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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND PROPOSITION A AND PROPOSITON C LOCAL RETURN GUIDELINES	1
List of Package A Jurisdictions	5
Compliance Area Tested	6
Summary of Audit Results	
Schedule 1 – Summary of Compliance Findings	7
Schedule 2 – Schedule of Findings and Questioned Costs	8



655 N. Central Avenue
Suite 1550
Glendale, CA 91203

www.vasquez.cpa

213-873-1700
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES

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

Report on Compliance

Opinion

We have audited the compliance of the County of Los Angeles (County) and the thirty-nine (39) Cities identified in the List of Package A Jurisdictions, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the County and the respective Cities for the year ended June 30, 2022 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the County and the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

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

Responsibilities of Management for Compliance

Management is responsible for the County's and 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 County and each City's Proposition A Local Return program and Proposition C Local Return program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2022-001 through #2022-016. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2022-008, that we consider to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines 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 and #2022-004, that we consider to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Cities' responses to the internal control over compliance findings identified in our audits 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 responses.



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

Vaquer & Company LLP

**Glendale, California
December 30, 2022**

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

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

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Compliance Area Tested
Fiscal Year Ended June 30, 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 audits of the County of Los Angeles and the 39 cities have resulted in 16 findings. The table below summarized those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	3	Compton (#2022-004)	\$ -	\$ 730,043	\$ 730,043
		Montebello (#2022-008)	9,324	56,008	65,332
		South Gate (#2022-011)	-	1,300	1,300
Timely use of funds.	2	Gardena (#2022-005)	-	58,639	58,639
		Lawndale (#2022-006)	474,004	-	474,004
Administrative expenses are within the 20% cap.	1	South Gate (#2022-012)	514	-	514
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	3	Calabasas (#2022-003)	None	None	None
		Pico Rivera (#2022-009)	None	-	None
		South Gate (#2022-013)	-	None	None
Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	3	Bell Gardens (#2022-001)	None	None	None
		South Gate (#2022-014)	None	None	None
		Vernon (#2022-015)	None	None	None
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	1	Westlake Village (#2022-016)	None	None	None
Recreational transit form was submitted on time.	3	Bell Gardens (#2022-002)	None	-	None
		Malibu (#2022-007)	None	-	None
		South El Monte (#2022-010)	None	-	None
Total Findings and Questioned Costs	16		\$ 483,842	\$ 845,990	\$ 1,329,832

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**

Finding #2022-001: PALRF and PCLRF	City of Bell Gardens
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines state that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C 8/1 Table is submitted in a timely manner by the August 1 st of each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). 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)**

Finding #2022-002: PALRF	City of Bell Gardens
Compliance Reference	Section II(1.3) Recreational Transit Service of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City submitted its Recreational Transit Certification on November 9, 2022, 24 days after the due date of October 15, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by the October 15 th of each fiscal year.
Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification. 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)**

Finding #2022-003: PALRF and PCLRF	City of Calabasas
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the following projects:</p> <ul style="list-style-type: none"> a. PALRF and PCLRF's Project code 110, Old Town Calabasas/Commons Trolley project. Amount in excess of 25 percent of the approved budget was \$5,707 and \$4,393, respectively; b. PALRF and PCLRF's Project code 130, Dial-A-Ride project. Amount in excess of 25 percent of the approved budget was \$12,775 and \$17,591, respectively; c. PALRF and PCLRF's Project code 180, Vehicle and Misc. Equipment project. Amount in excess of 25 percent of the approved budget was \$6,178 and \$8,701, respectively; and d. PALRF and PCLRF's Project code 610 Direct Administration. Amount in excess of 25 percent of the approved budget was \$22,864 and \$16,137, respectively. <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request via LRMS.</p> <p>The City submitted the Budget Requests through LRMS and obtained a retroactive approval of the project from Metro Program Manager.</p> <p>This is a repeat finding from prior year's audit.</p>

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

Finding #2022-003: PALRF and PCLRF (Continued)	City of Calabasas
Cause	The City was in transition staff wise. Information was not properly communicated.
Effect	The City's PALRF and PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend that the City submit revised Form A's or submit Budget Requests to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City agrees with the finding and will submit revised budgets via SmartSheets prior to the end of the fiscal year to obtain Metro's approval for the change in project budget and implement internal controls to ensure compliance with this requirement at all times. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on December 14, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-004: PCLRF	City of Compton
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under Proposition C with no prior approval from Metro for the following projects:</p> <ul style="list-style-type: none"> a. Project code 720, Local Roadway Safety Plan, totaling \$19,750; and b. Project code 715, Bond Payment for Street Road Improvements, totaling \$710,293. <p>The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under PCLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table (formerly Form A) and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of \$710,293 were not included in the Budget Request or "8/1" Table (formerly Form A).</p> <p>This is a repeat finding from prior year's audit in relation to the PCLRF's prior period adjustment to recognize the FY2020/21 debt service payment of \$207,116.</p>
Cause	The City had received approval for the bond issuance from Metro, but was not aware that separate approvals were required for underlying annual project expenditures including debt service payments through the Budget Request or "8/1" Table.

**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)**

Finding #2022-004: PCLRF (Continued)	City of Compton
Effect	The City claimed expenditures totaling \$730,043 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Proposition C-funded projects.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the said project on October 27, 2022 and December 1, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the budgets for said projects. No additional follow up is required.

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

Finding #2022-005: PCLRF	City of Gardena
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition C funds amounting to \$58,639 which has lapsed as of June 30, 2022.
Cause	The City's projects were delayed and the City did not have enough expenditures to cover the lapsing amount.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition C funds are used timely.
Management's Response	The City has requested Metro to extend the use of the remaining \$58,639 Proposition C funds through June 30, 2023 since the City has an existing approved projects in FY 2022/23. On November 14, 2022, the City received Metro's approval for the extension of the use of funds until June 30, 2023.
Corrected During the Audit	Metro Program Manager granted an extension for the use of the remaining funds through 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)**

Finding #2022-006: PALRF	City of Lawndale
Compliance Reference	Section I(B) Timely Use of Funds of the Proposition A and C Local Return Guidelines states that, "Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds."
Condition	The City has unused Proposition A funds amounting to \$474,004 which lapsed as of June 30, 2022.
Cause	The City's projects were postponed due to COVID-19 pandemic.
Effect	The City did not comply with the Proposition A and C Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that Proposition A funds are used timely.
Management's Response	The City agrees with the auditor's finding and recommended action to establish procedures and internal controls to ensure that Proposition A funds are used timely. The City will develop internal controls to monitor when funds are received, so that an aging schedules can be put in place to monitor when revenues will lapse.
Corrected During the Audit	On December 16, 2022, Metro Program Manager granted a one-time, one-year extension for the use of the lapsed funds.

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

Finding #2022-007: PALRF	City of Malibu
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actual Entries) 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 Actual Entries, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification on November 14, 2022, 29 days after the due date of October 15, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City will ensure the Recreational Transit Certification is submitted in a timely manner by the October 15 th for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification. 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)**

Finding #2022-008: PALRF and PCLRF	City of Montebello
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects with no prior approval from Metro.</p> <ul style="list-style-type: none"> a. PALRF Project code 280, Evan Brooks – Capital Reserve Proposition A Preparation, totaling \$6,038; b. PALRF Project code 610, Administrative Overhead, totaling \$3,286; c. PCLRF Project code 490, Sales Tax Revenue Bonds, totaling \$1,570; and d. PCLRF Project code 620, Administrative Overhead, totaling \$54,438. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.</p> <p>This is a repeat finding from prior years' audits of PALRF and PCLRF.</p>
Cause	The City did not anticipate incurring eligible expenditures for these projects. The City was not able to submit a budget request for Metro's approval until after June 30, 2022.
Effect	The City claimed expenditures totaling \$9,324 of Proposition A and \$56,008 of Proposition C LR funds prior to approval by Metro. The City did not comply with the Guidelines.
Recommendation	We recommend that the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Local Return-funded projects.

**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)**

Finding #2022-008: PALRF and PCLRF (Continued)	City of Montebello
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on July 5 and August 18, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-009: PALRF	City of Pico Rivera
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the following PALRF projects:</p> <ul style="list-style-type: none"> a. Project Code 155, Recreational Transit. Amount in excess of 25 percent of the approved budget was \$8,917; and b. Project Code 180, Transit Feasibility Study. Amount in excess of 25 percent of the approved budget was \$1,270. <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request.</p> <p>The City submitted the Budget Requests through Local Return Management System (LRMS) and obtained a retroactive approval of the project from Metro Program Manager.</p>
Cause	The City initially submitted higher budgets for approval but requested to reduce them during the year. At year-end, the City realized that there were more expenditures than anticipated for these projects.
Effect	The City's PALRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.

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

Finding #2022-009: PALRF (Continued)	City of Pico Rivera
Recommendation	We recommend that the City submit revised Form A's or submit Budget Requests via Smarsheets by June 30, 2022 to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said projects on October 12, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-010: PALRF	City of South El Monte
Compliance Reference	Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actual Entries) 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 Actual Entries, no later than October 15 after the fiscal year".
Condition	The City submitted its Recreational Transit Certification on December 7, 2022, 52 days after the due date of October 15, 2022.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Recreational Transit Certification is submitted by October 15 th as required by the Guidelines.
Management's Response	The City completed its Recreational Transit Form when the Local Return Actuals was submitted online. Due to an oversight, the attachment was not uploaded properly to Smartsheet. The City will update its procedures to include confirmation of submission.
Corrected During the Audit	The City subsequently submitted the Recreational Transit Certification. 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)**

Finding #2022-011: PCLRF	City of South Gate
Compliance Reference	Section 1(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City claimed expenditures amounting to \$1,300 under PCLRF Project code 705, LA County Bridge Maintenance prior to approval by Metro. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from Metro.
Cause	This is caused by staff oversight.
Effect	The City claimed expenditures totaling \$1,300 prior to approval by Metro. The City did not comply with the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that approval is obtained from Metro prior to spending on Proposition C-funded projects.
Management's Response	The City will make improvements in coordinating efforts between the Public Works and Finance departments to assure all project budgets are approved by Metro and are on the Smartsheets prior to June 30. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budgets for said project on October 26, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-012: PALRF	City of South Gate
Compliance Reference	Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, "The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges."
Condition	The City claimed expenditures in excess of the 20% cap totaling \$514.
Cause	This is caused by staff oversight.
Effect	The City is required to reimburse PALRF account for the amount over the 20% cap.
Recommendation	We recommend the City establish procedures and internal controls to ensure that administrative expenditures are only charged to the LR funds up to allowable amount.
Management's Response	The City will reimburse PALRF account for the amount over the 20% cap totaling \$514.
Corrected During the Audit	The City reimbursed the PALRF account in FY2022/23. No additional follow up is required.

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

Finding #2022-013: PCLRF	City of South Gate
Compliance Reference	Section I(C) Project Description Form (Form A) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded Metro's approved budget by more than 25 percent prior to obtaining approval through a revised Form A or a Budget Request for the Project 620 Administration totaling \$72,192.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting a Project Description Form (Form A) or a Budget Request.</p> <p>The City submitted the Budget Requests through LRMS and obtained a retroactive approval of the project from Metro Program Manager.</p>
Cause	This is caused by staff oversight.
Effect	The City's PCLRF project expenditures exceeded 25 percent of the approved project budgets prior to Metro's approval which resulted in the City's noncompliance with the Guidelines.
Recommendation	We recommend the City submit revised Form A's or submit Budget Requests to obtain Metro's approval for the change in project budgets and implement internal controls to ensure compliance with this requirement at all times.
Management's Response	The City's Public Work and Finance departments will continue to monitor its budget and will make necessary budget adjustments to its projects as allowed by Metro. The City submitted a Budget Request to Metro Program Manager and obtained a retroactive approval of the budget for said project on October 26, 2022.
Corrected During the Audit	Metro Program Manager granted a retroactive approval of the said projects. No additional follow up is required.

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

Finding #2022-014: PALRF and PCLRF	City of South Gate
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines states that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (Form B or 8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A & C 8/1 Table is submitted in a timely manner by the August 1 st for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). 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)**

Finding #2022-015: PALRF and PCLRF	City of Vernon
Compliance Reference	Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines state that, "Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Annual Project Update (8/1 Table) on August 10, 2021, 9 days after the due date of August 1, 2021.
Cause	The City inadvertently missed the filing deadline.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend the City establish procedures and internal controls to ensure that the Annual Project Update (8/1 Table) is submitted by August 1st as required by the Guidelines.
Management's Response	The City will ensure the Proposition A and Proposition C "8/1 Table" is submitted in a timely manner by August 1 st for each fiscal year.
Corrected During the Audit	The City subsequently submitted the Annual Project Update (8/1 Table). 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)**

Finding #2022-016: PALRF and PCLRF	City of Westlake Village
Compliance Reference	Section I(C) Annual Project Update of the Proposition A and C Local Return Guidelines states that, "On or before October 15 th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report (Actual Entries) to provide an update on previous year LR fund receipts and expenditures."
Condition	The City submitted its Annual Expenditure Report to Metro on October 20, 2022, 5 days after the due date of October 15, 2022.
Cause	This is caused by oversight of City's personnel.
Effect	The City's Annual Expenditure Report (Actual Entries) was not submitted timely. The City was not in compliance with the Proposition A and C Guidelines.
Recommendation	We recommend that the City establish procedures and controls to ensure that the Annual Expenditure Report (Actual Entries) is submitted by October 15 as required by the Guidelines.
Management's Response	The City will ensure the Annual Expenditure Report is submitted prior to October 15 th of each fiscal year.
Corrected During the Audit	The City subsequently submitted the form on October 20, 2022. No follow up is required.



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