



**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL OVER 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, 2025**



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, 2025**

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS  
FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

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

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority and  
Proposition A and Proposition C Independent Citizen's Advisory and 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 Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by Metro, the respective Cities for the year ended June 30, 2025 (collectively, the Requirements). Compliance areas tested and related findings are identified in the accompanying Compliance Areas Tested and Summary of Audit Results, Schedule 1 and Schedule 2.

In our opinion, 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, 2025.

***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***

Management of the Cities are responsible for their 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 grant agreements applicable to 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 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 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 #2025-001 through #2025-019. 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 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. *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 #2025-006, #2025-011, #2025-012, #2025-013, and #2025-014 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 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.

*Simpson & Simpson*

Los Angeles, California  
December 31, 2025

**Los Angeles County Metropolitan Transportation Authority**  
**Proposition A and Proposition C Local Return Funds**  
**List of Package B Jurisdictions**  
**Fiscal Year Ended June 30, 2025**

- |                                  |                                   |
|----------------------------------|-----------------------------------|
| 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 Areas Tested**  
**Fiscal Year Ended June 30, 2025**

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, 2025**

The audits of the 49 cities have resulted in nineteen (19) findings. The table below summarizes these findings:

Compliance Area	# 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	Bradbury (#2025-002)	-	\$ 51,897	\$ 51,897
		Glendora (#2025-005)	\$ 81,525	-	81,525
		Palos Verdes Estates (#2025-011)	313,956	954,157	1,268,113
		Signal Hill (#2025-016)	-	94,940	94,940
Timely use of funds.	2	Lancaster (#2025-009)	-	708,927	708,927
		San Dimas (#2025-014)	-	9,994	9,994
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	El Segundo (#2025-004)	None	-	None
		La Verne (#2025-008)	None	-	None
Pavement Management System (PMS) is in place and used for Street Maintenance or Improvement Projects Expenditures.	3	Artesia (#2025-001)	-	None	None
		Palmdale (#2025-010)	-	None	None
		Signal Hill (#2025-017)	-	None	None
Accounting procedures, record keeping and documentation are adequate.	8	Covina (#2025-003)	None	-	None
		Glendora (#2025-006)	None	None	None
		Glendora (#2025-007)	167,443	48,825	216,268
		Palos Verdes Estates (#2025-012)	-	None	None
		Redondo Beach (#2025-013)	None	None	None
		San Marino (#2025-015)	None	-	None
		Temple City (#2025-018)	None	-	None
West Covina (#2025-019)	-	71,611	71,611		
<b>Total Findings and Questioned Cost</b>	<b>19</b>		<b>\$ 562,924</b>	<b>\$ 1,940,351</b>	<b>\$ 2,503,275</b>

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, 2025**

<b>PCLRF Finding #2025-001</b>	<b>City of Artesia</b>
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"> <li>• Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Inventory of existing Class I bikeways, reviewed and updated triennially;</li> <li>• Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Identification of all pavement sections needing rehabilitation/replacement; and</li> <li>• Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s).</li> </ul> <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 required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, FY 2024-25 Pavement Management System. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in April 2025.</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>

**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, 2025  
 (Continued)**

<b>PCLRF Finding #2025-001 (Continued)</b>	<b>City of Artesia</b>
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City subsequently submitted the PMS Certification Form to Metro on December 15, 2025. 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, 2025  
(Continued)**

<b>PCLRF Finding #2025-002</b>	<b>City of Bradbury</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	During the fiscal year 2024-25, the City expended a total of \$51,897 for PCLRF Project Code 781 - Bradbury Road Project prior to receiving formal approval from Metro.
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, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City accepts the finding and will ensure to establish procedures to ensure that expenditures are approved by Metro prior to expending the funds and new personnel are made aware of the procedures.
Finding Corrected During the Audit	The City received retroactive approval from Metro on December 12, 2025 for the budget related to Project Code 781 – Bradbury Road Project in the amount of \$51,897. 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, 2025  
 (Continued)**

<b>PALRF Finding #2025-003</b>	<b>City of Covina</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II: Project Eligibility, “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance,” and Section V: Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	<p>During our payroll testing, we noted that the City did not provide contemporaneous timesheets to support the hours charged to PALRF’s Transit Administration Project Code 610 for the payroll periods tested:</p> <ul style="list-style-type: none"> <li>a) September 6, 2024</li> <li>b) November 29, 2024</li> <li>c) April 4, 2025</li> </ul> <p>Instead, the City provided supplemental after-the-fact allocation records to demonstrate the hours worked on the program. While the supplemental information appears to reasonably support and substantiate that the hours charged were eligible, the documentation was signed and dated by the employees and supervisors in October 2025, several months to as much as a year after the work was performed.</p>
Cause	The City lacked a process to ensure that payroll allocation documentation was prepared and signed timely.
Effect	Because the supplemental after-the-fact allocation records were not prepared at or near the time of the payroll periods tested, they do not constitute contemporaneous support for the hours charged. Without contemporaneous documentation, there is an increased risk that the hours charged may not accurately reflect the work performed during the said payroll periods.
Recommendation	We recommend the City strengthen controls over payroll so that all employees and supervisors prepare, review, sign, and date the supplemental documentation at minimum, on a monthly basis, to ensure the accuracy of hours worked on the local return funds’ projects.
Management’s Response	Starting fiscal year 2025-26, the City will complete a 30-day time study as a supplemental support to the employee’s timesheet in order to establish a reasonable basis for the payroll costs charged to PALRF.

**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, 2025  
(Continued)**

<b>PALRF Finding #2025-004</b>	<b>City of El Segundo</b>
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 Metro’s approved budget for the PALRF Project Code 107, Dial-A-Ride projects, by more than 25 percent, resulting in a combined overage of \$10,738.
Cause	This was an oversight by the City due to personnel turnover during the fiscal year.
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 Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro’s approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro’s approval for any budget change prior to expenditures of funds.
Management’s Response	Due to City staff turnover, the City informed Metro after project expenditures exceeded the 25% threshold. City staff are now aware of updating the LRMS and moving forward, they will inform Metro when project expenditures are expected to deviate above or below the 25% threshold.
Finding Corrected During the Audit	The Metro Program Manager granted retroactive approval to increase the project budget from \$119,282 to \$159,840 on December 11, 2025. 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, 2025  
 (Continued)**

<b>PALRF Finding #2025-005</b>	<b>City of Glendora</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds.”
Condition	<p>The expenditures for the PALRF’s Special Event Transit Project Code 155, totaling \$81,525, were incurred prior to Metro’s approval.</p> <p>However, the City subsequently received an approved budget from Metro in the amount of \$81,525 for the PALRF project on December 15, 2025.</p>
Cause	The expenditures were incurred due to timing and communication gaps between project budget submission, approval status tracking, and operational execution. The City initiated the project expenditures before formal confirmation of Metro’s approval. Additionally, internal controls did not sufficiently prevent expenditures from being processed while the approval was still pending.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

**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, 2025  
 (Continued)**

<p align="center"><b>PALRF                      Finding #2025-005                      (Continued)</b></p>	<p align="center"><b>City of Glendora</b></p>
<p>Management’s Response</p>	<p>The City acknowledges the finding. Retroactive budget approval for PALRF’s Special Event Transit Project Code 155 was received from Metro on December 15, 2025 in the amounts of \$81,525, fully covering the expenditures incurred. No unallowable costs remain outstanding. To ensure this issue does not recur, the City will implement the following measures:</p> <p>Formal Budget Approval Verification</p> <ul style="list-style-type: none"> <li>• Project expenditures will not commence until written confirmation of Metro budget approval is received and documented.</li> <li>• Finance Department will maintain approval documentation within the project file.</li> </ul> <p>Internal Approval Controls</p> <ul style="list-style-type: none"> <li>• Finance Department staff will verify Metro approval status prior to setting up or activating project codes in the financial system.</li> <li>• Project codes will remain restricted from posting charges until approval is confirmed.</li> </ul> <p>Enhanced Communication Protocol</p> <ul style="list-style-type: none"> <li>• A formal notification process will be established between Finance Department and program staff confirming when Metro approval has been received and the expenditures may begin.</li> <li>• Program Managers will be reminded that “budget submitted” does not equate to “budget approved.”</li> </ul> <p>Tracking and Monitoring</p> <ul style="list-style-type: none"> <li>• A centralized tracking log will be maintained to monitor submission dates, approval status, and authorized expenditure start dates for all of the Metro-funded projects.</li> <li>• Periodic reviews will be conducted to ensure compliance prior to cost incurrence.</li> </ul>
<p>Finding Corrected During the Audit</p>	<p>Metro Program Manager granted retroactive budget approval in the amount of \$81,525 for the said PALRF project on December 15, 2025. No follow-up is required.</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, 2025**  
**(Continued)**

<b>PALRF and PCLRF Finding #2025-006 (Significant Deficiency)</b>	<b>City of Glendora</b>
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines..."
Condition	The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024.  This is a repeat finding from the fiscal year 2024.
Cause	The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to the delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
Effect	The delay in preparing the bank reconciliations and finalizing the year-end closing process increases the risk of inaccuracies in the financial records, which could lead to misstated financial statements. This also limits the ability to ensure the integrity of cash balances and related accounts and to properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for both bank reconciliations and year-end closing procedures to ensure they are completed on a timely basis. This should include assigning clear responsibilities and deadlines for staff, as well as providing adequate training on the new financial system, and monitoring progress to ensure that discrepancies are identified and resolved promptly.
Management's Response	The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.

**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, 2025  
 (Continued)**

<b>PALRF and PCLRF Finding #2025-007</b>	<b>City of Glendora</b>
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 Metro 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 or 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>(5) Personnel activity reports or equivalent documentation must meet the following standards:</p> <p style="padding-left: 40px;">:</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  
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 (Continued)**

<b>PALRF and PCLRF Finding #2025-007 (Continued)</b>	<b>City of Glendora</b>
Condition	<p>During our payroll testing, we noted that the payroll costs allocated to the Proposition A Local Return Fund’s (PALRF) Transportation Planning Project Code 180 and Administration Proposition A Project Code 610, and Proposition C Local Return Fund’s (PCLRF) Transportation Planning Project Code 180 were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities.</p> <p>In addition, the employees’ timesheets did not identify the specific hours worked on the above projects for the following payroll periods tested:</p> <ul style="list-style-type: none"> <li>(a) October 27, 2024</li> <li>(b) December 22, 2024</li> <li>(c) February 2, 2025</li> </ul> <p>As a result, we were unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible PALRF and PCLRF activities for total amounts of \$167,443 and \$48,825, respectively.</p>
Cause	<p>The fiscal year 2024-25 was the City’s first full fiscal year operating under a new Time and Attendance system. During system implementation, the City relied on guidance provided by the implementation representative and configured payroll cost allocations in accordance with that guidance. At that time, it was assumed that this configuration would meet Metro’s cost allocation and documentation requirements. However, it was determined that this setup did not fully capture or report actual hours worked by project or activity as required for detailed payroll and benefit cost allocation.</p>
Effect	<p>The payroll costs and employee benefits charged under the PALRF and PCLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively.</p>
Recommendation	<p>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  
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 (Continued)**

<b>PALRF and PCLRF            Finding #2025-007            (Continued)</b>	<b>City of Glendora</b>
Management's Response	<p>The City acknowledges the finding and has taken corrective action to ensure full compliance with Metro requirements. The City has engaged a third-party consultant with specialized expertise in Time and Attendance system configuration and Metro grant compliance. The City is currently developing and implementing detailed activity and project codes to capture actual hours worked by employee and by specific project. Updating Time and Attendance system configurations will ensure that payroll costs and employee benefits are allocated based on actual hours worked and supported by timesheet documentation. Reviewing internal payroll and reporting procedures will also help ensure consistent application and ongoing compliance. These actions will strengthen internal controls, improve payroll cost transparency, and ensure all future personnel cost charges to Metro-funded projects are fully supported and compliant with Metro requirements.</p> <p>The City met with a third-party consultant specializing in Time and Attendance system configuration and job costing to evaluate options for achieving full compliance with Metro's payroll documentation requirements. During this discussion, the consultant proposed implementing job costing within the Time and Attendance system as a means to independently track employee time by project.</p> <p>The conversation also emphasized the need for a structured and consistent method of time tracking and project management, particularly to distinguish hours worked on local transportation projects from those charged to the General Fund. This approach will allow the City to accurately capture actual hours worked at the employee level and allocate payroll costs and related benefits directly to the appropriate funding source.</p> <p>Based on this guidance, the City is moving forward with:</p> <ul style="list-style-type: none"> <li>• Establishing job costing and project/activity codes within the Time and Attendance system;</li> <li>• Requiring employees to record time worked by project, including transportation-related projects funded by Metro;</li> <li>• Aligning payroll reporting with Metro's documentation and compliance requirements.</li> </ul> <p>These enhancements will improve accuracy, transparency, and auditability of personnel cost allocations going forward.</p>

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<p><b>PALRF and PCLRF</b>  <b>Finding #2025-007</b>  <b>(Continued)</b></p>	<p align="center"><b>City of Glendora</b></p>
<p>Finding Corrected During the Audit</p>	<p>On December 26, 2025, Metro waived the questioned costs of \$167,443 and \$48,825 for PALRF and PCLRF, respectively, and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.</p>

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<b>PALRF Finding #2025-008</b>	<b>City of La Verne</b>
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	<p>The City exceeded more than 25 percent of Metro's approved budget on the following projects:</p> <ul style="list-style-type: none"> <li>a. PALRF’s Get About Pass Subsidy Project Code 135 in the amount of \$875.</li> <li>b. PALRF’s Senior Bus Pass Subsidy Project Code 135 in the amount of \$555.</li> <li>c. PALRF’s Administration Project Code 610 in the amount of \$2,584.</li> </ul> <p>However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$9,000 for the PALRF’s Get About Pass Subsidy Project Code 135, in the amount of \$1,000 for the PALRF’s Senior Bus Pass Subsidy Project Code 135, and in the amount of \$109,000 for the PALRF’s Administration Project Code 610 on October 6, 2025.</p>
Cause	On June 24, 2025, the Program Administrator requested a budget increase on the three PALRF projects but mistakenly entered the revised budgets as actual expenditures in the LRMS. As a result, the Metro budgets for these three projects were unchanged.
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 Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure new personnel are fully informed of applicable compliance requirements. This includes ensuring that project expenditures remain within 25 percent of Metro’s approved budget and that any project with a budget change of 25 percent or greater is identified and updated in the Local Return Management System (LRMS) to obtain Metro’s approval for any budget change prior to expenditures of funds.

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 (Continued)**

<b>PALRF Finding #2025-008 (Continued)</b>	<b>City of La Verne</b>
Management's Response	<p>The Program Administrator was given the proper training on entering any future budget modifications in the LRMS.</p> <p>When the Metro budget adjustment is required, the Finance department will contact Metro directly or create a new budget request by following Metro's updated guidance. Also, the Finance department will perform a final year-end review of all LRMS entries to ensure that the proper Metro budgets and actual expenditures were entered correctly.</p>
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approvals for the said projects on October 6, 2025. No follow-up is required.

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

<b>PCLRF Finding #2025-009</b>	<b>City of Lancaster</b>
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 2022 PCLRF ending fund balance in the amount of \$708,927 was not fully expended within the required three-year period as of June 30, 2025, nor was it reserved for capital projects in accordance with the Proposition A and Proposition C Local Return Guidelines.
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 establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
Management's Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved in accordance with the Proposition A and Proposition C Local Return Guidelines.
Finding Corrected During the Audit	On December 10, 2025, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2026. No follow-up is required.

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

<b>PCLRF Finding #2025-010</b>	<b>City of Palmdale</b>
Compliance Reference	<p>A 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"> <li>• Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Inventory of existing Class I bikeways, reviewed and updated triennially;</li> <li>• Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Identification of all pavement sections needing rehabilitation/replacement; and</li> <li>• Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s).</li> </ul> <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 required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management Program. However, the City did not submit the required PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired during the fiscal year 2025.</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>

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

<b>PCLRF Finding #2025-010 (Continued)</b>	<b>City of Palmdale</b>
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026, and Metro granted the extension on December 11, 2025. No follow-up is required.

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

<b>PALRF and PCLRF Finding #2025-011 (Significant Deficiency)</b>	<b>City of Palos Verdes Estates</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): “Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project.”
Condition	<p>During the fiscal year ended June 30, 2025, the City incurred expenditures prior to receiving Metro approval. The expenditures incurred prior to approval were as follows:</p> <ul style="list-style-type: none"> <li>• \$313,956 for Project Code 490 — JPA Transit Contribution (PALRF); and</li> <li>• \$158,459 for Project Code 705 — Annual Resurfacing Project (PCLRF).</li> </ul> <p>In addition, the City incurred expenditures related to the fiscal year 2024 prior to receiving Metro approval. These amounts were subsequently recorded as prior period adjustments in the fiscal year 2025. The prior-year expenditures totaled \$795,698, all of which pertain to PCLRF projects, and consisted of:</p> <ul style="list-style-type: none"> <li>• \$319,306 for Project Code 705 — FY 23/24 Annual Resurfacing Project; and</li> <li>• \$476,392 for Project Code 705 — FY 23/24 Annual Slurry Seal Project.</li> </ul> <p>This is a repeat finding from the fiscal year 2024.</p>
Cause	This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.

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

<b>PALRF and PCLRF Finding #2025-011 (Significant Deficiency) (Continued)</b>	<b>City of Palos Verdes Estates</b>
Management’s Response	The City accepts the finding. The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.
Finding Corrected During the Audit	<p>On December 10 and December 11, 2025, the City received retroactive approval from Metro for the budget related to Project Code 490 – JPA Transit Contribution to the Palos Verdes Peninsula Transit Authority Project (PALRF) in the amount of \$314,000, and Project Code 705 – Annual Resurfacing Project (PCLRF) in the amount of \$782,000, respectively.</p> <p>On December 18, 2025, the City additionally received retroactive approval from Metro in the amounts of \$319,400 for the FY 23/24 Annual Resurfacing Project and in the amount of \$476,400 for the FY 23/24 Annual Slurry Seal Project. No follow-up is required.</p>

**Los Angeles County Metropolitan Transportation Authority  
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<p align="center"><b>PCLRF                      Finding #2025-012                      (Significant Deficiency)</b></p>	<p align="center"><b>City of Palos Verdes Estates</b></p>
<p>Compliance Reference</p>	<p>According to Proposition A and Proposition C Local Return Guidelines, Section V, Audit Section, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits.”</p>
<p>Condition</p>	<p>During the procedures performed to reconcile the beginning balances of the fiscal year 2025 financial statements to the audited ending balances as of June 30, 2024, for PCLRF, we noted that the City recorded certain fiscal year 2024 Local Return Funds project expenditures after the completion and issuance of the fiscal year 2024 Local Return Funds audit reports. These transactions were not recorded in the City’s accounting records at the time the fiscal year 2024 audits were completed and were subsequently recorded by the City at the beginning of the fiscal year 2025. As a result of these post-year entries, cash and investments were overstated and expenditures were understated in the following fund:</p> <ul style="list-style-type: none"> <li>• PCLRF: \$795,698</li> </ul> <p>Because these transactions related to fiscal year 2024 activities but were recorded after the issuance of the fiscal year 2024 Local Return Funds audit reports, they were recorded as prior period adjustments in the fiscal year 2025.</p>
<p>Cause</p>	<p>This oversight by the City resulted from recent turnover in administrative staff and management, including the departure of the Public Works Director in early August 2024 and the Finance Director position remaining vacant since March 2023. In addition, the City personnel were unfamiliar with the City's fund requirements and Local Return reporting processes, and the City engaged an external accounting support team to assist with the year-end closing process. Collectively, these circumstances adversely affected controls over the Local Return Funds and Metro-related projects, and contributed to delays in critical reconciliations, account analyses, and the preparation of supporting documentation required for year-end financial reporting and audit purposes.</p>

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<b>PCLRF                      Finding #2025-012                      (Significant Deficiency)                      (Continued)</b>	<b>City of Palos Verdes Estates</b>
Effect	<p>Although supporting documentation was maintained by the external accounting support team, the City personnel were unable to readily locate or provide the documentation upon requested, resulting in unresolved differences between amounts recorded in the City’s general ledger and those reported to Metro. As a result, these conditions increased the risk of:</p> <ul style="list-style-type: none"> <li>(a) inaccurate or misstated financial records and reports; and</li> <li>(b) noncompliance with applicable local return guidelines.</li> </ul> <p>In addition, deficiencies in the City’s year-end closing and documentation processes contributed to delays in the completion of the required audits.</p>
Recommendation	<p>We recommend that management prioritize timely completion of the year-end closing process and strengthen controls over period-end financial reporting.</p> <p>This should include implementing a structured closing process with clearly defined roles, responsibilities, and timelines. In addition, management should ensure appropriate supervisory review and oversight to verify that all required reconciliations, documentation, and adjustments are completed accurately and timely prior to finalizing the year-end close.</p>
Management’s Response	<p>The City has updated the projects and budgets accordingly. This issue stemmed from a misunderstanding that projects and budgets do not automatically carry forward and must be resubmitted each fiscal year. The City will immediately implement procedures to ensure projects and budgets are updated and provided to Metro on a timely basis and will assign targeted training to staff to ensure compliance going forward.</p>

**Los Angeles County Metropolitan Transportation Authority  
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<b>PALRF and PCLRF Finding #2025-013 (Significant Deficiency)</b>	<b>City of Redondo Beach</b>
Compliance Reference	According to Proposition A & C Local Return Guidelines, Section V, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	<p>As of the date of the audit on December 16, 2025, the City's year-end closing process had not yet been completed. Accordingly, we noted the following matters:</p> <ul style="list-style-type: none"> <li>(a) Bank reconciliations for May and June 2025 had not been completed due to unresolved reconciling items.</li> <li>(b) Interest income allocations for all local return funds had not been finalized, and interest earned but not yet received as of June 30, 2025 had not been accrued.</li> <li>(c) Unrealized gains and losses on investments had not been recorded as of year-end.</li> </ul>
Cause	The City implemented a new permit management and financial system in August 2024, which created reconciliation challenges between permit payment activity and bank records. Due to ongoing issues, the City discontinued the system and transitioned to a new system in April 2025. While the new system is operating more effectively, unresolved reconciliation issues remain for the March through April 2025 transition period, primarily related to transactions recorded in both systems. In addition, staffing shortages within the Finance Department further contributed to delays in completing year-end reconciliations and closing activities. As a result, the City was unable to finalize the year-end closing process and related allocations prior to the audit.
Effect	Delays in preparing bank reconciliations and year-end closing procedures increase the risk of errors or omissions in the City's financial records. Because interest allocations, accrued interest, and unrealized gains and losses were not recorded, interest income, interest receivable, investment balances, and related fund balances may be misstated or not properly allocated among Local Return funds. These conditions also limit management's ability to detect and correct errors on a timely basis and weaken internal controls over financial reporting.

**Los Angeles County Metropolitan Transportation Authority  
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<b>PALRF and PCLRF                      Finding #2025-013                      (Significant Deficiency)                      (Continued)</b>	<b>City of Redondo Beach</b>
Recommendation	We recommend that the Finance Department establish and follow a documented year-end closing process to ensure that: <ul style="list-style-type: none"> <li>• Bank reconciliations are completed monthly and reviewed.</li> <li>• Interest income allocations and accruals are finalized prior to closing.</li> <li>• Unrealized investment gains and losses are recorded at year-end, and all closing entries are subject to supervisory review.</li> <li>• We further recommend prioritizing completion of the outstanding reconciliations for May and June 2025 and providing additional training to staff on the new financial system and year-end procedures.</li> </ul>
Management’s Response	Management agrees with the recommendation and will strengthen the financial statement closing process by enhancing year-end procedures through improved documentation, clearer task assignments, and the implementation of a structured close checklist and timeline. The Finance Department will complete interest allocations, along with pooled cash and related bank reconciliations, on a monthly basis with established internal deadlines, and supervisor will perform monthly reviews to ensure accuracy and completeness. Responsibilities for bank reconciliations and interest allocations have been reassigned to designated staff to provide continuity. Progress will be monitored regularly to ensure alignment with financial reporting and audit timelines.

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<b>PCLRF Finding #2025-014 (Significant Deficiency)</b>	<b>City of San Dimas</b>
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 2022 ending fund balance in the amount of \$9,994 was not expended within 3 years as of June 30, 2025 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, 2026 on October 27, 2025.</p> <p>This is a repeat finding from the fiscal year 2024.</p>
Cause	Major projects to be funded by PCLRF have been delayed as the City waits for necessary approvals from outside agencies that need to be completed prior to the bid award. The City believed that these major projects will be able to move forward in the fiscal year 2025-26, which will utilize majority of the available funds.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures requiring City staff to review the estimated annual fund balance to ensure that funds are expended in a timely manner or appropriately set aside in a capital reserve account.
Management's Response	If the City determines that the budgeted projects will not move forward prior to the end of the fiscal year, Administration will work with Public Works to identify projects that can be completed and submit amendments to the City Council in order to expend the lapsing funds in a timely manner.
Finding Corrected During the Audit	On October 27, 2025, the Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2026. No follow-up is required.

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<b>PALRF Finding #2025-015</b>	<b>City of San Marino</b>
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “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, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to PALRF, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to San Marino Unified School District were allowable and properly supported by invoices and cancelled checks, the expenditures in the total amount of \$150,000 paid to San Marino Unified School District were charged to PALRF’s Project Code 155, Recreational Transit Athletic Trips, without a properly executed contract.
Cause	Due to a change in the City’s personnel, the extension amendment to the contract was overlooked.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	On November 12, 2025, the City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. As an internal control, management added a purchase order starting in the fiscal year 2025-26 to help ensure that all contracts are up to date.
Finding Corrected During the Audit	The City Council retroactively approved the agreement with San Marino Unified School District, which covers the fiscal year 2024-25. No follow-up is required.

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<b>PCLRF Finding #2025-016</b>	<b>City of Signal Hill</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section I (C), Project Description Form (Form A): "Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project."
Condition	The City incurred expenditures totaling \$94,940 for Proposition C Local Return Fund (PCLRF) Project Code 765, Pavement Management prior to receiving budget approval from Metro. Subsequently, on September 30, 2025, Metro approved a budget allocation of \$94,940 for this project.
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, as expenditures were incurred before obtaining the required approval from Metro for the use of these funds.
Recommendation	We recommend that the City establish and implement procedures to ensure that all project expenditures receive formal approval from Metro prior to the expenditure of funds. In addition, the City should implement onboarding and training procedures to ensure that newly assigned personnel receive adequate instruction on the Proposition A and Proposition C Local Return Guidelines to maintain ongoing compliance with program requirements.
Management's Response	The City will establish procedures to review and ensure that the City obtains prior Metro's approval before expenditures are incurred.
Finding Corrected During the Audit	Metro Program Manager granted retroactive budget approval of the said project on September 30, 2025. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority  
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 Fiscal Year Ended June 30, 2025  
 (Continued)**

<b>PCLRF Finding #2025-017</b>	<b>City of Signal Hill</b>
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"> <li>• Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Inventory of existing Class I bikeways, reviewed and updated triennially;</li> <li>• Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially;</li> <li>• Identification of all pavement sections needing rehabilitation/replacement; and</li> <li>• Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s).</li> </ul> <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 required for the fiscal year 2025 because the City incurred PCLRF expenditures for Project Code 765, Pavement Management. However, the City did not submit PMS Certification Form during the fiscal year 2025. The most recent PMS Certification Form on file had expired in January 2025.</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>

**Los Angeles County Metropolitan Transportation Authority  
 Proposition A and Proposition C Local Return Funds  
 Schedule of Findings and Questioned Costs  
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 (Continued)**

<b>PCLRF Finding #2025-017 (Continued)</b>	<b>City of Signal Hill</b>
Recommendation	We recommended that the City establish and implement procedures to ensure that, when expenditures are incurred for projects with codes 705, 710, 715, or 765, a PMS Certification Form is properly completed, certified, and executed by the City Engineer or a designated registered Civil Engineer. In addition, the City should also ensure that the PMS certification form is submitted to Metro every third year from the prior submission date in order to remain in compliance with the Guidelines.
Management’s Response	The City is aware that the current PMS Certification on file should have been updated in the fiscal year 2025. The City is currently working with a contractor to get this certificate renewed.
Finding Corrected During the Audit	The City requested an extension from Metro to submit the PMS Certification Form in the fiscal year 2026 and Metro granted the extension on November 19, 2025. No follow-up is required.

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

<b>PALRF Finding #2025-018</b>	<b>City of Temple City</b>
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section II, “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, “It is jurisdictions’ responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to the Proposition A Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although payments made to Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc. were allowable and were properly supported by invoices and cancelled checks, the expenditures were not supported by current and valid contracts. No amendments to the contracts were issued since their expiration dates of June 30, 2018 for both Elite School Transit and Inland Empire Stages, LTD, and June 30, 2020 for ShelterClean Services, Inc. The amounts of \$22,025 paid to Elite School Transit and \$37,981 paid to Inland Empire Stages, LTD were charged to PALRF’s Project Code 155, Recreational Transit. Likewise, the total amount of \$10,439 paid to ShelterClean Services, Inc. was charged to PALRF’s Project Code 205, Bus Shelter Maintenance.
Cause	Certain expired contracts were inadvertently overlooked and not renewed in a timely manner.
Effect	No contract to support the payments made to a vendor indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return funds, although allowable, are adequately supported by valid contracts, invoices, cancelled checks or similar documentation so that the Local Return expenditures are in compliance with the Guidelines.
Management’s Response	The City is currently working on extending the contract agreements with Elite School Transit, Inland Empire Stages, LTD, and ShelterClean Services, Inc.

**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, 2025  
 (Continued)**

<p align="center"><b>PCLRF Finding #2025-019</b></p>	<p align="center"><b>City of West Covina</b></p>
<p>Compliance Reference</p>	<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 Metro 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 or 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;">:</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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 (Continued)**

<b>PCLRF Finding #2025-019 (Continued)</b>	<b>City of West Covina</b>
Condition	<p>During our payroll testing, we noted that the payroll costs allocated to the Proposition C Local Return Fund (PCLRF) Administration Project Code 620 (Project) were not supported by documentation showing the actual hours worked on the related activities. Instead, the City allocated salaries based on estimated percentages of time, and a year-end true-up was not performed to adjust the charges to actual activities.</p> <p>In addition, the employees’ timesheets did not identify the specific hours worked on the Project for the following payroll periods tested:</p> <ul style="list-style-type: none"> <li>(a) August 30, 2024</li> <li>(b) November 8, 2024</li> <li>(c) December 6, 2024</li> <li>(d) March 14, 2025</li> <li>(e) May 23, 2025</li> </ul> <p>As a result, we were unable to verify that the payroll costs and employee benefits charged to the Project were based on actual time spent on eligible PCLRF activities for a total amount of \$71,611.</p>
Cause	<p>During the fiscal year 2024-25, the City converted its system to Tyler Munis ERP and planned to use this new system to streamline payroll processing and track the actual hours spent by the employees on each project. The City eliminated the use of the hard copy timesheets. However, due to the delay in the application of the new software, the estimated percentages were used to allocate the salaries to PCLRF.</p>
Effect	<p>The payroll costs and employee benefits claimed under the PCLRF projects may include disallowed Proposition C project expenditures. This resulted in questioned costs of \$71,611 for PCLRF.</p>
Recommendation	<p>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>
Management’s Response	<p>The City management acknowledges the audit finding regarding the use of budgeted allocations for administrative costs instead of actual hours. Beginning January 2026, the City will implement the timesheet tracking for all administrative personnel to ensure costs are accurately allocated based on actual times spent on each project.</p>

**Los Angeles County Metropolitan Transportation Authority**  
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<b>PCLRF</b> <b>Finding #2025-019</b> <b>(Continued)</b>	<b>City of West Covina</b>
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$71,611 and requested that the City implement a corrective action for this finding. The implementation of the new system will be verified during the fiscal year 2026 audit.