



Metro[®]

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

March 6, 2024

/ AGENDA

- Scope of the Audits
- Levels of Assurance, Compliance Criteria and Auditing Standards Utilized
- Revenue and Expenditures of the County of Los Angeles and 39 Cities
- Overview of the Audit Results
- Details of Audit Results
- Material Weaknesses and Significant Deficiencies in Internal Control over Compliance
- Required Communications to the Independent Citizen's Advisory and Oversight Committee
- Q&A
- Contact Information

SCOPE OF THE AUDITS

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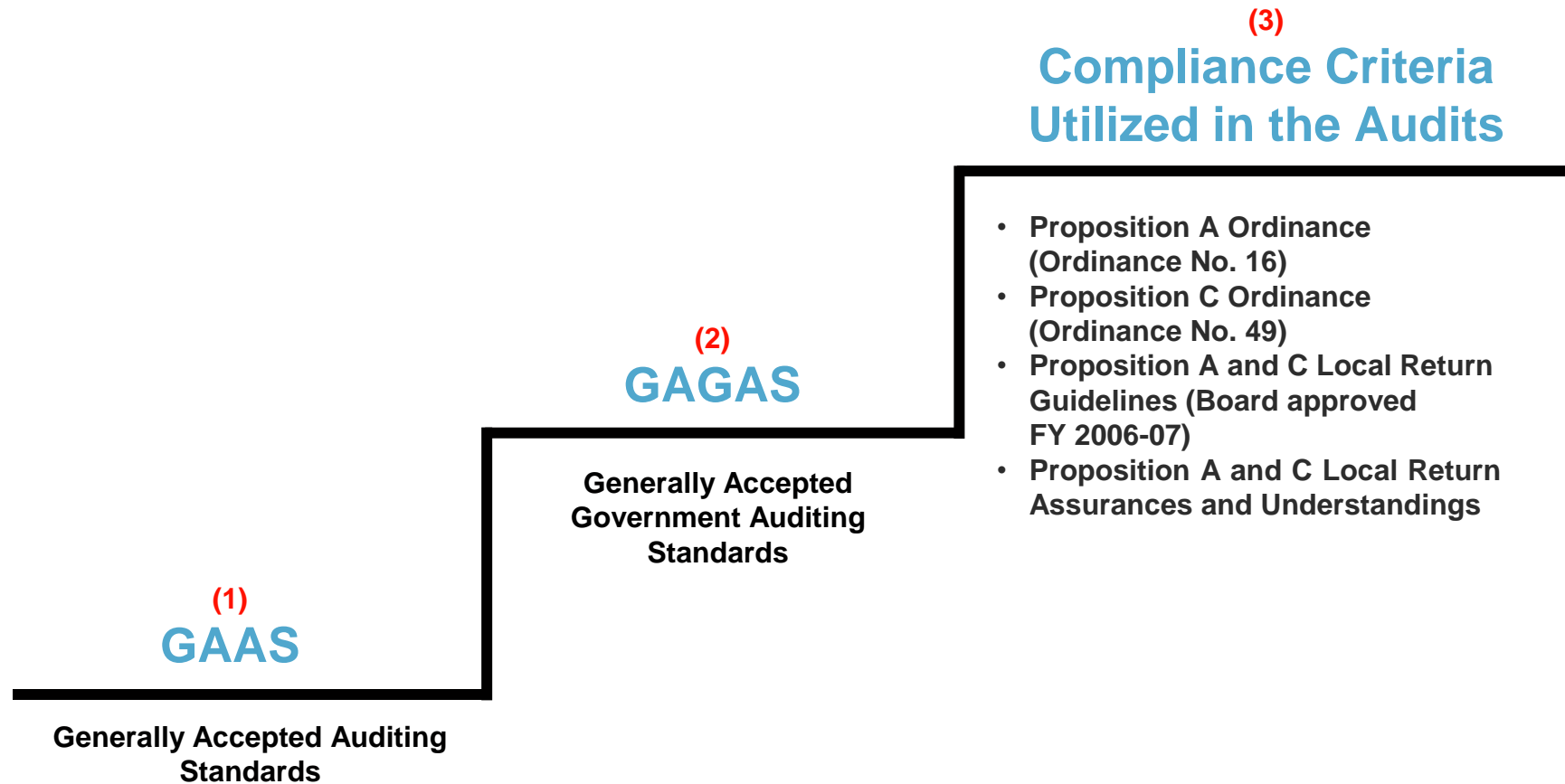
Financial and Compliance Audits of Proposition A and C Local Return Funds held by the County of Los Angeles and 39 Cities under Package A

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



LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED

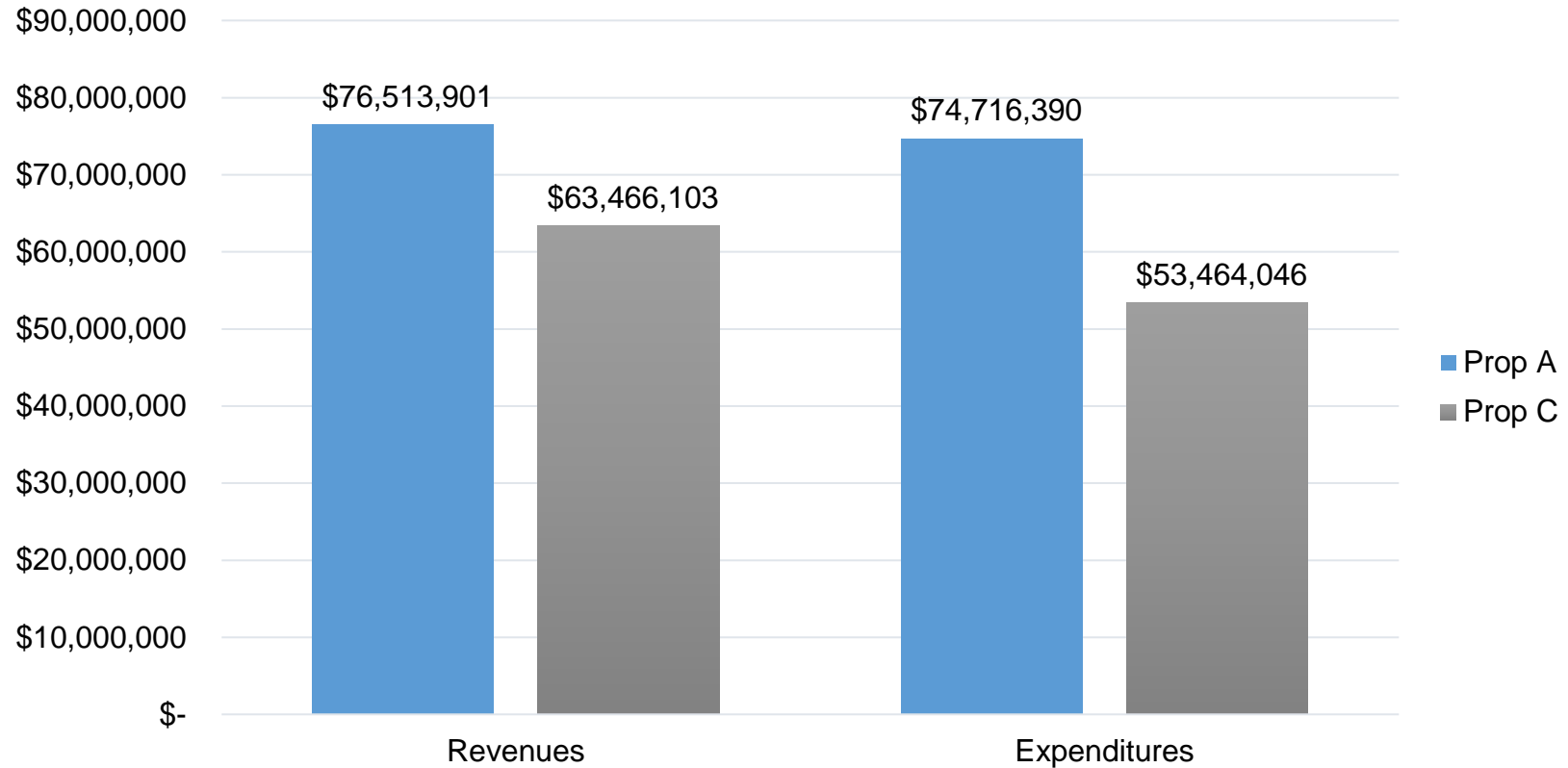
/ LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



REVENUE AND EXPENDITURES OF THE COUNTY OF LOS ANGELES AND 39 CITIES

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FY 2023 Revenues and Expenditures



OVERVIEW OF THE AUDIT RESULTS

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FY 2023 Summary of Audit Results

- Dollars associated with the findings have decreased from \$1,329,832 in FY2022 to \$357,687 in FY2023 audit.
- This represents about 0.26% of the total Proposition A and Proposition C FY2023 allocations of \$139,980,004 to the County of Los Angeles and the 39 cities under Package A.

Questioned Costs

- \$188,106 of the questioned cost relates to Proposition A and Proposition C funds expended on eligible projects prior to Metro's approval.
- \$169,581 of the questioned cost relates to unused funds which lapsed as of June 30, 2023. The cities received a one-year extension to use the lapsed funds.

All of these were resolved during the audit.

DETAILS OF AUDIT RESULTS

/ DETAILS OF AUDIT RESULTS

Our findings are as follows:

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

- Compliance Reference: Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that “Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2023:

	Fund	Total Expenditures Claimed for 2023	Questioned	Report Reference
1. Baldwin Park	Proposition C	\$ 1,860,797	\$ 117,370	Finding #2023-002, Page 10
2. Huntington Park	Proposition A	1,385,703	7,674	Finding #2023-005, Page 14
3. Lynwood	Proposition C	509,865	63,062	Finding #2023-010, Page 21
		\$ 3,756,365	\$ 188,106	

/ DETAILS OF AUDIT RESULTS, CONTINUED

B. Funds were not used in a timely manner.

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

Number of cities involved: 2 of 39 cities

Questioned costs for 2023:

		Total Expenditures Claimed for	Questioned	Report Reference
1. Lawndale	Proposition A	\$ 199,015	\$ 162,361	Finding #2023-009, Page 20
2. Malibu	Proposition A	104,322	7,220	Finding #2023-013, Page 26
		<u>\$ 303,337</u>	<u>\$ 169,581</u>	

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

/ DETAILS OF AUDIT RESULTS, CONTINUED

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

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

Number of cities involved: 3 of 39 cities

- City of Baldwin Park (Finding #2023-003, page 11 of the report)
- City of Huntington Park (Finding #2023-006, page 15 of the report)
- City of Lynwood (Finding #2023-011, page 23 of the report)

Questioned costs for 2023: None

/ DETAILS OF AUDIT RESULTS, CONTINUED

D. Annual Expenditure Report (Actuals Entry) was not submitted timely.

- Compliance Reference: Section I(C) Annual Expenditure Report (Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdiction shall submit on or before October 15th of each fiscal year an Annual Expenditure Report (Actuals Entry) to provide an update on previous year LR fund receipts and expenditures.”

Number of cities involved: 2 of 39 cities

- City of Calabasas (Finding #2023-004, page 13 of the report)
- City of Lynwood (Finding #2023-012, page 25 of the report)

Questioned costs for 2023: None

/ DETAILS OF AUDIT RESULTS, CONTINUED

E. Pavement Management System (PMS) certification was not maintained and submitted to Metro.

- Compliance Reference: Section II(C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “Street Repair and Maintenance” or “Bikeway projects”.

Number of cities involved: 1 of 39 cities

- [City of Azusa](#) (Finding #2023-001, page 8 of the report)

Questioned costs for 2023: None

/ DETAILS OF AUDIT RESULTS, CONTINUED

F. Recreational transit form was not submitted timely.

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

Number of cities involved: 1 of 39 cities

- [City of Huntington Park](#) (Finding #2023-007, page 17 of the report)

Questioned costs for 2023: None

/ DETAILS OF AUDIT RESULTS, CONTINUED

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

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

Number of cities involved: 1 of 39 cities

- [City of Huntington Park](#) (Finding #2023-008, page 18 of the report)

Questioned costs for 2023: None

MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

(1) Material Weakness

City of Huntington Park

Finding #2023-008

- During the fiscal years 2021 through 2023, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
- A disclaimer of opinion was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2023.

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE, CONTINUED

(2) Significant Deficiency (repeat finding)

City of Lawndale

Finding #2023-009

- The City has unused Proposition A funds amounting to \$162,361 which lapsed as of June 30, 2023.
- This is a repeat finding from prior year.

REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE

/ REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE

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

/ REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE

Management's Responsibility

Management of the jurisdictions has primary responsibility for the accounting principles used, their consistency, application and clarity.

Consultations with Other Accountants

We are not aware of any consultations by management of the jurisdictions with other accountants about accounting or auditing matters.

Difficulties with Management

We did not encounter any difficulties with management of the jurisdictions while performing our audit procedures.

/ REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE, CONTINUED

Disagreements with Management

We encountered no disagreements with management of the jurisdictions on financial accounting and reporting matters.

Significant Accounting Policies

The jurisdictions' significant accounting policies are appropriate and were consistently applied.

Controversial Issues

No significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.

/ REQUIRED COMMUNICATIONS TO THE INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE, CONTINUED

Irregularities, Fraud or Illegal Acts

No irregularities, fraud or illegal acts came to our attention as a result of our audit procedures.

Management Representations

The jurisdictions provided us with a signed copies of the management representation letters prior to issuance of our auditor's opinions.

QUESTIONS

/ CONTACT INFORMATION

Vasquez + Company LLP has over 50 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, governmental entities, and publicly traded companies. Vasquez is a member of the RSM US Alliance.

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Thank you for your time and attention.