



**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, 2022



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Consolidated Audit Report
Fiscal Year Ended June 30, 2022**

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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: 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

Opinion

We have audited the compliance of the forty-nine (49) Cities (the Cities) identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurance and Understanding Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro and the Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Basis for Opinion

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

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed other 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 #2022-001 through #2022-032. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-014 and #2022-015 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-003, #2022-006, #2022-009, and #2022-025 to be significant deficiencies.

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



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

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

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

Los Angeles, California
December 30, 2022

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2022

- | | |
|----------------------------------|-----------------------------------|
| 1. CITY OF ALHAMBRA | 31. CITY OF PALMDALE |
| 2. CITY OF ARCADIA | 32. CITY OF PALOS VERDES ESTATES |
| 3. CITY OF ARTESIA | 33. CITY OF PARAMOUNT |
| 4. CITY OF AVALON | 34. CITY OF PASADENA |
| 5. CITY OF BELLFLOWER | 35. CITY OF RANCHO PALOS VERDES |
| 6. CITY OF BRADBURY | 36. CITY OF REDONDO BEACH |
| 7. CITY OF BURBANK | 37. CITY OF ROLLING HILLS |
| 8. CITY OF CERRITOS | 38. CITY OF ROLLING HILLS ESTATES |
| 9. CITY OF CLAREMONT | 39. CITY OF SAN DIMAS |
| 10. CITY OF COVINA | 40. CITY OF SAN GABRIEL |
| 11. CITY OF DIAMOND BAR | 41. CITY OF SAN MARINO |
| 12. CITY OF DOWNEY | 42. CITY OF SANTA CLARITA |
| 13. CITY OF DUARTE | 43. CITY OF SIERRA MADRE |
| 14. CITY OF EL SEGUNDO | 44. CITY OF SIGNAL HILL |
| 15. CITY OF GLENDALE | 45. CITY OF SOUTH PASADENA |
| 16. CITY OF 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, 2022

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, 2022**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 32 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 (#2022-006) Bradbury (#2022-010) Palos Verdes Estates (#2022-024) Santa Clarita (#2022-029)	- - - -	\$ 31,333 15,701 10,415 2,163	\$ 31,333 15,701 10,415 2,163
Timely use of funds.	7	Artesia (#2022-003) Claremont (#2022-011) El Segundo (#2022-017) Palos Verdes Estates (#2022-025) Redondo Beach (#2022-027) Signal Hill (#2022-030) South Pasadena (#2022-032)	\$ 160,899 116,051 392,423 - - - 83,006	- 132,824 - 12,972 497,032 61,953 -	160,899 248,875 392,423 12,972 497,032 61,953 83,006
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2022-004) Hermosa Beach (#2022-019) La Habra Heights (#2022-020) San Marino (#2022-028)	None None None None	- - - -	None None None None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	2	Artesia (#2022-007) Glendale (#2022-018)	None None	None None	None None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	6	Artesia (#2022-008) Bradbury (#2022-009) Covina (#2022-012) La Habra Heights (#2022-021) Palmdale (#2022-023) Pasadena (#2022-026)	None None None None None None	None None None None None None	None None None 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, 2022
(Continued)

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Recreational transit form was submitted on time.	5	Alhambra (#2022-001) Artesia (#2022-005) Downey (#2022-013) El Segundo (#2022-016) Signal Hill (#2022-031)	None None None None None	- - - - -	None None None None None
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	La Habra Heights (#2022-022)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	3	Alhambra (#2022-002) Downey (#2022-014) Downey (#2022-015)	1,027 251,269 126,690	425 31,006 -	- 113,032 73,208
Total Findings and Questioned Cost	32		\$ 1,131,365	\$ 795,824	\$ 1,703,012

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, 2022**

PALRF Finding #2022-001	City of Alhambra
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, 2022 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 23, 2022.
Cause	The form was prepared prior to the due date of October 15th. However, it was inadvertently not submitted to Metro in a timely manner due to oversight.
Effect	The City’s Listing of Recreational Transit Services was not submitted in a timely manner 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 agrees with this finding. The City will ensure that the form is submitted in a timely manner in the future.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 23, 2022. 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, 2022
 (Continued)**

PALRF & PCLRF Finding #2022-002	City of Alhambra
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 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-002 (Continued)	City of Alhambra
Condition	To support the propriety of expenditures charged to Proposition A and C Local Return Funds, payroll expenditures, both working and non-working hours, should be properly supported by time records, activity reports, or other official documentation evidencing in proper detail the nature of the charges. However, the payroll expenditures related to the non-working hours in the amounts of \$1,027 allocated to the PALRF's Senior Ride Paratransit Project Code 106 for two (2) out of the twelve (12) total samples tested, and \$425 allocated to the PCLRF's Direct Administration Project Code 620 for one (1) out of the sixteen (16) total samples tested, were based on the percentages that were determined during the preparation of the City's budget, which were based on the previous years' expenditures, at the beginning of the fiscal year.
Cause	The City allowed its internal payroll system to automatically calculate and allocate the payroll costs related to non-working hours based on estimated percentages.
Effect	The payroll costs claimed under the PALRF and PCLRF projects may include expenditures which may be disallowed Proposition A and Proposition C project expenditures.
Recommendation	We recommend that the City strengthen its controls over the allocation of its payroll costs related to non-working hours by using a more reliable basis such as, the actual hours and funds worked by employees on those specific payroll periods and making the proper adjustments to the programs at year end, particularly, if the costs are initially allocated to PALRF and PCLRF based on estimated percentages.
Management's Response	The City agrees with this finding. The City will only allocate the working hours and will not allocate non-working hours based on estimated percentages in the future.

**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, 2022
(Continued)**

PALRF Finding #2022-003	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City's fiscal year 2019 ending fund balance for PALRF in the amount of \$160,899 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. This is a repeat finding from fiscal year 2021.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	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 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. 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, 2022
(Continued)**

PALRF Finding #2022-004	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I ©, 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 470, Gateway Cities COG Study prior to approval from Metro. The amount that exceeded the approved budget by more than 25 percent was \$28,650. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 470 and received subsequent approval on December 16, 2022.
Cause	This was an oversight on the part of the City.
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 the Metro’s approved budget and any projects exceeding the 25 percent or greater change are identified and update in the LRMS to obtain Metro’s approval for the change in project budget prior to the 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 them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval for Project Code 470, Gateway Cities COG Study in the amount of \$53,650 on December 16, 2022. 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, 2022
(Continued)**

PALRF Finding #2022-005	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2022 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 27, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend the City strengthen its control procedures to ensure the timely submission of all required forms and documentation.
Management's Response	In the future, management will ensure the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City's Recreational Transit Form was submitted to Metro on December 27, 2022. 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, 2022
(Continued)**

PCLRF Finding #2022-006	City of Artesia
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section (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 Project Code 705, ATP Cycle 3, in the amount of \$31,333. However, the City subsequently received an approved budget in the amount of \$31,333 from Metro for the PCLRF project on December 23, 2022. This is a repeat finding from fiscal year 2021.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to expenditure of funds.
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 will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on December 23, 2022. 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-007	City of Artesia
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	The City did not meet the August 1, 2021 deadline for submitting the Annual Project Update in the LRMS. However, the City updated the information in the LRMS on August 9, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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	In the future, management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 9, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

PALRF & PCLRF Finding #2022-008	City of Artesia
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, 2022 deadline for submitting the Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on December 2, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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	In the future management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 2, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

PALRF & PCLRF Finding #2022-009	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, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on November 4, 2022. This is a repeat finding from fiscal year 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 new Finance Director during fiscal year 2022 and was unaware of the compliance requirement of Local Return Funds.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on November 4, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

PCLRF Finding #2022-010	City of Bradbury
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds."
Condition	The City expended a total of \$15,701 for the Widen Bradbury Road from Winding Oak Lane to Oakleaf Avenue Project in FY2021/22 prior to receiving approval from Metro.
Cause	It was due to an oversight by 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	We recommend that the City establish procedures to ensure that all expenditures are approved by Metro prior to expending the funds.
Management's Response	The City agreed with the Finding. The City has a new Finance Director during fiscal year 2022 and was unaware of the compliance requirement of Local Return Funds.
Corrected During the Audit	The City received a retroactive approval from Metro on December 23, 2022 on the budget for Widen Bradbury Road from Winding Oak Lane to Oakleaf Avenue Project, in the amount of \$147,209. 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, 2022
(Continued)**

PALRF & PCLRF Finding #2022-011	City of Claremont
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 2019 Proposition A and Proposition C ending fund balances in the amounts of \$116,051 and \$132,824, respectively, were not fully expended within 3 years as of June 30, 2022 and were not reserved for capital projects as required by the Proposition A and C Local Return Guidelines. However, on November 30, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was due to an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established 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 November 30, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2022
(Continued)**

PALRF & PCLRF Finding #2022-012	City of Covina
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, 2022 deadline for submitting the Annual Expenditure Report to Metro by entering the expenditures in the Local Return Management System (LRMS). The City subsequently reported the PALRF and PCLRF expenditures in the LRMS on October 20, 2022.
Cause	The City inadvertently missed the filing deadline.
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 Expenditure Report is properly prepared and submitted before the due date of October 15th by reporting the annual expenditures in the LRMS so that the City's expenditures of the PALRF and PCLRF will be in accordance with Metro's approval and the Guidelines.
Management's Response	The City's Finance and Public Works departments will work together to ensure that the Annual Expenditure Report will be submitted to Metro in a timely manner.
Corrected During the Audit	The City subsequently reported the annual expenditures on October 20, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

PALRF Finding #2022-013	City of Downey
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, 2022 deadline for submission of the Listing of Recreational Transit Services. However, the City submitted the listing on November 29, 2022.
Cause	The new Transit Management Analyst reported the recreational expenses incurred in the Local Return Management System (LRMS), as instructed by Metro. However, the new staff was not aware that the Listing of Recreational Transit Services (listing) in a paper format was to be submitted to Metro.
Effect	The City's Listing of Recreational Transit Services was not submitted in a timely manner 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 Transit Management Analyst is now aware of the requirements and plans to submit the listing form in a timely manner in the future. In addition, the Management Analyst will prepare a training manual or instructions on Metro's filing requirements.
Corrected During the Audit	The City subsequently submitted the Listing of Recreational Transit Services on November 29, 2022. 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, 2022
 (Continued)**

PALRF & PCLRF Finding #2021-014	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
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 Fiscal Year Ended June 30, 2022
 (Continued)**

PALRF & PCLRF Finding #2021-014 (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 2021-22. 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 \$195,606. (c) PCLRF’s Ride Sharing Program Project Code 620 in the amount of \$14,000. (d) PCLRF’s Local Return Fund Administration (Public Works) Project Code 620 in the amount of \$17,006. <p>This is a repeat finding from the prior six 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.</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 \$251,269 and \$31,006 for PALRF and PCLRF, respectively.</p>
Recommendation	<p>We recommend that the City reimburse its PALRF and PCLRF accounts for \$251,269 and \$31,006, 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.</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, 2022
 (Continued)**

PALRF & PCLRF Finding #2021-014 (Continued)	City of Downey
Management's Response	<p>As a resolution to prior years' findings, the City indicated in April 2022 that its corrective action plan was to have an outside consultant (Revenue and Cost Specialists) who was hired during fiscal year 2021-22 to prepare an updated Cost Allocation Plan (CAP) and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23. Although the CAP was for fiscal year 2022-23, the City, in a good faith effort, made transfers from the General Fund to PALRF and PCLRF to ensure that the payroll and benefits charges allocated to the local return funds in fiscal year 2021-22 were within the amounts allowed by the new CAP.</p> <p>All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the payroll expenditures based on the new cost study.</p>
Auditor's Additional Comment	<p>With the effort to record expenses in PALRF that is allowable under the new FY 2022-23 CAP, the City transferred General Fund monies in the amount of \$113,032 to reimburse a portion of the questioned cost of \$195,606 for PALRF's Senior/Handicapped Transit Program Project Code 107, leaving a net questioned cost of \$82,574.</p> <p>As a result, the remaining total questioned costs are \$138,237 and \$31,006 for PALRF and PCLRF, respectively. Therefore, we recommend that the City reimburse its PALRF and PCLRF accounts for the said remaining questioned costs.</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, 2022
 (Continued)**

PALRF Finding #2021-015	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	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. This is a repeat finding from the prior five fiscal years.
Cause	The City allocates equipment rental charges based on a time study from fiscal year 2011-12. The same percentage allocation has been used in prior fiscal years.
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. 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.

**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, 2022
 (Continued)**

<p align="center">PALRF Finding #2021-015 (Continued)</p>	<p align="center">City of Downey</p>
<p>Management’s Response</p>	<p>As a resolution to prior years’ findings, the City indicated in April 2022 that its corrective action plan was to have an outside consultant (Revenue and Cost Specialists) who was hired during fiscal year 2021-22 to prepare an updated CAP and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23. Although the CAP was for fiscal year 2022-23, the City, in a good faith effort, reimbursed PALRF through a transfer from the General Fund to ensure that the equipment rental charges allocated to PALRF in fiscal year 2021-22 were within the amounts allowed by the new CAP.</p> <p>All the department’s directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the equipment rental charges based on the new cost study.</p>
<p>Auditor’s Additional Comment</p>	<p>With the effort to record expenses in PALRF that is allowable under the new FY 2022-23 CAP, the City transferred General Fund monies in the amount of \$73,208 to reimburse a portion of the questioned cost of \$126,690 for PALRF’s Senior/Handicapped Transit Program Project Code 107, leaving a net questioned cost of \$53,482.</p> <p>Therefore, we recommend that the City reimburse its PALRF account for the said remaining questioned cost.</p>

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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Fiscal Year Ended June 30, 2022
(Continued)**

PALRF Finding #2022-016	City of El Segundo
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, 2022 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on December 12, 2022.
Cause	This was an oversight by the City due to administrative staff and management turnover 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 15th to meet Proposition A and Proposition C Local Return Guidelines.
Management's Response	Executive, Management, and administrative staff in the Recreation & Parks Department have had significant turnover during the past 12 months. All staff that would have been involved in the production of, or had institutional knowledge of, the Recreational Transit Form left the City. In order to avoid this from repeating in the future, written procedures for regulatory requirements will be developed by the City. Also, this task will be added to the Finance Department's year-end audit task list as an additional preventative measure to ensure compliance with reporting deadlines.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 12, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

PALRF Finding #2022-017	City of El Segundo
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 2019 ending fund balance in the amount of \$392,423 was not fully expended within 3 years as of June 30, 2022 and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
Cause	This was an oversight by the City due to administrative staff and management turnover for not tracking the timely use of funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely or a capital reserve account can be established.
Management's Response	Due to the Pandemic, transit services previously provided by the City were placed on hold. This created a reduction in Prop A expenses. Also, due to turnover in Executive, Management, and administrative staff in the Recreation & Parks Department, staff assigned to Prop A for administrative purposes was not budgeted/expensed. The City staff will work to identify eligible operational and capital objectives during the budget development process each year to ensure there are sufficient encumbrances within the Prop A fund to fully spend down the City's Prop A allocations.
Corrected During the Audit	On December 15, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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(Continued)**

PALRF & PCLRF Finding #2022-018	City of Glendale
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	The City did not meet the August 1, 2021 deadline for submitting the Annual Project Update in the Local Return Management System (LRMS). However, the City updated the information in the LRMS on August 10, 2021.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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	In the future, management will ensure the Annual Project Update is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on August 10, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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(Continued)**

PALRF Finding #2022-019	City of Hermosa 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 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, Commuter Express Program. The amount that exceeded the approved budget by more than 25 percent was \$12,363. Subsequently, the City submitted a request to increase the budget to Metro for Project Code 105 and received an approval on December 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City’s PALRF project expenditures exceeded 25 percent of Metro’s approved budget and as such 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 December 19, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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(Continued)**

PALRF Finding #2022-020	City of La Habra Heights
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital Local Return projects."
Condition	The City received approval for PALRF Project Code 107, Dial-A-Ride, but with \$0 budget due to an oversight. As a result, the City exceeded more than 25 percent of Metro's approved budget on PALRF Project Code 107, Dial-A-Ride, in the amount of \$14,462. However, the City submitted a request to increase the budget to Metro in the amount of \$14,462 and received subsequent approval on October 27, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget prior to Metro's approval and the City did not comply with the 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 the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and update 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	In the future, the City staff will review all of the budget approvals for all of the projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval for Project Code 107, Dial-A-Ride in the amount of \$14,462 on October 27, 2022.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
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(Continued)**

PALRF & PCLRF Finding #2022-021	City of La Habra Heights
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, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 19, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 19, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
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 (Continued)**

PCLRF Finding #2022-022	City of La Habra Heights
Compliance Reference	<p>According to Proposition A and Proposition C Local Return Guidelines, Section 11.C.7, "Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance "or "Bikeway" projects.</p> <p>PMS must include the following:</p> <ul style="list-style-type: none"> • Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially; • Inventory of existing Class I bikeways, reviewed and updated triennially; • Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially; Identification of all pavement sections needing rehabilitation/replacement; and • Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s). <p>Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria”.</p> <p>A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro for project codes 705, 710, 715, and 765.</p>
Condition	<p>A PMS Certification Form was due for the fiscal year 2022 since the City incurred PCLRF expenditures for the following two projects: (1) Project Code 715, 19/20 Street Improvement Project; (2) Project Code 715, 20/21 Street Improvements - Various Roads Overlay. However, the City did not submit PMS Certification Form during the fiscal year 2022. The last PMS Certification Form was expired on March 26, 2021.</p>
Cause	<p>This was an oversight on the part of the City.</p>
Effect	<p>The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.</p>

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 (Continued)**

PCLRF Finding #2022-022 (Continued)	City of La Habra Heights
Recommendation	We recommended that the City establish procedures to ensure that if the City incurs expenditures for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly certified and executed by the City’s Engineer or designated registered Civil Engineer and submitted to Metro by the third year from the last submission date to be in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in fiscal year 2022. The City is in the process of obtaining a quote from the City's contracted engineer to update the PMS Certification. The City endeavors to bring the PMS Certification into compliance as quickly as possible in fiscal year 2023.
Corrected During the Audit	The City has reached out to Metro for an extension to submit the PMS Certification Form in fiscal year 2022. Metro subsequently approved on October 27, 2022. Verification of the PMS Certification Form submission will be performed during fiscal year 2023 audit.

**Los Angeles County Metropolitan Transportation Authority
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 (Continued)**

PALRF & PCLRF Finding #2022-023	City of Palmdale
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, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS). Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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 concur with the finding.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

PCLRF Finding #2022-024	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."
Condition	The City incurred expenditures prior to receiving approval from Metro PCLRF's Project Code 470, Member Dues - South Bay Cities COG FY 21/22, in the amount of \$10,145. However, the City subsequently received an approved budget in the amount of \$10,145 from Metro for the PCLRF project on November 4, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to expenditure of funds.
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 will establish procedures to ensure that Project Description Form (Form A) will be submitted in a timely manner.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on November 4, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

PCLRF Finding #2022-025	City of Palos Verdes Estates
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timey Use of Funds, "...Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	<p>The City's fiscal year 2019 ending fund balance in the amount of \$12,972 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines. However, on December 1, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.</p> <p>This is a repeat finding from fiscal year 2021.</p>
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	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 1, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.

**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, 2022
 (Continued)**

PALRF & PCLRF Finding #2022-026	City of Pasadena
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, 2022 deadline for submitting the Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on October 20, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the 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	In the future, management will ensure the Annual Expenditure Report is submitted before the deadline.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 20, 2022. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2022
(Continued)**

PCLRF Finding #2022-027	City of Redondo Beach
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 2019 ending fund balance in the amount of \$497,032 was not fully expended within 3 years as of June 30, 2022, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines. However, on December 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established 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 16, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. 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, 2022
(Continued)**

PALRF Finding #2022-028	City of San Marino
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 155, Recreational Trips, in the amount of \$2,142. However, the City submitted a request to increase the budget to Metro in the amount of \$15,930 and received subsequent approval on October 6, 2022.
Cause	Expenditures exceeded the project's budget due to the City providing more trips than originally forecasted due to higher than expected demand.
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 update 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 adjust the project budgets throughout the year as needed based on the expenditure forecasts.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$15,930 for the said project on October 6, 2022. 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, 2022
(Continued)**

PCLRF Finding #2022-029	City of Santa Clarita
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 in the amount of \$2,163 for PCLRF's Project Code 740, I5 Magic Mountain Pkwy (S1003) prior to receiving an approval from Metro. However, the City subsequently received an approved budget in the amount of \$2,163 from Metro for the PCLRF project on December 6, 2022.
Cause	This was due to an oversight on the part of the City.
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 the City 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 will review all PCLRF projects prior to fiscal year end and ensure that each project has the appropriate Metro approved budget.
Corrected During the Audit	Metro granted a retroactive budget approval for the project on December 6, 2022. 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, 2022
(Continued)**

PCLRF Finding #2022-030	City of Signal Hill
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "...Jurisdictions have three years to expend Local Return 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 2019 ending fund balance in the amount of \$61,953 was not fully expended within three years as of June 30, 2022, and it was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on September 28, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	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's Public Works Director left the City in the middle of the year, leaving the position vacant for several months. With the change in Public Works Directors, most projects utilizing Prop C, Measure M, and Measure R funding were delayed to the fiscal year 2022-2023.
Corrected During the Audit	On September 28, 2022, Metro granted the City an extension on the usage of lapsed funds until June 30, 2023. 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, 2022
(Continued)**

PALRF Finding #2022-031	City of Signal Hill
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, 2022 deadline for submission of the Recreational Transit Form. However, the City submitted the Recreational Transit Form on October 18, 2022.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City 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	The City submitted the Recreational Transit Form on October 18, 2022 due to oversight. In the future, the City will submit the 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 October 18, 2022. 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, 2022
(Continued)**

PALRF Finding #2022-032	City of South Pasadena
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines Section IV. E. Timely Use of Funds, "...Jurisdictions have three years to expend Local Return 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	A portion of the City's fiscal year 2019 ending fund balance in the amount of \$83,006 was not expended within 3 years as of June 30, 2022 and was not reserved for capital projects as required by Local Return guidelines. The City subsequently received an extension from Metro to spend the lapsed funds until June 30, 2023 on November 21, 2022.
Cause	The Covid-19 pandemic caused a significant decrease in the usage, as well as the expenditures incurred for the Senior Dial-A-Ride Program Project Code 107 and Recreational Transit Trips Project Code 155.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a policy in place where the City Manager, City Engineer and Finance Department discuss the availability of Proposition A Local Return funds in conjunction with any eligible PALRF projects and submit its Form B (Annual Project Update Form) by entering the budgeted expenditures in the Local Return Management System (LRMS) on time. Alternative measures would include requesting a Capital Reserve Agreement with Metro.
Management's Response	Due to the introduction of Covid-19 vaccines and boosters, the activities of the Senior Dial-A-Ride and Recreational Transit Program projects have currently improved. Also, the City anticipates in purchasing a new van for the program to help spend the PALRF monies within the required fiscal year of allocation plus 3 years.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition A Local Return funds until June 30, 2023. No follow-up is required.