

**Measure R Local Return Fund Audit Results
For the Fiscal Year Ended June 30, 2020
(Package B)**

Simpson & Simpson, LLP



Measure R Independent Taxpayers Oversight Committee Meeting
Date: April 19, 2021

Agenda

- ❖ Presenters: Melba Simpson, CPA, Engagement Partner
Etta Hur, CPA, Partner
 - Background
 - Required Audit Communication under SAS 114
 - Consideration of Internal Controls
 - Summary of Audit Results
 - Analysis of Measure R Audit Results
 - S&S Contact Information
 - Questions



Background



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- We have audited the compliance of the following 49 cities and the County of Los Angeles (50 Jurisdictions) under Package B.

1. Alhambra	11. Diamond Bar	21. La Mirada	31. Palmdale	41. San Marino
2. Arcadia	12. Downey	22. La Verne	32. Palos Verdes Estates	42. Santa Clarita
3. Artesia	13. Duarte	23. Lakewood	33. Paramount	43. Sierra Madre
4. Avalon	14. El Segundo	24. Lancaster	34. Pasadena	44. Signal Hill
5. Bellflower	15. Glendale	25. Lomita	35. Rancho Palos Verdes	45. South Pasadena
6. Bradbury	16. Glendora	26. Long Beach	36. Redondo Beach	46. Temple City
7. Burbank	17. Hawaiian Gardens	27. Los Angeles City	37. Rolling Hills	47. Torrance
8. Cerritos	18. Hermosa Beach	28. Manhattan Beach	38. Rolling Hills Estates	48. West Covina
9. Claremont	19. La Canada Flintridge	29. Monrovia	39. San Dimas	49. Whittier
10. Covina	20. La Habra Heights	30. Norwalk	40. San Gabriel	50. County of Los Angeles



Simpson and Simpson, LLP

- We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in government auditing standards, and the compliance requirements described in the Measure R Ordinance, the Measure R Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds.



Required Audit Communication under SAS 114



Auditor's Required Communication to the Measure R Oversight Committee

1. *Our Responsibility under Generally Accepted Auditing Standards (GAAS)*

- ❑ Consider internal control to the extent necessary to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control.
- ❑ Design and implement audit procedures based on our understanding of the Measure R Local Return Funds for the 50 jurisdictions to obtain reasonable, not absolute, assurance on the financial statements, and about whether noncompliance with the Measure R Local Return Guidelines that could have a direct and material effect on the Measure R Local Return Program occurred.



Auditor's Required Communication to the Measure R Oversight Committee (Cont.)

2. *Significant Accounting Policies*

The significant accounting policies adopted by the 50 jurisdictions are described in the notes of their respective financial statements and are in accordance with generally accepted accounting principles and consistent with industry practices and standards.

3. *Management Consultations with Other Independent Accountants*

To the best of our knowledge, the 50 jurisdictions audited have not consulted with or obtained opinions, written or oral, from other independent accountants with respect to the Measure R Local Return Fund, other than the jurisdiction's external auditor for the cities' and the County's comprehensive annual report.



Auditor's Required Communication to the Measure R Oversight Committee (Cont.)

4. *Disagreements or Difficulties with Management*

There were no disagreements with management of the 50 jurisdictions on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report, nor were there significant difficulties in dealing with management in performing our audit.

5. *Management Representations*

We have requested certain representations from management of the 50 jurisdictions that are included in management representation letters dated as of the date of our opinion.



Consideration of Internal Controls



Consideration of Internal Controls

- In planning and performing our audits, we considered each City's and the County's internal controls over compliance with the requirements that could have a direct and material effect on the Measure R Local Return program.
- A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and requirements will not be prevented, or detected and corrected, on a timely basis.



Consideration of Internal Controls (Cont.)

- A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements 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 identified certain conditions in internal control over compliance that we considered to be a material weakness and significant deficiencies.



Summary of Audit Results – Findings and Questioned Costs



Summary of Findings

- ❖ We performed all 50 jurisdictions' audits.
 - Total dollar amounts associated with the findings have increased from \$790,257 in FY2019 to \$1,450,589 in the FY2020 compliance audit.
 - Total questioned costs of \$1,450,589 is about 1.5% of the FY2020 allocations of \$99,813,414 to jurisdictions under Package B.
 - Of the total questioned cost of \$1,450,589, \$1,424,311 was resolved during the audits.

Types of Questioned Costs:

- \$26,278 of the questioned cost related to expenditures incurred with inadequate evidence that funds were expended for transportation purposes.
- \$1,424,311 of the questioned cost related to funds expended on Measure R eligible projects without prior approval from LACMTA; however, all issues were resolved during the audit.



Summary of Findings (Cont.)

One (1) material weakness and two (2) significant deficiencies (repeat findings):

- 1 material weakness (City of Downey)
- 2 significant deficiencies (City of Lancaster and City of Temple City)

We will explain the specific conditions for the material weakness and the significant deficiencies in internal control over Compliance as we present each finding.



Summary of Findings (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended for transportation purpose	2	Downey (#2020-004) Glendora (#2020-006)	\$ 26,278 None	\$ - None
Funds were expended with LACMTA's approval	5	Artesia (#2020-002) Downey (#2020-005) Lancaster (#2020-008) Lomita (#2020-009) South Pasadena (#2020-011)	13,730 45,205 1,081,868 13,392 270,116	13,730 45,205 1,081,868 13,392 270,116



Summary of Findings (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Expenditure Plan (Form One) was submitted on time	5	Alhambra (#2020-001) Hermosa Beach (#2020-007) Signal Hill (#2020-010) South Pasadena (#2020-012) Temple City (#2020-013)	None None None None None	None None None None None
Expenditure Report (Form Two) was submitted on time	1	Artesia (#2020-003)	None	None
Total Findings and Questioned Cost	13		\$ 1,450,589	\$ 1,424,311



Material Weakness and Significant Deficiencies In Internal Controls over Compliance

➤ **One (1) material weakness:**

City of Downey (#2020-004):

- Funds were expended without adequate evidence that funds were expended for transportation purposes.
- Salaries and benefits charged to Public Works Executive Management Salary Project Code 8.10 in the amount of \$26,278 were based on an estimate of a percentage of time spent on MRLRF activity rather than the employee's actual working hours spent on the project. Moreover, the hours were not adjusted to reflect the "true" hours worked on the projects at the end of the fiscal year 2019-20.
- This is a repeat finding from the prior four fiscal years.
- The City implemented KRONOS, an online-based timekeeping system, for the staff to properly allocate the actual time spent on project. The City expects this finding to be fully resolved in fiscal year 2020-21.



Material Weakness and Significant Deficiencies In Internal Controls over Compliance (Cont.)

➤ **Two (2) significant deficiencies:**

City of Lancaster (Finding #2020-008)

- The City used Measure R Local Return funds for Project Code 1.05, Lancaster Financing Authority (Fund 701) Debt Service Bond issued in the amount of \$1,081,868 prior to LACMTA's approval as the project was not reported on the Expenditure Plan (Form One).
- This was due to oversight by the City's program department.
- This is a repeat finding from the prior fiscal year.
- The City will strengthen internal control procedures to ensure all expenditures with the correct project information on Form One will be submitted in the future.



Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ **Two (2) significant deficiencies (continued):**

City of Temple City (Finding #2020-013)

- The City did not meet the August 1, 2019 deadline for the submission of Form One. However, the City submitted the Form One on August 16, 2019.
- The former Director of Parks and Recreation who was responsible for the submission of the forms has since retired from the City. As a result, the submission of the form was overlooked.
- This is a repeat finding from the prior year.
- The new Director of Parks and Recreation has now taken charge to ensure the necessary forms are submitted by the reporting deadlines.

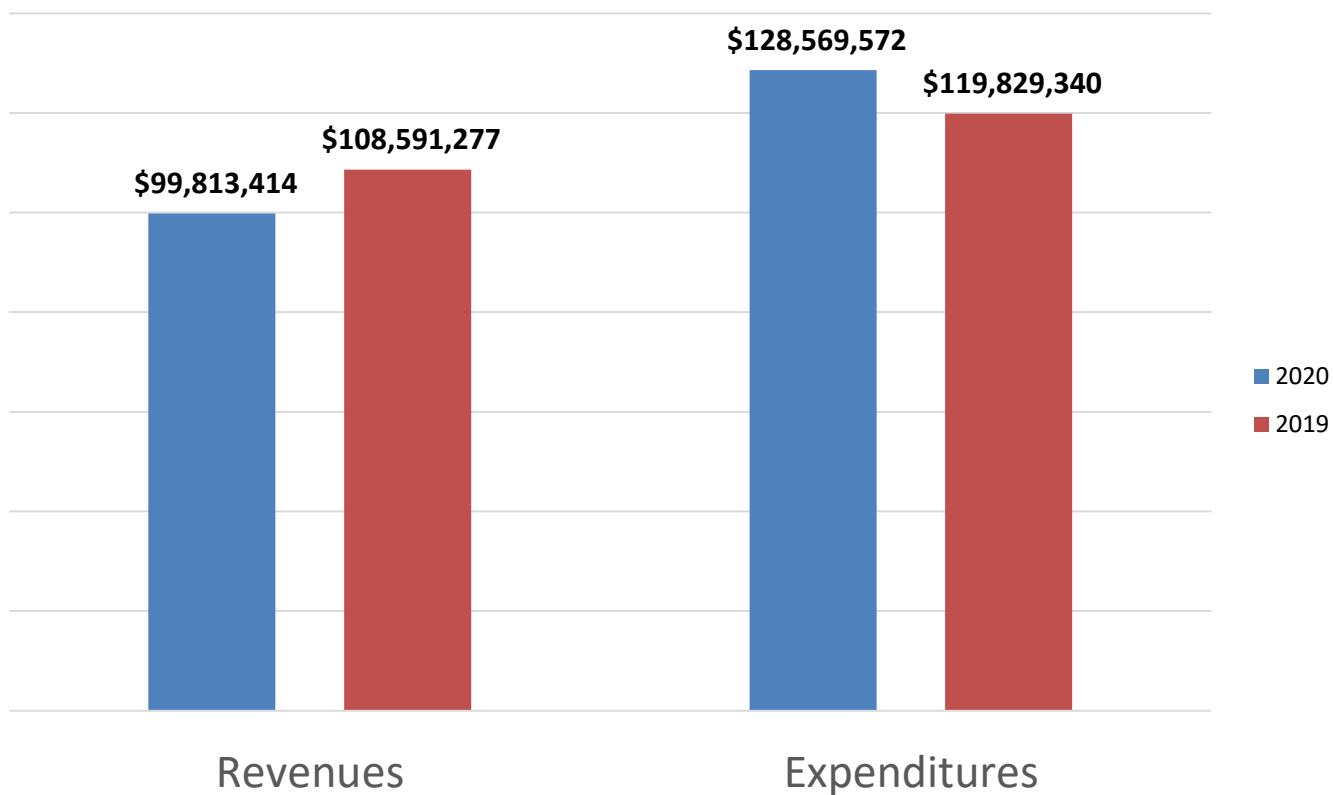


Analysis of Measure R Audit Results



Revenue and Expenditures of 50 Jurisdictions

FY 2020 & FY 2019 Revenues and Expenditures



S&S Contact information

Team member	Contact information
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Questions

