structured, comprehensive, and effective legislative proponent and analysis for Metro.
- Metro meets or exceeds its obligations to support and improve air quality in the Southern California region and the regional Air Quality Management Plan (AQMP).
- Metro has met legislatively mandated responsibilities related to planning for coordination and improvement of social service transportation services.
- Metro's administrative funds were adequately and effectively allocated to achieve Metro's stated goals through the budget process.
- Metro's budget development process had incorporated the processes and practices to provide an effective budget for the organization.
- Metro has multiple internal control approaches and systems in place to safeguard its assets from error, loss, theft, misuse, misappropriation, and fraud.
- Metro has adequate accounting procedures and properly accounts for and makes available monthly its fund balances.

-
- Metro has established an organization structure that provides an effective framework of functional areas within which individuals can achieve the organization's goals.

Findings and Recommendations

Los Angeles Metro, functioning as the RTPA, is in compliance with the requirements of the Transportation Development Act. In addition, Metro generally functioned in an efficient, effective, and economical manner during the triennial period.

With the enactment of SB 508 the definition of local subsidy changed to include all countywide funds allocated to operators. This change has resulted in ambiguity and inconsistency in how this category is reported and requires further clarification.

The report includes a recommendation for Metro to work with members of the Bus Operations Subcommittee and other regional service coordination bodies to clarify the definition of "local subsidy" as it relates to TPM reporting and subsequent calculations of farebox recovery ratios. These discussions should include discussions on required Maintenance of Effort funding to ensure that system-generated local contribution requirements are met.

The Executive Summary of the FY 2019-2021 Metro as the RTPA Triennial Performance Review Report is provided as Attachment B.

FINANCIAL IMPACT

There are no financial or budget impacts as a result of this review.

EQUITY PLATFORM

There are no specific requirements to review equity impacts as part of the Triennial Review. However, the review ensures that Metro and the municipal transit operators are in compliance with the State requirements, which provides indirect benefits to our riders by ensuring continued funding and provision of the services countywide.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goals 1 and 2. Per state requirement, the TDA funds are allotted to the five jurisdictions to support their transit or street and roads improvements. The jurisdictions have determined improvement projects that assist in achieving Metro's Strategic Plan Goals number 1 and 2 by improving mobility, ease of travel and safety.

NEXT STEPS

As required by PUC §99246, staff will transmit the FY 2019-2021 Triennial Performance Review reports to the State Department of Transportation. Copies of the reports are available upon request.

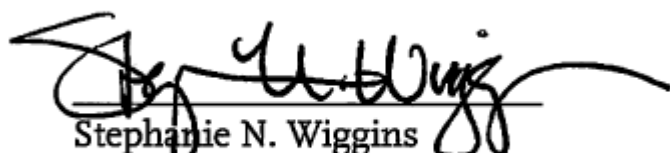
ATTACHMENTS

Attachment A - FY 2019-2021 Performance Review, Executive Summary of Transit Operators and Metro Operations

Attachment B - FY 2019-2021 Performance Review, Executive Summary of Metro as the RTPA

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Attachment A

Triennial Performance Review FY 2019 to 2021 Los Angeles County Transit Operators

Executive Summary

Legislative Mandate

The California Public Utilities Code (PUC) Section 99246, included in the Transportation Development Act (TDA), requires Metro to conduct an independent performance review of all Los Angeles County Transit Operators receiving TDA Article 4 funds, as well as operators receiving Proposition A funds in lieu of TDA funds. The review is conducted every three years, and Metro must send a Certificate of Completion to the California Department of Transportation (Caltrans), so that Metro may receive and allocate TDA and State Transit Assistance (STA) funds for Los Angeles County.

The three-year period reviewed is from July 1, 2019 through June 30, 2021 and included a review of the following:

- *Compliance* - ensuring compliance with applicable PUC and California Code of Regulations requirements.
- *Data Collection and Reporting* - verification of TDA data collection and reporting procedures.
- *Prior Review Recommendations* - reporting on implementation of the prior triennial performance review recommendations.
- *Performance Trends* - summaries of performance indicators for the review period.
- *Functional Review* - high-level review of key functional areas surveyed as part of the process of conducting the review, resulting in suggestions for operational and management improvements.

Municipal Operators

Summary of Key Findings

The municipal operators met all applicable compliance requirements. Municipal operators' data reporting was mostly consistent with inconsistencies primarily in reporting local and auxiliary revenues and employee full time equivalents (FTEs) on Transit Performance Measurements (TPM) reports. We recommended that the operators work with Metro through the Bus Operations Subcommittee to address these reporting issues,

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to enable more consistent reporting. The municipal operators implemented or made progress toward implementation all prior triennial review recommendations

Key Challenges

The most common challenge faced by the municipal operators was associated to the COVID pandemic which began in March 2020. At the onset of this crisis, the Los Angeles County transit general managers convened a working group, representing seven transit agencies to review federal mask mandate requirements and develop common approaches for implementation throughout the region. The pandemic resulted in significant losses in transit ridership and fare revenue, as transit agencies instituted rear door boardings and suspended fare payment policies.

Municipal operators were also challenged by labor shortages, particularly within service operations employment categories.

Key Accomplishments

Each operator had their own unique set of accomplishments during the review period. Listed below are examples of key accomplishments for municipal operators:

- *AVTA* – Converted its local transit fleet to electric buses and launched an on-demand microtransit service.
- *Arcadia* -- Accepted delivery on ten ADA-accessible replacement vehicles powered by Compressed Natural Gas.
- *Beach Cities Transit* – Installed a Real Time Information System on its fixed route fleet and began construction on the Redondo Beach Transit Center.
- *Burbank* – Realigned its Pink Line, based on recommendations from its 2017 Operational Assessment.
- *Claremont* -- Updated its branding to provide greater consistency in its marketing and informational materials and launched a new website that improves customer trip planning and guides riders to the most appropriate service for their needs.
- *Commerce* -- Implemented its CC Transit App to provide real-time bus information to customers, by text or mobile devices.
- *Culver City* – Completed its Short-Range Transit Plan which set forth its strategic vision for the agency.
- *Foothill Transit* – Completed construction of the Covina Transit Center and Park & Ride Project and installed and upgraded traffic signal priority equipment to improve on-time performance in several corridors.

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- *Gardena* – Received two APTA Bus Safety Awards reflecting successful programs that reduced total accidents by 55%, preventable accidents by 51% and a reduction in workers' compensation claims.
- *Glendale* – Moved into its new transit facility in FY 2021 and realigned its entire system in November 2020.
- *La Mirada* -- Purchased and installed fareboxes on its entire fleet and placed into service four replacement vehicles in FY 2020.
- *LADOT* – Opened its state-of-the-art, LEED Platinum-certified Downtown Bus Maintenance and Fueling Facility.
- *Long Beach Transit* -- Executed a contract to expand its Battery Electric Bus (BEB) charging station capacity from 10 to 24 chargers on its LBT1 facility and purchased its third order of 20 BEB replacement buses.
- *Montebello* -- Implemented on-board cameras on its buses and installed Computer-Aided Dispatch/Automated Vehicle Locator (CAD/AVL) system on its fleet.
- *Norwalk* -- Constructed a Transit Access Pass (TAP) vending machine at the Metrolink Station adjacent to the Norwalk Transit facility in June 2021.
- *Pasadena* – Implemented a new Pasadena Transit 30 – Day Pass and obtained approval of its Job Access Reverse Commute program grant.
- *Santa Clarita* -- Awarded a contract for the construction of the Vista Canyon Bus Transfer Center.
- *Santa Monica* – Installed real-time signs and LED lights in 176 bus stops within its service area and Installed Wi-Fi technology on 19 buses
- *Torrance* – Named Transit Agency of the Year by the California Transit Association's Small Operator Committee in FY 2020 and made significant progress on the construction of the Torrance Transit Park and Ride Regional Terminal which is planned to open in 2022.

Metro Operations

Summary of Key Findings

Metro Operations met all applicable compliance requirements. Additionally, Metro's data reporting was largely consistent with minor inconsistencies likely due to timing differences in the submission of reports or noted inconsistencies in category definitions by the reporting agencies. Metro Operations implemented all prior triennial performance review recommendations.

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Key Challenges

Similar to the municipal operators, Metro Operations was forced to address numerous challenges associated with the COVID-19 pandemic which began in March of 2020. Some of the more notable challenges included:

- Significant drops in ridership during the initial stage of the pandemic which, while having improved over time, have not returned to pre-pandemic levels.
- Sharp reductions in fare revenue due to reduced ridership and fare-less policies designed to encourage first responders and essential workers to continue to use bus and rail service as needed.
- Operational challenges that included:
 - Scheduling and route adjustments to adapt to reduced ridership.
 - Logistical changes in operations including shifting from front to rear boarding.
 - Supplying operators and maintenance staff with Personal Protective Equipment including face shields and masks.
- Labor shortages in operations, professional staff, and construction laborers.

Key Accomplishments

Metro Operations had a series of significant accomplishments during the review period including:

- Continued Metro's core operational services during the pandemic.
- Formed the Recovery Task Force in response to the COVID-19 pandemic and produced "A Path Forward", a report that identifies and recommends actions to respond and recover from the pandemic.
- Developed and began implementation on the NextGen Bus Plan designed to innovate the current bus system to meet the needs of current and future riders and restore transit service to pre-pandemic levels. Phase 1 of the plan focused on service changes to a significant number of routes within the system. Phase 2 will include expansion of Metro's micro-transit service (Metro Micro) and additional bus trips to improve the frequency of service.

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- Developed the Bus Rapid Transit (BRT) Vision and Principles study to provide a definition of BRT performance that established new standards and eligibility for Measure M Countywide funding.
- Established a Customer Experience Office with the goal of improving the overall rider experience.
- Adopted a Low-Income Fare is Easy (LIFE) program to reduce ridership costs for low-income riders.
- Developed the Better Bus Program, a \$2.1 billion, five-year plan that aims to improve the bus system to address racial inequities and provide a quicker, more comfortable trip experience for riders.

Countywide Performance

The following is a summary of system trends for Municipal Operators and Metro Operations combined. The importance of these trends is to show the general change in performance related to the overall Countywide system.¹ The key takeaway from these metrics is that ridership declines are impacting overall efficiency and productivity of the Countywide system.

Ridership

Overall, ridership for both the Municipal Operators and for Metro Operations declined over the review period. While some demand response systems and Metro's light rail system showed ridership gains, virtually all of the fixed route systems had a decline in ridership which impacted the overall system numbers. The following charts show the aggregate ridership numbers and the percentage change since the FY 2018 base year:

Municipal Operators				
Total System -- Unlinked Passengers				
FY18	FY19	FY20	FY21	% Change
96,672,836	94,397,654	74,425,155	46,323,605	-52.08%

Metro Operations				
Total System -- Unlinked Passengers				
FY18	FY19	FY20	FY21	% Change
394,361,657	379,718,121	305,905,401	195,547,433	-50.41%

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Vehicle Service Hours

Overall, Vehicle Service Hours showed a small rise for Municipal Operators while Metro Operations experienced relatively stable numbers. The following charts show the aggregate vehicle service hours and the percentage change since the FY 2018 base year:

Municipal Operators				
Total System -- Vehicle Service Hours				
FY18	FY19	FY20	FY21	% Change
4,550,981	4,593,705	4,306,482	3,782,992	-16.88%

¹ It is important to note that these numbers reflect the “total system” for the Municipal Operators which includes both fixed route and demand response services. Likewise, the numbers for Metro Operations include fixed route, heavy rail and light rail.

Metro Operations				
Total System -- Vehicle Service Hours				
FY18	FY19	FY20	FY21	% Change
8,030,689	8,054,992	7,299,834	6,072,876	-24.38%

Cost Per Passenger

Cost per passenger rose sharply for both Municipal Operators and Metro Operations during the review period, a reflection of the decrease in ridership numbers experienced almost across the board by the agencies. The following charts show the aggregate cost per passenger and the percentage change since the FY 2018 base year:

Municipal Operators				
Total System -- Cost Per Passenger				
FY18	FY19	FY20	FY21	% Change
\$5.49	\$6.03	\$7.72	\$12.18	121.94%

Metro Operations				
Total System -- Cost Per Passenger				
FY18	FY19	FY20	FY21	% Change
\$4.51	\$5.05	\$6.00	\$8.52	89.01%

Metro Operations				
Bus Operations -- Cost Per Passenger				
FY18	FY19	FY20	FY21	% Change
\$4.32	\$4.71	\$5.46	\$7.21	66.78%

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Rail Operations -- Cost Per Passenger				
FY18	FY19	FY20	FY21	% Change
\$4.99	\$5.98	\$7.62	\$13.35	167.75%

Cost Per Vehicle Service Hour

Cost per vehicle service hour rose for both Municipal Operators and Metro Operations during the review period. The following charts show the aggregate cost per vehicle service hour and the percentage change since the FY 2018 base year:

Municipal Operators				
Total System -- Cost Per Vehicle Service Hour				
FY18	FY19	FY20	FY21	% Change
\$116.56	\$123.87	\$133.34	\$149.12	27.94%

Metro Operations				
Total System -- Cost Per Vehicle Service Hour				
FY18	FY19	FY20	FY21	% Change
\$221.31	\$238.19	\$251.36	\$274.30	23.94%
Metro Operations				
Bus Operations -- Cost Per Vehicle Service Hour				
FY18	FY19	FY20	FY21	% Change
\$161.03	\$170.13	\$181.09	\$192.49	19.53%
Metro Operations				
Rail Operations -- Cost Per Vehicle Service Hour				
FY18	FY19	FY20	FY21	% Change
\$1360.65	\$1570.56	\$1616.52	\$1770.27	30.10%

FY 2019-2021 TDA Triennial Performance Review of Metro as the Regional Transportation Planning Agency

Executive Summary

Background, Scope and Methodology

The California Public Utilities Code requires all Regional Transportation Planning Entities (RTPE) to conduct an independent Triennial Performance Review in order to be eligible for Transportation Development Act (TDA) funding. In July 2021, Metro selected BCA Watson Rice, LLP to conduct a Triennial Performance Review of itself as the RTPE and operator, as well as the twenty-one municipal operators to which Metro allocates funding. This Triennial Performance Review covers a three-year period ending June 30, 2021.

This Triennial Performance Review was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The review methodology for this Triennial Performance Review of Metro as the RTPE included four tasks:

1. Project Initiation
2. Initial Review
3. Detailed Review
4. Documentation of Performance Audit Results

This Triennial Performance Review included the following elements:

1. Compliance Requirements
2. Follow-up of Prior Recommendations
3. Review of Metro Functions
4. Findings and Recommendations

Key Challenges and Accomplishments

In March of 2020, Los Angeles County went into quarantine in response to the COVID-19 pandemic. As stated in Metro's Long Range Transportation Plan released later in

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2020, the pandemic reshaped all aspects of how we work and travel with the long-term impacts still unknown. With that backdrop, some of the key challenges faced by the agency during the triennium include:

- Significant drops in ridership during the initial stage of the pandemic which, while having improved over time, have not returned to pre-pandemic levels.
- Sharp reductions in fare revenue due to reduced ridership and fare-less policies designed to encourage first responders and essential workers to continue to use bus and rail service as needed.
- Operational challenges that included:
 - Scheduling and route adjustments to adapt to reduced ridership.
 - Logistical changes in operations including shifting from front to rear boarding.
 - Supplying operators and maintenance staff with Personal Protective Equipment including face shields and masks.
- An initial reduction in sales tax revenues.
- Labor shortages in operations, professional staff, and construction laborers.
- Leadership and staff changes related to management staff opting for early retirement through the Voluntary Separation Incentive Program in August of 2020.
- Homelessness in and around Metro facilities and operations.
- Increases in non-property crimes within the system including a 43% increase in aggravated assault on passengers and a 185% increase in assaults on operators (from 2019 to 2021).

While it is unknown what the long-term impacts will be on work and travel patterns in the region, Metro has used this as an opportunity to rethink its approach to planning and operations and ensure long-term financial sustainability.

It is also important to consider the accomplishments achieved by Metro during the same three-year period. These accomplishments include:

- Continued Metro's core operational services and capital construction during the pandemic.

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- Formed the Recovery Task Force in response to the COVID-19 pandemic and produced “A Path Forward”, a report that identifies and recommends actions to respond and recover from the pandemic.
- Developed and began implementation on the NextGen Bus Plan designed to innovate the current bus system to meet the needs of current and future riders and restore transit service to pre-pandemic levels. Phase 1 of the plan focused on service changes to a significant number of routes within the system. Phase 2 will include expansion of Metro’s micro-transit service (Metro Micro) and additional bus trips to improve the frequency of service.
- Developed and completed Metro’s Long-Range Transportation Plan in 2020 providing a roadmap for how Metro will plan, build, operate and maintain mobility over the next 30 years.
- Developed the Bus Rapid Transit (BRT) Vision and Principles study to provide a definition of BRT performance that established new standards and eligibility for Measure M Countywide funding.
- Established a Customer Experience Office with the goal of improving the overall rider experience.
- Adopted a Low-Income Fare is Easy (LIFE) program to reduce ridership costs for low-income riders.
- Developed the Better Bus Program, a \$2.1 billion five-year plan that aims to improve the bus system to address racial inequities and provide a quicker, more comfortable trip experience for riders.
- Developed PATH teams consisting of mental health clinicians, formerly homeless individuals, and other key staff to help the unhoused find temporary or permanent housing services and link them to other programs.
- Adopted a revised **Joint Development Policy** with the goal of building affordable housing on Metro-owned properties near transit facilities.
- Approved the Transit Oriented Communities (TOC) Implementation Plan to implement Metro’s commitment to partner with 88 cities and unincorporated areas to support TOC activities.
- Adopted First/Last Mile Guidelines to further integrate first/last mile planning into Metro’s overall transit project delivery.

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- Developed an Adopt-a-Bike program to give in need residents the opportunity to obtain free bikes that have been unclaimed with over 1,000 bikes being distributed.
- Worked with Metro's labor partners to establish protocols for vaccinations and PPE guidelines, and extended labor agreements with four unions.
- Implemented telework practices and policies after the initial County-wide quarantines that ensured that professional and administrative functions continued.
- Continued progress on major capital projects including:
 - Crenshaw/LAX Transit Project (Project commenced in 2014 and the forecasted opening in 2022)
 - Regional Connector Project (Currently under construction since 2014 with a forecasted opening in 2022)
 - Purple D Line Extension (Project construction began in 2019, with a phased opening from 2024 through 2027)
 - Olive Street Bus Priority Lanes Project including Traffic Analysis (Fall 2020), Final Design Plan (Summer 2021) and Implementation (Fall 2021)

Compliance Requirements

To determine Metro's compliance with requirements the review team identified key compliance requirements, discussed compliance requirements with Metro representatives, and gathered and reviewed evidence of compliance. Metro was found to be in compliance with all applicable requirements evaluated as part of this Triennial Performance Review.

Follow-Up of Prior Recommendations

The prior Triennial Performance Review completed in 2019 included no recommendations.

Review of Metro Functions

The following sections discuss the results of the review of Metro functions.

Planning and Programming of Transportation Funds

The planning and programming of transportation funds in Los Angeles County has challenges unlikely to be found elsewhere including programming authority for 50 distinct

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local, state, and federal sources of funds; responsibility for allocating over \$6 billion annually in funds; a need to assess, refine, and program funding requests in a way that is fair, transparent, and consistent with multiple needs; political and public expectations to move quickly and boldly to increase capacity on a badly strained transportation system.

Within this context, successfully planning and programming transportation funds requires several key elements including accurately forecasting available funds, developing criteria for evaluating funding choices, evaluating capital funding requests, and balancing revenue and expenditures. Metro accomplishes these tasks through a combination of advisory committees and Service Councils system which assist in both planning and implementation, developing a core set of planning documents designed to consider and address both short- and long-term transit and transportation needs, and employing staff for the budgeting and implementation of its plans. The review team concluded Metro has planned and programmed transportation funds and addressed the challenges faced methodically, effectively, and efficiently over the triennial period.

Transportation Funds Administration

Metro administers several funds. Successful administration of these funds requires several elements including clear identification of guidelines or requirements, appropriate tracking and certifying of the use of funds, reasonable flexibility, and coordination and assistance to municipal operators receiving funds.

The review team concluded that Metro has developed approaches to each of these elements, and effectively and efficiently administered transportation funds for the region during the triennium.

Rail Construction Program

Metro is responsible for planning and building a rail transit system. This undertaking includes alternative analysis, design, construction, and pre-start-up operations of the project. The rail transit system serves the San Fernando Valley, West Los Angeles; South-Central Los Angeles/Long Beach; South Bay/Harbor; Century Freeway Corridor; and the San Gabriel Valley. Metro is currently constructing the Purple Line extension, the Regional Connector and the Crenshaw/LAX (K Line) Projects. The Regional Connector Project will provide a seamless journey from Azusa to Long Beach and from East Los Angeles to Santa Monica, through the downtown LA core. The K Line will extend from the E Line (Expo) and merge with the C Line (Green) at the Aviation/LAX Station, connecting the Crenshaw Corridor, Inglewood, and El Segundo. The forecasted opening for the Regional Connector and Crenshaw Projects are in 2022.

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Metro has implemented several practices to accelerate rail construction including life cycle costing, project labor agreements, programs to work with communities affected by rail construction, involving operations in the early stages of project design, consolidating construction contracts, revised authority for certain change orders, implementation of strict ethics requirements for employees and contractors, and development of a detailed Project Management Plan. The review team concluded Metro continues to be effective in planning, designing, and constructing a rail transit system for Los Angeles County.

Legislative Proponent and Analysis (Government Relations)

Metro's ability to plan, program and deliver transportation services is greatly impacted by federal, state and local legislation. Having an effective legislative proponent and analysis program is essential to Metro's ongoing ability and success in delivering transportation services to Los Angeles County.

Metro has an effective government relations function that includes a clear scope and direction, active monitoring of legislative initiatives and activities and active pursuit and advocacy of legislative priorities and positions in coordination with others. The review team concluded Metro's Government Relations function provides a well-focused, well structured, comprehensive and effective legislative proponent and analysis for Metro.

Air Quality Management Plan (AQMP)

The Air Quality Management Plan is a regional blueprint for achieving the federal air quality standards and healthful air. The South Coast Air Quality Management District (SCAQMD) is responsible for clean air in the South Coast Air Basin, an area that includes Orange County and the non-desert portions of Los Angeles, Riverside and San Bernardino counties. The SCAQMD develops the AQMP every five years, with the most recent plan developed in 2016. SCAQMD is in the process of developing an updated AQMP for 2022. The 2022 AQMP will represent a comprehensive analysis of emissions, meteorology, regional air quality modeling, regional growth projections, and the impact of existing and proposed control measures.

Metro's role in the AQMP is to develop and implement transportation strategies that reduce vehicle miles traveled and related emissions. These strategies are submitted to SCAG and included in the Regional Transportation Plan (RTP) developed by SCAG. The review team concluded Metro meets or exceeds its obligations to support and improve air quality in the Southern California region and the regional Air Quality Management Plan (AQMP).

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Consolidated Transportation Services Agency (CTSA)

Consolidated Transportation Services Agencies were originally created by the Social Services Transportation Improvement Act in 1979 to coordinate and improve social service transportation services.

Metro has taken or directed several key actions to fulfill its CTSA responsibilities including designating Access as the CTSA for Los Angeles County in 1994, developing the *Public Transit-Human Services Transportation Action Plan for Los Angeles County* in 2008, and released the updated Coordinated Public Transit – Human Services Transportation Plan in March 2021.

During FY 2020, Access implemented many new initiatives and services aimed at promoting the health and safety of riders, staff, and contractors in addition to supporting the emergency response to communities impacted by COVID-19. Access implemented new same-day service and curbside pickup pilot programs to help rider's access essential services during the pandemic. Access implemented six emergency delivery programs to ensure seniors and people with disabilities continued to receive meals, groceries, and paper goods during the pandemic.

Access also developed and released an updated strategic plan during 2021 as the "Access Short-Range Strategic Plan 2022-26." The Strategic Plan identified challenges and developed responses to ensure continued customer satisfaction with Access' services. The review team concluded Metro has met legislatively mandated responsibilities related to planning for coordination and improvement of social service transportation services.

Management Performance

The review of Metro's management performance included a review of Metro's goal setting and monitoring including related policy decisions, Metro's governance structure and the role of the Board in providing leadership, and allocation of administrative funds.

Metro's goal setting and monitoring processes through the Metro Vision 2028 Strategic Plan and the Equity Platform Framework provide well-founded, well-structured and strong direction for the Metro Board and agency. These efforts and policy statements will serve Metro and those served by Metro over the next decade.

Metro's Board of Directors guides the agency's priorities, projects and activities, and includes 13 members who represent areas throughout Los Angeles County. The Metro

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Board's governance approach and structure, including the use of committees and advisory bodies, provides Metro with an effective leadership and decision-making system. The review team concluded Metro's administrative funds were adequately and effectively allocated to achieve Metro's stated goals through the budget process.

Internal Administration

This review of Metro's internal administration included determining if the budget is being used as an effective management tool, if internal controls are adequate and provide appropriate information to management, if accounting procedures are adequate to make fund balances available, and if the organization and reporting structure could be improved.

A good budget process is a broadly defined process that has political, managerial, planning, communication, and financial dimensions. A good budget process incorporates a long-term perspective, establishes linkages to broad organizational goals, focuses budget decisions on results and outcomes, and involves and promotes effective communication with stakeholders. During the COVID-19 pandemic, these tasks became increasingly difficult. However, using virtual communications, responding quickly to changing operational needs and utilizing State and federal funding, Metro has been able to continue to maintain strong budgetary practices. The review team concluded Metro's budget development process had incorporated the processes and practices to provide an effective budget for the organization.

Internal controls are designed to safeguard organization's assets from error, loss, theft, misuse, misappropriation, and fraud. Effective programs of internal controls provide reasonable assurance that these objectives are met consistently. These internal controls include the Office of Inspector General, the Civil Rights Office and its Audit and Administration functions. The review team concluded Metro has multiple internal controls approaches and systems in place to safeguard its assets from error, loss, theft, misuse, misappropriation, and fraud.

Formal documentation of accounting policies and procedures is an essential component in providing effective controls over accounting and financial reporting, as well as providing a comprehensive framework of internal controls. The review team concluded Metro has adequate accounting procedures and properly accounts for and makes available monthly its fund balances.

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An organization's structure should provide a framework of functional areas within which individuals can achieve the organization's goals. An effective organization structure clearly reflects the priorities of the organization, facilitates effective service delivery and problem solving, ensures consistency of direction and management control, minimizes obstacles and barriers to performance, and stimulates a culture of shared accomplishment and teamwork. The review team concluded Metro has established an organization structure that provides an effective framework of functional areas within which individuals can achieve the organization's goals.

Findings and Recommendation

We find the Los Angeles Metro, functioning as the RTPE, to be in compliance with the requirements of the Transportation Development Act. In addition, Metro generally functioned in an efficient, effective, and economical manner during the triennial period.

With the enactment of SB 508 the definition of local subsidy changed to include all countywide funds allocated to operators. This change has resulted in ambiguity and inconsistency in how this category is reported and requires further clarification.

We recommend Metro should work with members of the Bus Operations Subcommittee and other regional service coordination bodies to clarify the definition of "local subsidy" as it relates to TPM reporting and subsequent calculations of farebox recovery ratios. These discussions should include discussions on required Maintenance of Effort funding to ensure that system-generated local contribution requirements are met.