



Metro[®]

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

March 5, 2025



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/ Scope of the Audits



/ Scope of the Audits

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

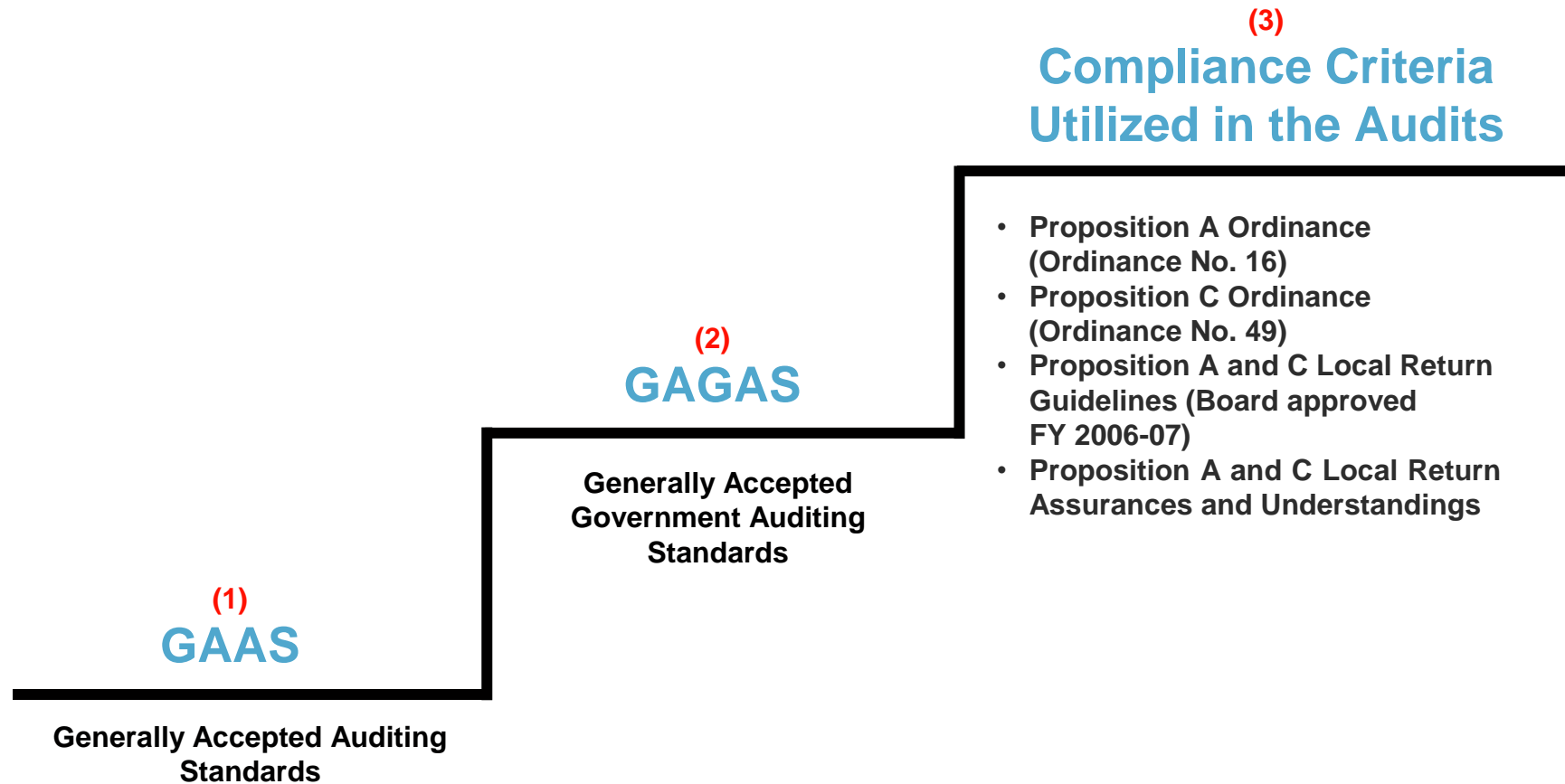
- | | | | |
|--------------------------|---------------------|-------------------|----------------------|
| 1. County of Los Angeles | 11. Compton | 21. Irwindale | 31. Rosemead |
| 2. Agoura Hills | 12. Cudahy | 22. La Puente | 32. San Fernando |
| 3. Azusa | 13. Culver City | 23. Lawndale | 33. Santa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



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized

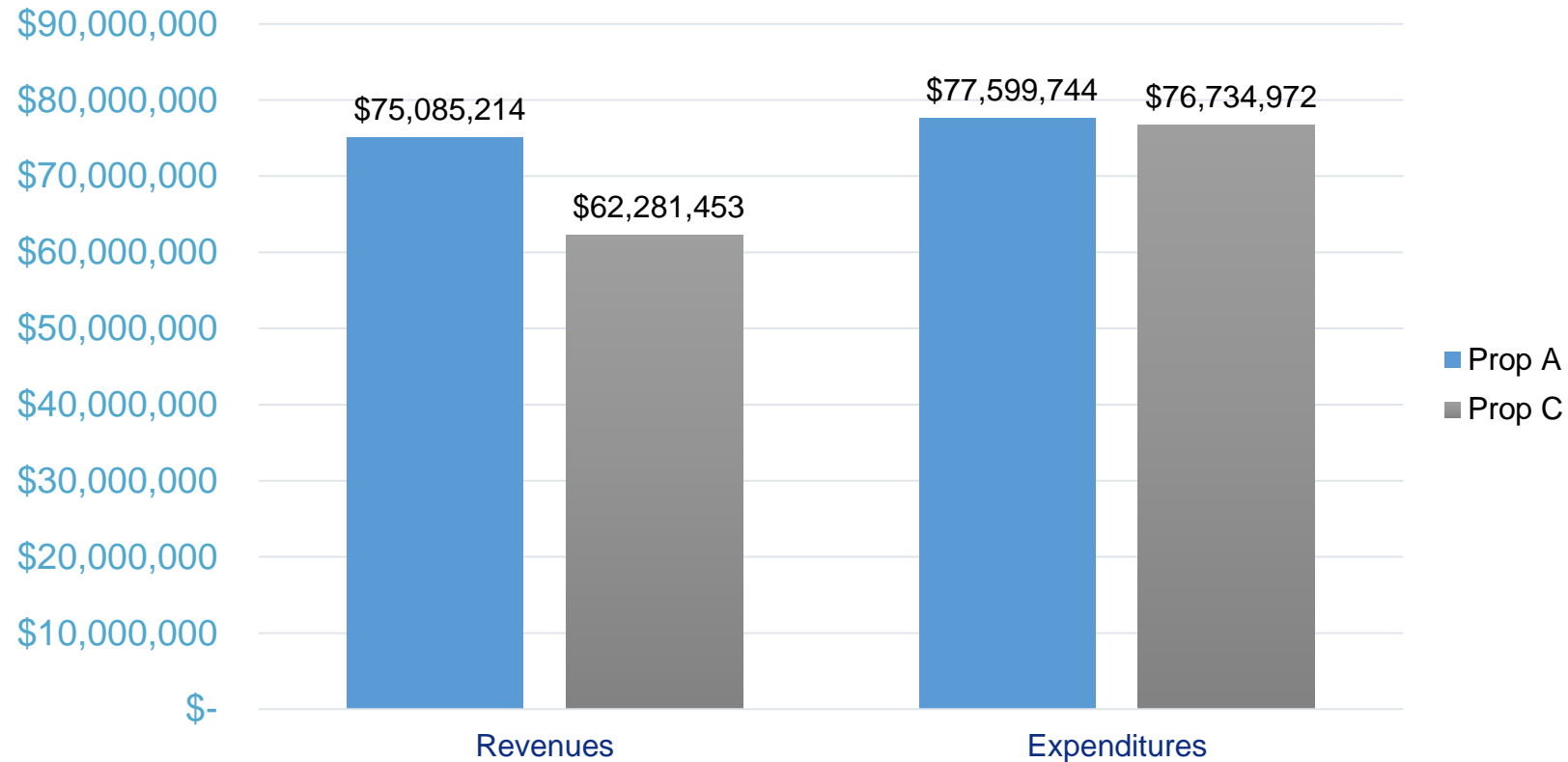


/ Revenue and Expenditures of the County of Los Angeles and 39 Cities



/ Revenue and Expenditures of the County of Los Angeles and 39 Cities

FY 2024 Revenues and Expenditures



/ Overview of the Audit Results



/ Overview of the Audit Results

FY 2024 Summary of Audit Results

- Dollars associated with the findings have increased from \$357,687 in FY2023 to \$862,275 in FY2024 audit.
- This represents about 0.63% of the total Proposition A and Proposition C FY2024 allocations of \$137,366,667 to the County of Los Angeles and the 39 cities under Package A.

Questioned Costs

- \$836,913 of the questioned cost relates to Proposition A and Proposition C funds expended on eligible projects prior to Metro's approval.
- \$25,362 of the questioned cost relates to unused funds which lapsed as of June 30, 2024. The cities received a one-year extension to use the lapsed funds.

All of these were resolved during the audit.

/ Details of Audit Results



/ Details of Audit Results

Our findings are as follows:

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

- Compliance Reference: Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that “Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
- Number of cities involved: 6 of 39 cities
- Questioned costs for 2024:

	Fund	Total Expenditures Claimed for 2024	Questioned	Report Reference
1. Baldwin Park	Proposition C	\$ 1,395,601	\$ 151,000	Finding #2024-001, Page 8
2. Culver City	Proposition C	2,541,869	29,962	Finding #2024-006, Page 16
3. Lynwood	Proposition A	2,079,942	188,157	Finding #2024-010, Page 22
4. Montebello	Proposition C	2,728,392	20,343	Finding #2024-011, Page 23
5. Santa Monica	Proposition A	1,397,217	5,818	Finding #2024-012, Page 24
6. South Gate	Proposition C	2,506,480	441,633	Finding #2024-013, Page 25
		\$ 12,649,501	\$ 836,913	

/ Details of Audit Results, continued

B. Funds were not used in a timely manner.

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

Number of cities involved: 1 of 39 cities

Questioned costs for 2024:

	Total Expenditures Claimed for 2024	Questioned	Report Reference
1. Westlake Village Proposition C	\$ -	\$ 25,362	Finding #2024-015, Page 28
	<u>\$ -</u>	<u>\$ 25,362</u>	

The City was granted a one-year extension for the use of the lapsed funds.

/ Details of Audit Results, continued

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

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

Number of cities involved: 4 of 39 cities

- City of Baldwin Park (Finding #2024-002, page 9 of the report)
- City of Calabasas (Finding #2024-003, page 11 of the report)
- City of Hidden Hills (Finding #2024-007, page 17 of the report)
- City of South Gate (Finding #2024-014, page 26 of the report)

Questioned costs for 2024: None

/ Details of Audit Results, continued

D. Recreational transit form was not submitted timely.

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

Number of cities involved: 2 of 39 cities

- City of Cudahy (Finding #2024-005, page 15 of the report)
- City of Huntington Park (Finding #2024-008, page 19 of the report)

Questioned costs for 2024: None

/ Details of Audit Results, continued

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

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

Number of cities involved: 2 of 39 cities

- [City of Compton](#) (Finding #2024-004, page 13 of the report)
- [City of Huntington Park](#) (Finding #2024-009, page 20 of the report)

Questioned costs for 2024: None

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance



/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance

(1) Material Weakness

City of Compton

Finding #2024-004

- During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
- A qualified opinion and a disclaimer of opinion were issued on the City's financial statements of PALRF and PCLRF, respectively, as of and for the year ended June 30, 2024.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(2) Material Weakness

City of Huntington Park

Finding #2024-009

- During the fiscal years 2021 through 2024, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2024 and prior years. As of December 24, 2024, the accounting personnel and support staff were working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
- A qualified opinion was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2024.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(3) Significant Deficiency (repeat finding)

City of Baldwin Park

Finding #2024-002

- 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 via Local Return Management System (LRMS) for the PCLRF's Project code 705, Street Maintenance. The amount in excess of 25 percent of the approved budget was \$24,821.
- This is a repeat finding from prior year.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(4) Significant Deficiency (repeat finding)

City of Huntington Park

Finding #2024-008

- The City submitted its Recreational Transit Certification for PALRF on December 11, 2024, 57 days after the due date of October 15, 2024.
- This is a repeat finding from prior year.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, continued

(5) Significant Deficiency (repeat finding)

City of Lynwood

Finding #2024-010

- The City claimed expenditures under Proposition A Project code 610, Liability Insurance, totaling \$188,157, prior to approval from Metro.
- This is a repeat finding from prior year.

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee



/ Required Communications to the Independent Citizen's Advisory and Oversight Committee



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

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee, continued

Management's Responsibility

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

Consultations with Other Accountants

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

Difficulties with Management

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

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee, continued

Disagreements with Management

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

Significant Accounting Policies

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

Controversial Issues

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

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee, continued

Irregularities, Fraud or Illegal Acts

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

Management Representations

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

Questions

/ Contact Information

Vasquez + Company LLP has over 50 years of experience in performing audit, tax, accounting, and consulting services for all types of nonprofit organizations, governmental entities, and private companies. We are the largest minority-controlled accounting firm in the United States and the only one to have global operations and certified as MBE with the Supplier Clearinghouse for the Utility Supplier Diversity Program of the California Public Utilities Commission.

We are clients of the **RSM Professional Services+ Practice**. As a client, we have access to the Professional Services+ Collaborative, a globally connected community that provides access to an ecosystem of capabilities, collaboration and camaraderie to help professional services firms grow and thrive in a rapidly changing business environment. As a participant in the PS+ Collaborative, we have the opportunity to interact and share best practices with other professional services firms across the U.S. and Canada.

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**Thank you for your
time and attention!**

