



**Metro**<sup>®</sup>

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

**March 13, 2023**

# / AGENDA

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

# SCOPE OF THE AUDITS

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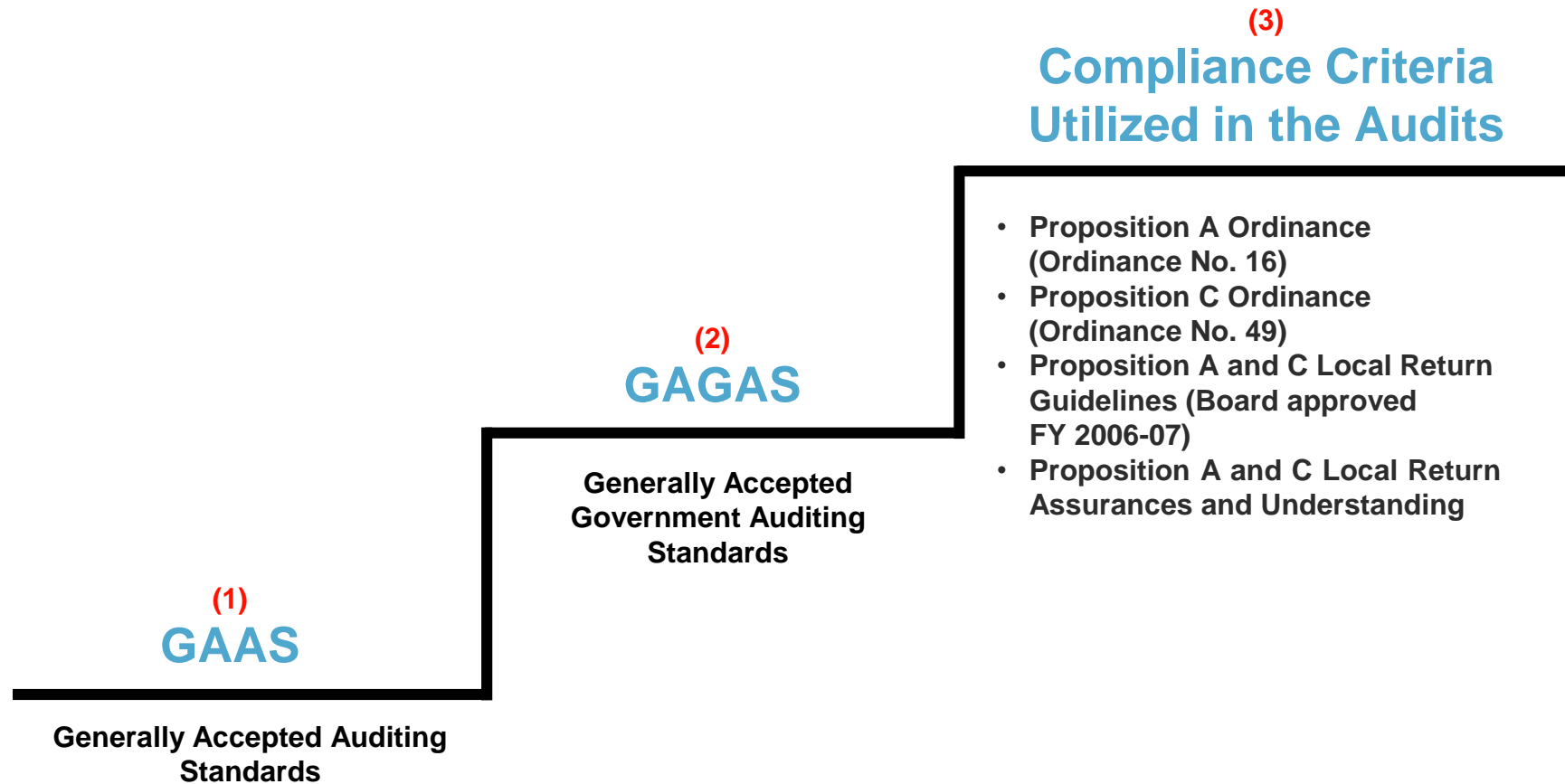
Financial and Compliance Audits of Proposition A and C Local Return Funds held by the County of Los Angeles and 39 Cities under Package A

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



# LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED

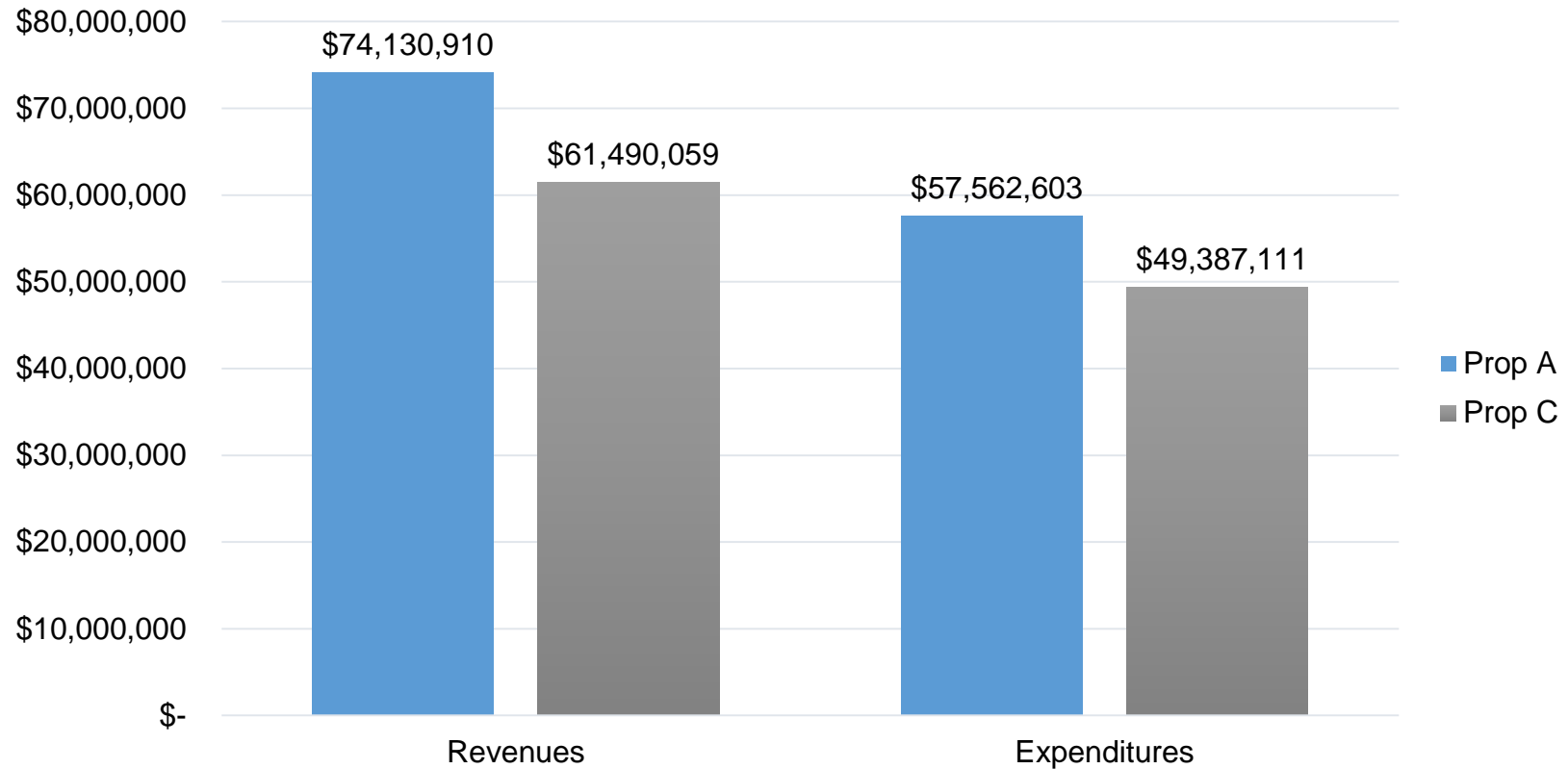
# / LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



# 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 2022 Revenues and Expenditures





# OVERVIEW OF THE AUDIT RESULTS

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## FY 2022 Summary of Audit Results

- Dollars associated with the findings have increased from \$ 1,029,450 in FY2021 to \$1,329,832 in FY2022 audit.
- This represents about 1% of the total Proposition A and Proposition C FY2022 allocations of \$135,620,969 to the County of Los Angeles and the 39 cities under Package A.

## Questioned Costs

- \$532,643 of the questioned cost relates to unused funds which lapsed as of June 30, 2022. The cities received a one-year extension to use the lapsed funds.
- \$796,675 of the questioned cost relates to Proposition A and Proposition C funds expended on eligible projects prior to Metro's approval.
- \$514 of the questioned cost relates to administrative expenses that exceeded the 20% cap.

**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) of the Proposition A and C Local Return Guidelines. “Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2022:

	Fund	Total Expenditures Claimed for 2022	Questioned	Resolved During the Audit	Report Reference
1. Compton	Proposition C	\$ 1,274,234	\$ 730,043	\$ 730,043	Finding #2022-004, Page 12
2. Montebello	Proposition A	133,683	9,324	9,324	Finding #2022-008, Page 17
	Proposition C	980,127	56,008	56,008	Finding #2022-008, Page 17
3. South Gate	Proposition C	2,974,673	1,300	1,300	Finding #2022-011, Page 22
		<b>\$ 5,362,717</b>	<b>\$ 796,675</b>	<b>\$ 796,675</b>	

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

Number of cities involved: 2 of 39 cities

Questioned costs for 2022:

		Fund Balance as of June 30, 2022	Lapsed Amount	Report Reference
1. Gardena	Proposition C	\$ 3,401,021	\$ 58,639	Finding #2022-005, Page 14
2. Lawndale	Proposition A	2,815,189	474,004	Finding #2022-006, Page 15
		<u>\$ 6,216,210</u>	<u>\$ 532,643</u>	

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

# / DETAILS OF AUDIT RESULTS, CONTINUED

## C. Administrative expenses exceeded the 20% cap.

- Compliance Reference: Proposition A and Proposition C Local Return Guidelines Section II(A)(15) states that, “The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on the year-end expenditures, and will be subject to an audit finding if the amount exceeds 20 percent”.

Number of cities involved: 1 of 39 cities

Questioned costs for 2022:

		Total Expenditures Claimed for	Questioned	Resolved During the Audit	Report Reference
1. South Gate	Proposition A	\$ 1,694,144	\$ 514	\$ 514	Finding #2022-012, Page
		<u>\$ 1,694,144</u>	<u>\$ 514</u>	<u>\$ 514</u>	

# / DETAILS OF AUDIT RESULTS, CONTINUED

## D. Project expenditures exceeded 25% of approved project budget.

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

Number of cities involved: 3 of 39 cities

- City of Calabasas (Finding #2022-003, page 10 of the report)
- City of Pico Rivera (Finding #2022-009, page 19 of the report)
- City of South Gate (Finding #2022-013, page 24 of the report)

Questioned costs for 2022: None

# / DETAILS OF AUDIT RESULTS, CONTINUED

## E. Annual Project Update Report (8/1 Table) was not submitted on time.

- Compliance Reference: Section I (C) Annual Project Update (8/1 Table) of the Proposition A and C Local Return Guidelines state that, “Jurisdiction shall submit on or before August 1st of each fiscal year an Annual Project Update (8/1 Table) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year.”

Number of cities involved: 3 of 39 cities

- City of Bell Gardens (Finding #2022-001, page 8 of the report)
- City of South Gate (Finding #2022-014, page 25 of the report)
- City of Vernon (Finding #2022-015, page 26 of the report)

Questioned costs for 2022: None



# / DETAILS OF AUDIT RESULTS, CONTINUED

## F. Annual Expenditure Report (Actual Entries) was not submitted on time.

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

Number of cities involved: 1 of 39 cities

- [City of Westlake Village](#) (Finding #2022-016, page 27 of the report)

Questioned costs for 2022: None

# / DETAILS OF AUDIT RESULTS, CONTINUED

## G. Annual Project Update Report (Form B) was not submitted on time.

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

Number of cities involved: 3 of 39 cities

- City of Bell Gardens (Finding #2022-002, page 9 of the report)
- City of Malibu (Finding #2022-007, page 16 of the report)
- City of South El Monte (Finding #2022-010, page 21 of the report)

Questioned costs for 2022: None

# MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

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## (1) Material Weakness (repeat finding)

**City of Montebello**  
(Finding #2022-008)

The City claimed expenditures of \$65,332 for the following projects prior to Metro's approval:

- PALRF Project code 280, Evan Brooks – Capital Reserve Proposition A Preparation, totaling \$6,038;
- PALRF Project code 610, Administrative Overhead, totaling \$3,286;
- PCLRF Project code 490, Sales Tax Revenue Bonds, totaling \$1,570; and
- PCLRF Project code 620, Administrative Overhead, totaling \$54,438.

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

## (2) Two (2) Significant Deficiencies (repeat finding)

**City of Calabasas**  
(Finding #2021-003)

The City claimed expenditures that exceeded 25% of approved project budget:

- PALRF and PCLRF's Project code 110, Old Town Calabasas/Commons Trolley project, totaling \$5,707 and \$4,393, respectively;
- PALRF and PCLRF's Project code 130, Dial-A-Ride project, totaling \$12,775 and \$17,591, respectively;
- PALRF and PCLRF's Project code 180, Vehicle and Misc. Equipment project, totaling \$6,178 and \$8,701, respectively; and
- PALRF and PCLRF's Project code 610 Direct Administration, totaling \$22,864 and \$16,137, respectively.

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

## (2) Two (2) Significant Deficiencies (repeat finding)

**City of Compton**  
(Finding #2021-004)

The City claimed expenditures of \$730,043 for the following projects prior to Metro's approval:

- Project code 720, Local Roadway Safety Plan, totaling \$19,750; and
- Project code 715, Bond Payment for Street Road Improvements, totaling \$710,293.

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

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*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 C Local Return Funds of the County of Los Angeles and 39 cities.*



# / REQUIRED COMMUNICATIONS TO THE PROPOSITION A AND C OVERSIGHT COMMITTEE

## Management's Responsibility

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

## Consultations with Other Accountants

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

## Difficulties with Management

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

# / REQUIRED COMMUNICATIONS TO THE PROPOSITION A AND C OVERSIGHT COMMITTEE, CONTINUED

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## Disagreements with Management

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

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## Significant Accounting Policies

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

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## 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 PROPOSITION A AND C OVERSIGHT COMMITTEE, CONTINUED

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## Irregularities, Fraud or Illegal Acts

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

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## Management Representations

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

# QUESTIONS

# / CONTACT INFORMATION

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

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