



**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, 2024**



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, 2024**

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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  
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

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

**Report on Compliance**

***Opinion***

We have audited the compliance of the 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, 2024 (collectively, the Requirements). Compliance area tested and related findings are identified in the accompanying Compliance Area 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, 2024.

***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 #2024-001 through #2024-018. 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 material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2024-002, #2023-007 and #2023-012 to be material weaknesses.

*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 #2024-001, #2024-006, and #2024-010 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.

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
December 31, 2024

**Los Angeles County Metropolitan Transportation Authority  
Proposition A and Proposition C Local Return Funds  
List of Package B Jurisdictions  
Fiscal Year Ended June 30, 2024**

- |                                  |                                   |
|----------------------------------|-----------------------------------|
| 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 Area Tested**  
**Fiscal Year Ended June 30, 2024**

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, 2024**

The audit of the 49 cities have resulted in eighteen (18) findings. The table below summarizes these findings:

Compliance Areas	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Funds were expended with Metro's approval and were not substituted for property tax.	3	Diamond Bar (#2024-004)	\$ -	\$ 51,265	\$ 51,265
		La Habra Heights (#2024-006)	24,322	-	24,322
		Lancaster (#2024-008)	-	6,802	6,802
Timely use of funds.	6	Bradbury (#2024-003)	722	-	722
		Palmdale (#2024-010)	-	56,743	56,743
		Palos Verdes Estates (#2024-012)	-	188,565	188,565
		San Dimas (#2024-013)	-	81,288	81,288
		Signal Hill (#2024-015)	51,315	-	51,315
		South Pasadena (#2024-018)	-	115,558	115,558
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2024-001)	None	-	None
		La Habra Heights (#2024-007)	None	-	None
		Palos Verdes Estates (#2024-011)	None	-	None
		San Gabriel (#2024-014)	-	None	None
Recreational transit form was submitted on time.	2	Artesia (#2024-002)	None	-	None
		Manhattan Beach (#2024-009)	None	-	None
Accounting procedures, record keeping and documentation are adequate.	3	Glendora (#2024-005)	None	None	None
		South Pasadena (#2024-016)	None	None	None
		South Pasadena (#2024-017)	9,375	-	None
<b>Total Findings and Questioned Cost</b>	<b>18</b>		<b>\$ 85,734</b>	<b>\$ 500,221</b>	<b>\$ 576,580</b>

Details of the above findings are presented 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, 2024**

<b>PALRF Finding #2024-001</b>	<b>City of Artesia</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 Local Return project budget or scope on all operating or capital Local Return projects."
Condition	<p>The City exceeded more than 25 percent of Metro's approved budget on the Project Code 155, Youth and Senior Recreation Transportation Services, in the amount of \$17,680. However, the City submitted a request to increase the budget and was approved by Metro in the amount of \$53,169 for the PALRF's Youth and Senior Recreation Transportation Services Project on December 13, 2024.</p> <p>This is a repeat finding from fiscal year 2022.</p>
Cause	This was an oversight on the part of the City due to understaffing.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish procedures to ensure that project expenditures are within the 25 percent cap of Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the Local Return Managements System (LRMS) to obtain Metro's approval for the change in project budget prior to the expenditures of funds.
Management's Response	The overbudget was due to an oversight. In the future, management will ensure that budget amendments are inputted in a timely manner.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on December 13, 2024. 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, 2024**  
**(Continued)**

<b>PALRF Finding #2024-002</b>	<b>City of Artesia</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2024 deadline for submitting the Recreational Transit Form to Metro. However, the City submitted the Recreational Transit Form on December 13, 2024.  This is a repeat finding from fiscal years 2022 and 2023.
Cause	This was an oversight on the part of the City due to understaffing.
Effect	The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring the timely submission of all required forms and documentation.
Management's Response	The City was understaffed in the program department. In the future, management will ensure that the Recreational Transit Form is submitted before the deadline.
Corrected During the Audit	The City's Recreational Transit Form was submitted to Metro on December 13, 2024. 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, 2024**  
**(Continued)**

<b>PALRF Finding #2024-003</b>	<b>City of Bradbury</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 2021 ending fund balance of Proposition A funds (PALRF) in the amount of \$722 was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by 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 the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely or a capital reserve account can be established.
Management’s Response	The City accepts the finding and will ensure the remaining funds are used in fiscal year 2025. The City has requested an extension from Metro.
Corrected During the Audit	On November 12, 2024, Metro approved an extension on the usage of lapsed funds until June 30, 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, 2024**  
**(Continued)**

<b>PCLRF Finding #2024-004</b>	<b>City of Diamond Bar</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	The expenditures for the PCLRF's Annual Battery Back-Up and CCTV Replacement Program Project Code 304 (Project) in the total amount of \$51,265 were incurred prior to Metro's approval. However, the City subsequently received an approved budget in the amount of \$61,000 from Metro on October 15, 2024.
Cause	An oversight occurred in requesting budget approval from Metro for expenditures incurred to the Project was due to a recent transition in staffing within the Finance Department, specifically, the resignation of the Finance Supervisor who was responsible for overseeing Metro expenditures and reporting.
Effect	The City did not comply with the Guidelines as expenditures for the PCLRF 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 Proposition C Local Return projects, properly enters the budgeted amount for each project in the Local Return Management System (LRMS) and submits before the requested due date so that the City's expenditures of Proposition C Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	<p>The City proactively identified the non-compliance issue when Finance staff discovered that expenditures for the Project had occurred prior to receiving Metro's approval. Upon recognizing this oversight, City management promptly sought and obtained retroactive approval from Metro on October 15, 2024, ensuring compliance with the funding requirements.</p> <p>To prevent similar issues in the future, City management is implementing enhanced coordination processes between departments to ensure project carryovers are flagged, and Metro approvals are secured, well in advance of deadlines. This proactive approach reflects the City's commitment to maintaining compliance and improving internal controls.</p>
Corrected During the Audit	Metro Program Manager granted retroactive budget approval in the amount of \$61,000 for said project on October 15, 2024. 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, 2024**  
**(Continued)**

<b>PALRF and PCLRF Finding #2024-005</b>	<b>City of Glendora</b>
Compliance Reference	<p>According to Proposition A &amp; 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..."</p> <p>In addition, Government Auditing Standards Section 5.26 lists examples of matters that may be reportable conditions: "e.g.: evidence of failure to perform tasks that are part of internal control, such as reconciliations not prepared or not timely prepared." Good internal controls require that cash be reconciled at least monthly and material reconciling items be properly supported.</p>
Condition	The bank reconciliation process was significantly delayed. As of the date of the audit, December 21, 2024, the bank reconciliation had only been completed through November 2023.
Cause	The preparation of the bank reconciliations was delayed due to staff turnover in several supervisory and lead positions within the Finance Department, as well as the transition to a new financial system in mid-December 2023.
Effect	The delay in preparing the bank reconciliations 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 properly support financial reporting.
Recommendation	We recommend that the Finance Department implement a more structured process for preparing bank reconciliations, ensuring that 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. Additionally, management should prioritize the reconciliation process to ensure it is aligned with financial reporting timelines and that any discrepancies are identified and resolved promptly.
Management's Response	The Finance Department is actively working to address the delays in the bank reconciliation process. The City has engaged additional staff resources to assist with the reconciliations and are implementing a more structured approach to ensure timely completion moving forward. The department is also providing additional training on the new financial system to ensure staff is equipped with the necessary tools and knowledge. Management is committed to prioritizing the reconciliation process and aligning it with the overall financial reporting schedule to ensure that all reconciliations are completed accurately and on time.

**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, 2024**  
**(Continued)**

<b>PALRF Finding #2024-006</b>	<b>City of La Habra Heights</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 City incurred expenditures prior to receiving approval from Metro for Proposition A Local Return Fund (PALRF) Project Code 107, Dial-A-Ride, in the amount of \$24,322. However, the City subsequently received an approved budget in the amount of \$16,000 from Metro for the PALRF project on November 18, 2024.</p> <p>This is a repeat finding from fiscal year 2023.</p>
Cause	This was an oversight by the City due to personnel turnover among administrative staff and management.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements so that the City can obtain approval from Metro before implementing any Proposition A Local Return projects. Additionally, the City should properly enter the budgeted amount for each project in the LRMS and submit it before the requested due date. This ensures that the City's expenditures align with Metro's approval and adhere to the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to review and ensure that the City obtains prior Metro approval before expenditures are incurred.
Corrected During the Audit	Metro Program Manager granted a retroactive budget approval of said project on November 18, 2024. 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, 2024**  
**(Continued)**

<b>PALRF Finding #2024-007</b>	<b>City of La Habra Heights</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 Metro's approved budget for PALRF Project Code 107, Dial-A-Ride, by more than 25 percent, amounting to an excess of \$4,322. Subsequently, the City submitted a request to increase the budget from \$16,000 to \$24,322 to Metro, which was approved on December 11, 2024.</p> <p>This is a repeat finding from fiscal years 2022 and 2023.</p>
Cause	This was an oversight by the City due to personnel turnover among administrative staff and management.
Effect	The City's PALRF project expenditure exceeded 25 percent of Metro's approved budget. The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring project expenditures are within 25 percent cap of Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS to obtain Metro's approval for any budget change prior to the expenditure of funds.
Management's Response	The City will establish procedures to review and ensure that all budget approvals for all projects are for the proper budget amounts, and any projects exceeding the 25 percent or greater change are identified and updated in the LRMS for Metro's approval.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of \$24,322 for the said project on December 11, 2024. 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, 2024**  
**(Continued)**

<b>PCLRF Finding #2024-008</b>	<b>City of Lancaster</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	The expenditures for the PCLRF's Project Code 720 - 2 Way Stop Round About Conversion Project, in the total amount of \$6,802, were incurred prior to Metro's approval. However, the City subsequently received an approved budget in the amount of \$2,400,000 from Metro on October 10, 2024.
Cause	This was an oversight on the part of the City.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines in obtaining an approval from Metro prior to the expenditure of funds.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements so that the City can obtain approval from Metro before implementing any PCLRF projects. Additionally, the City should properly enter the budgeted amount for each project in the LRMS and submit it before the requested due date. This ensures that the City's expenditures align with Metro's approval and adhere to the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred.
Corrected During the Audit	The City subsequently entered the required information in the LRMS on October 10, 2024. 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, 2024**  
**(Continued)**

<b>PALRF Finding #2024-009</b>	<b>City of Manhattan Beach</b>
Compliance Reference	According to Proposition A and Proposition C Local Return Guidelines, Section II.A.1.3, Recreational Transit Service, "Jurisdictions shall submit a Listing of Recreational Transit Services no later than October 15 after the fiscal year."
Condition	The City did not meet the October 15, 2024 deadline for the submission of the Recreational Transit Form. Instead, the City submitted the Recreational Transit Form on December 5, 2024.
Cause	This was an oversight by the City in submitting the Recreational Transit Form before the due date.
Effect	The City was not in compliance with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take the necessary steps to ensure that the Recreational Transit Form is properly prepared and submitted before the due date of October 15th in accordance with the Proposition A and Proposition C Local Return Guidelines.
Management's Response	The City will endeavor to submit the Recreational Transit Form on or before the due date.
Corrected During the Audit	The City's Recreational Transit Form was submitted on December 5, 2024. 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, 2024**  
**(Continued)**

<b>PCLRF Finding #2024-010</b>	<b>City of Palmdale</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 2021 PCLRF ending fund balance in the amount of \$56,743 was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.</p> <p>This is a repeat finding from fiscal year 2023.</p>
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.
Recommendation	In order to avoid future lapsed funds, we recommend that the City establish a procedure where the Finance staff review the estimated annual fund balance so that a capital reserve account can be established if warranted.
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.
Corrected During the Audit	On December 13, 2024, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2025. No follow-up is required.

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<b>PALRF Finding #2024-011</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 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 PALRF Project Code 470, Member Dues – South Bay Cities COG FY20/21, by more than 25 percent, resulting in an excess of \$461. Subsequently, the City submitted a request to Metro for an increase in the budget from \$10,145 to \$13,142, which was approved on December 16, 2024.
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 vacant Finance Director position since March 2023.
Effect	The City's PALRF project expenditures exceeded 25 percent of Metro's approved budget. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City take necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring project expenditures are within the 25 percent cap of Metro's approved budget. Any projects exceeding this 25 percent cap should be identified and updated in the Local Return Management System (LRMS) to obtain Metro's approval for any budget changes prior to the expenditure of funds.
Management's Response	The City agrees with this finding. In the future, the City will review the budget approvals for all projects before submitting them to Metro to ensure that the proper budget amounts are requested.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of \$13,142 for the project on December 16, 2024. No follow-up is required.

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<b>PCLRF Finding #2024-012</b>	<b>City of Palos Verdes Estates</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 2021 ending fund balance of PCLRF, in the amount of \$188,565, was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines. However, on December 9, 2024, Metro granted the City an extension on the usage of lapsed funds until June 30, 2025.</p> <p>This is a repeat finding from fiscal years 2021, 2022, and 2023.</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 vacant Finance Director position since March 2023.
Effect	The City was not in compliance with Proposition A and Proposition C Local Return Guidelines.
Recommendation	In order to avoid future lapsed funds, we recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of the compliance requirements. This includes ensuring that Finance staff review the estimated annual fund balance so that a capital reserve account can be established when warranted.
Management's Response	The City accepts the finding and will ensure the remaining funds are used in the fiscal year 2025. The City has requested an extension from Metro.
Corrected During the Audit	On December 9, 2024, Metro granted the City an extension on the usage of lapsed funds until June 30, 2025. No follow up is required.

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<b>PCLRF Finding #2024-013</b>	<b>City of San Dimas</b>
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section IV.E.1, "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."
Condition	The City's fiscal year 2021 ending fund balance in the amount of \$81,288 was not expended within 3 years as of June 30, 2024 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, 2025 on November 14, 2024.
Cause	Large road projects along bus routes were budgeted to be completed in the fiscal year 2023-24. However, due to extensive staff time dedicated to assisting with the completion of the Metro Gold Line extension, it caused the work on the street projects to be delayed until the fiscal year 2024-25, warranting the need for an extension. The reserved funds were spent this past summer, with the completion of the Lone Hill Avenue street project.
Effect	The Proposition C Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a policy in place where the City Manager, City Engineer and Finance Department discuss the availability of Proposition C Local Return funds in conjunction with any eligible PCLRF projects and submit its Form B (Annual Project Update Form) by entering the budgeted expenditures in the Local Return Management System (LRMS) on time. Alternative measures would include requesting a Capital Reserve Agreement with Metro.
Management's Response	The Finance Department will work closely with the Public Works Department to determine the expected work completion of the budgeted projects. The City will pivot funding to address other needs that the City may have to utilize the lapsing funds in a timely manner prior to the end of the fiscal year.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2025. No follow-up is required.

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<b>PCLRF Finding #2024-014</b>	<b>City of San Gabriel</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 more than 25 percent of Metro's approved budget for PCLRF's Pavement Management System Project Code 765 in the amount of \$2,440. However, the City submitted a request to increase the budget and Metro approved it in the amount of \$29,000 on October 7, 2024.
Cause	The City received a late invoice in September 2024, which was an expenditure related to the fiscal year 2023-24. The invoice was not anticipated and was far past the deadline to request a budget adjustment approval from Metro.
Effect	The City's PCLRF 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 establish procedures to ensure that project expenditures are within the 25 percent cap of the Metro's approved budget and any projects exceeding the 25 percent or greater change are identified and update in the LRMS to obtain Metro's approval for the change in project budget prior to the expenditure of funds.
Management's Response	If the expenditures of a project are expected to exceed the Metro-approved budget, the City will ensure to seek approval for a budget increase before incurring any additional costs in the future.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of said project on October 7, 2024. No follow-up is required.

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<b>PALRF Finding #2024-015</b>	<b>City of Signal Hill</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 2021 ending fund balance of Proposition A funds (PALRF) in the amount of \$51,315 was not fully expended within 3 years as of June 30, 2024, and was not reserved for capital projects as required by 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 the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure where the City staff review the estimated annual fund balance so that funds are expended timely or a capital reserve account can be established.
Management’s Response	On January 19, 2024, the City received an email from Metro regarding the potential lapsing calculations in the LRMS and believed it aligned with the requirements to avoid lapsing funds. Subsequently, Metro granted an extension on the usage of the lapsed funds. While the LRMS serves as an informational tool, the City will continue to conduct internal reviews of the lapsing status to ensure it remains on track, funds are utilized in a timely manner, and compliance with guidelines is maintained.
Corrected During the Audit	On November 14, 2024, Metro approved an extension on the usage of lapsed funds until June 30, 2025. No follow-up is required.

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<b>PALRF and PCLRF Finding #2024-016</b>	<b>City of South Pasadena</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, December 18, 2024, the City's year-end closing process was still ongoing. We noted the following critical observations including:</p> <ul style="list-style-type: none"> <li>(a) The beginning fund balances for PALRF and PCLRF were not reconciled with the prior year's audited financial statements.</li> <li>(b) A detailed breakdown of expenditures charged to the PALRF for the fiscal year ended June 30, 2024 was not provided.</li> <li>(c) No bank reconciliation was prepared as of June 30, 2024.</li> </ul>
Cause	During the fiscal year ended June 30, 2024, management experienced significant turnover in key personnel within the Finance and Public Works departments. This disruption impacted the oversight of the local return funds and Metro-related projects, leading to delays in critical reconciliations, account analyses, and the preparation of necessary documentation required by both management and the auditors.
Effect	<p>Without supporting documentation and reconciliations, variances remained between amounts recorded in the City's general ledger and those reported to Metro. This increases the risk of:</p> <ul style="list-style-type: none"> <li>(a) Inaccurate or misstated financial records and reports.</li> <li>(b) Noncompliance with applicable local return guidelines.</li> </ul>
Recommendation	<p>We recommend that management prioritize and complete the year-end closing process promptly to address the identified issues. Specifically, management should:</p> <ol style="list-style-type: none"> <li>1. Ensure that all beginning fund balances are reconciled with the prior year's audited financial statements.</li> <li>2. Provide a detailed breakdown of expenditures charged to the local return funds for the fiscal year, along with the necessary supporting documentation for verification.</li> <li>3. Complete all required bank reconciliations for the fiscal year.</li> </ol> <p>Management should implement a structured approach with clear responsibilities and timelines to ensure that these tasks are completed accurately and in a timely manner. Regular process reviews and oversight should be conducted to ensure all necessary actions are taken before finalizing the year-end closing.</p>

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<b>PALRF and PCLRF</b> <b>Finding #2024-016</b> <b>(Continued)</b>	<b>City of South Pasadena</b>
Management's Response	The City has engaged an external CPA firm to assist with year-end closing activities, including preparing bank reconciliations and supporting the City during the audit process. Management is prioritizing this effort, recognizing its significant impact on all the funds within the City's general ledger. While some progress has been made, the year-end closing process, along with the necessary adjustments, is expected to be completed by February 2025.

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<b>PALRF Finding #2024-017</b>	<b>City of South Pasadena</b>
Compliance Reference	According to Proposition A & C Local Return Guidelines, "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>To ensure the propriety of expenditures charged to the Proposition A Local Return Funds, payroll expenses should be adequately supported by payroll registers, timesheets, activity or labor distribution reports, or other official documentation that provides sufficient detail regarding the nature of the charges.</p> <p>However, we identified discrepancies between the employees' recorded working hours on the timesheets, the hourly rates listed on the Employee Action Form (EAF), and the amounts recorded in the general ledger. These discrepancies resulted in a total variance of \$9,375 for the following pay periods:</p> <ul style="list-style-type: none"> <li>(a) August 13, 2023: A difference of \$1,964</li> <li>(b) December 3, 2023: A difference of \$1,276</li> <li>(c) February 11, 2024: A difference of \$4,600</li> <li>(d) April 21, 2024: A difference of \$1,535</li> </ul>
Cause	During the fiscal year ended June 30, 2024, management experienced significant turnover in key personnel within the Finance and Public Works departments. This disruption impacted the oversight of the local return funds and Metro-related projects, leading to delays in critical reconciliations, account analyses, and the preparation of necessary documentation required by both management and the auditors.
Effect	The payroll cost claimed under the Proposition A Local Return Fund projects may include expenditures which may not be allowable to Proposition A project expenditures. This resulted in questioned costs of \$9,375 for the PALRF.
Recommendation	We recommend that the City reimburse \$9,375 to the PALRF account in accordance with the Guidelines. Additionally, we recommend that the City revise its labor cost reporting procedures to ensure that all labor charges to the PALRF are supported by proper documentation, including timesheets, Employee Action Forms (EAFs), and other relevant records reflecting both actual working hours and the accurate hourly rates used for calculation.

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<b>PALRF and PCLRF</b> <b>Finding #2024-017</b> <b>(Continued)</b>	<b>City of South Pasadena</b>
Management's Response	The City has engaged an external CPA firm to assist with year-end closing activities, including resolving payroll-related issues, performing account analyses, and supporting the City during the audit process. Management is prioritizing this effort, recognizing its significant impact on all the funds within the City's general ledger. While some progress has been made, the year-end closing process, along with the necessary adjustments, is expected to be completed by February 2025.

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<b>PCLRF Finding #2024-018</b>	<b>City of South Pasadena</b>
Compliance Reference	According to Proposition A and C Local Return Guidelines, Section IV.E.1, "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."
Condition	The City's fiscal year 2021 ending fund balance in the amount of \$115,558 was not expended within 3 years as of June 30, 2024 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, 2025 on December 16, 2024.
Cause	The City had requested a capital reserve for PCLRF project in February 2024. Due to the City's misunderstanding of the potential lapsed balance, the amount placed on capital reserve fell short, resulting in an untimely use of funds.
Effect	The Proposition C Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the Proposition A and Proposition C Local Return Guidelines.
Recommendation	We recommend that the City establish a policy in place where the City Manager, City Engineer and Finance Department discuss the availability of Proposition C Local Return funds in conjunction with any eligible PCLRF projects and submit its Form B (Annual Project Update Form) by entering the budgeted expenditures in the Local Return Management System (LRMS) on time. Alternative measures would include requesting a Capital Reserve Agreement with Metro.
Management's Response	The City will continue to monitor and communicate with Metro regularly to ensure lapsed funding will not occur in the future. If there is potential for lapsing of funds, the City will request Metro for the extension of the use of lapsed funds in a timely manner.
Corrected During the Audit	Metro Program Manager granted the City an extension for the use of lapsed Proposition C Local Return funds until June 30, 2025 on December 16, 2024. No follow-up is required.