



**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**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES</b>	1
List of Package B Jurisdictions	4
Compliance Area Tested	5
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	6
Schedule 2 - Schedule of Findings and Questioned Costs	7



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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.





### ***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 &amp; Simpson". The signature is written in a cursive, flowing style.

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:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
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
<b>Total Findings and Questioned Costs</b>	<b>6</b>		<b>\$ 675,503</b>	<b>\$ 675,503</b>

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**

<b>Finding #2021-001</b>	<b>City of Bradbury</b>
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)**

<b>Finding #2021-002</b>	<b>City of Claremont</b>
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	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 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)**

<b>Finding #2021-003</b>	<b>City of Downey</b>
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"> <li>a) December 27, 2020</li> <li>b) January 10, 2021</li> <li>c) January 24, 2021</li> <li>d) June 27, 2021</li> </ul> <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)**

<b>Finding #2021-005</b>	<b>City of La Mirada</b>
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)**

<b>Finding #2021-006</b>	<b>City of Temple City</b>
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.