



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE
AND MEASURE R 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
Measure R Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2025**

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE
AND MEASURE R LOCAL RETURN GUIDELINES**

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority and Measure R
Independent Taxpayers 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 Measure R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R 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 Measure R Local Return program 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 Measure R 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 #2025-009. 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 #2025-003, #2025-004, #2025-007, and #2025-008 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
Measure R Local Return Fund
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 GLENORA | 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
Measure R Local Return Fund
Compliance Areas Tested
Fiscal Year Ended June 30, 2025

1. Funds were expended for transportation purposes.
2. Separate Measure R Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure R Local Return Account.
4. Funds were expended with Metro's approval.
5. Funds were not substituted for property tax and are in compliance with the Maintenance of Effort.
6. Timely use of funds.
7. Administrative expenses are within the 20% cap.
8. Expenditure Plan (Form One or electronic equivalent) was submitted on time.
9. Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.
10. Where funds expended were reimbursable by other grants or fund sources, the reimbursement was credited to the Local Return Account upon receipt of the reimbursement.
11. Where Measure R 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. A separate account was established for Capital reserve funds and Capital reserve was approved by Metro.
13. Funds were used to augment, not supplant existing local revenues being used for transportation purposes unless there is a fund shortfall.
14. Recreational transit form was submitted on time.
15. Fund exchanges were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2025**

The audits of the 49 cities have resulted in nine (9) findings. The table below summarizes these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Downey (#2025-002)	\$ 137,503	\$ 137,503
		Palos Verdes Estates (#2025-006)	232,074	232,074
Timely use of funds.	1	Glendale (#2025-003)	1,522,484	1,522,484
Administrative expenses exceed the 20% cap.	1	Artesia (#2025-001)	4,127	4,127
Accounting procedures, record keeping and documentation are adequate.	5	Glendora (#2025-004)	None	None
		Glendora (#2025-005)	212,403	212,403
		Palos Verdes Estates (#2025-007)	None	None
		Redondo Beach (#2025-008)	None	None
		West Covina (#2025-009)	48,729	48,729
Total Findings and Questioned Costs	9		\$ 2,157,320	\$ 2,157,320

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

Finding #2025-001	City of Artesia
Compliance Reference	According to Measure R Local Return Guidelines, Section A (II) 8, Transportation Administration, "Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs.... The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures."
Condition	The City's administrative expenditure exceeded 20 percent of its total Measure R Local Return Fund (MRLRF) annual expenditures by \$4,127. This amount represents the excess over the 20 percent administrative expenditure limitation.
Cause	This was an oversight on the part of the City.
Effect	The City's Measure R Local Return Administration (Project Code 630 - General Program Administration) exceeded the allowable 20 percent of total MRLRF annual expenditure. Accordingly, the City did not comply with the Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that administrative expenditures do not exceed the 20 percent cap of the MRLRF's total annual expenditures.
Management's Response	In the future, the City will monitor the administrative expenditures that they will not exceed more than 20 percent cap of MRLRF's total expenditures.
Finding Corrected During the Audit	The Metro Program Manager granted the City a waiver to reimburse its MRLRF account for the questioned cost of \$4,127 on December 29, 2025. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-002	City of Downey
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The expenditures for the MRLRF’s Lakewood Traffic Signal Upgrades Project Code 302, in the total amount of \$137,503, were incurred prior to Metro’s approval. However, the City subsequently received an approved budget from Metro in the total amount of \$137,505 on October 10, 2025.
Cause	The request for Metro’s approval of the project budget was overlooked.
Effect	The City did not comply with the Measure R Local Return Guidelines, as expenditures for the MRLRF project were incurred prior to Metro’s approval.
Recommendation	We recommend that the City establish procedures to ensure that it obtains approval from Metro prior to implementing any Measure R Local Return projects, and properly enter the budgeted amount for each project in the Local Return Management System (LRMS) and submit it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	The City’s management agrees with the finding. In the future, the City will review all project costs and ensure to request the appropriate Metro approved budget prior to the fiscal year end.
Finding Corrected During the Audit	Metro Program Manager granted retroactive approval of the said project on October 10, 2025. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

Finding #2025-003 (Significant Deficiency)	City of Glendale
Compliance Reference	According to Measure R Local Return Guidelines, Section B (III), Timely Use of Funds, “Measure R LR funds have five (5) years to be expended. Funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.”
Condition	The City’s fiscal year 2019–20 lapsed fund balance of \$1,522,484 was not fully expended within the required five-year period as of June 30, 2025, nor was it reserved for capital projects in accordance with the Measure R Local Return Guidelines. This is a repeat finding from the fiscal year 2024.
Cause	This was an oversight by the City for not tracking the timely use of funds.
Effect	The City was not in compliance with the Measure R 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 program the funding to ensure the lapsed amount is spent in a timely manner.
Finding Corrected During the Audit	On November 17, 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
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-004 (Significant Deficiency)	City of Glendora
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "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
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

Finding #2025-005	City of Glendora
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”</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
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025
 (Continued)**

Finding #2025-005 (Continued)	City of Glendora
Condition	<p>During our payroll testing, we noted that the payroll costs allocated to the Measure R Local Return Fund’s (MRLRF) Street Repair and Maintenance I Project Code 705 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"> (a) October 27, 2024 (b) December 22, 2024 (c) February 2, 2025 (d) March 30, 2025 <p>As a result, we were also unable to verify that the payroll costs and employee benefits charged to the projects were based on actual time spent on eligible MRLRF activities for total amounts of \$212,403.</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 MRLRF projects may include expenditures that are not allowable under the respective program guidelines. These resulted in questioned costs of \$212,403.</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
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

Finding #2025-005 (Continued)	City of Glendora
<p>Management’s Response</p>	<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"> • Establishing job costing and project/activity codes within the Time and Attendance system; • Requiring employees to record time worked by project, including transportation-related projects funded by Metro; • Aligning payroll reporting with Metro’s documentation and compliance requirements. <p>These enhancements will improve accuracy, transparency, and auditability of personnel cost allocations going forward.</p>
<p>Finding Corrected During the Audit</p>	<p>On December 26, 2025, Metro waived the questioned costs of \$212,403 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>

Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-006	City of Palos Verdes Estates
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro’s approval.”
Condition	The City incurred expenditures totaling \$232,074 for Project Code 705 – FY 23/24 Annual Resurfacing Project prior to receiving Metro approval. These expenditures related to the fiscal year 2024 and were subsequently recorded as a prior period adjustment in the fiscal year 2025.
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 Measure R Local Return Guidelines as expenditures for the MRLRF project were incurred prior to Metro’s approval.
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 appropriate instruction on the Measure R Local Return Guidelines to maintain ongoing compliance with program requirements.
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	On December 18, 2025, the City received retroactive approval from Metro for the budget associated with Project Code 705 — FY 23-24 Annual Resurfacing Project, in the amount of \$232,100. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)**

Finding #2025-007 (Significant Deficiency)	City of Palos Verdes Estates
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII, 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.”
Condition	<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, 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"> • MRLRF: \$232,074 <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>
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. 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.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025
 (Continued)**

Finding #2025-007 (Significant Deficiency) (Continued)	City of Palos Verdes Estates
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 request, 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"> (a) inaccurate or misstated financial records and reports; and (b) noncompliance with applicable local return guidelines. <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
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025
(Continued)

Finding #2025-008 (Significant Deficiency)	City of Redondo Beach
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "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"> (a) Bank reconciliations for May and June 2025 had not been completed due to unresolved reconciling items. (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. (c) Unrealized gains and losses on investments had not been recorded as of year-end.
Cause	The City implemented a new permit management and financial system in August 2024, which created in 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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(Continued)

Finding #2025-008 (Significant Deficiency) (Continued)	City of Redondo Beach
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"> • Bank reconciliations are completed monthly and reviewed. • Interest income allocations and accruals are finalized prior to closing. • Unrealized investment gains and losses are recorded at year-end, and all closing entries are subject to supervisory review. • 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.
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.

**Los Angeles County Metropolitan Transportation Authority
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025
 (Continued)**

Finding #2025-009	City of West Covina
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” 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 of 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;">(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
 Measure R Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2025
 (Continued)**

Finding #2025-009 (Continued)	City of West Covina
Condition	<p>During our payroll testing, we noted that the payroll costs allocated to the Measure R Local Return Fund (MRLRF) Administration Project Code 630 (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"> (a) August 30, 2024 (b) December 6, 2024 (c) March 14, 2025 (d) May 23, 2025 <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 MRLRF activities for a total amount of \$48,729.</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 MRLRF.</p>
Effect	<p>The payroll costs and employee benefits claimed under the MRLRF projects may include disallowed Measure R project expenditures. This resulted in questioned costs of \$48,729 for MRLRF.</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 time spent on each project.</p>

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

Finding #2025-009 (Continued)	City of West Covina
Finding Corrected During the Audit	On December 26, 2025, Metro waived the questioned costs of \$48,729 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.