



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE
AND MEASURE M 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
Measure M Local Return Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2024**

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

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer 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 M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M 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 Measure M Local Return program 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.



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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 M 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 #2024-005. 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

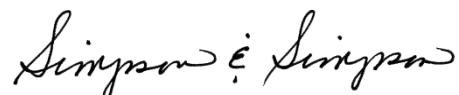
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. 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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.



Los Angeles, California
December 31, 2024

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
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 GLENDOURA	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 M Local Return Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2024

1. Funds were expended for transportation purposes.
2. Separate Measure M Local Return Account was established.
3. Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M 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 M-One or electronic equivalent) was submitted on time.
9. Expenditure Report (Form M-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 M 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 (trades, loans, or gifts) were approved by Metro.
16. Accounting procedures, record keeping and documentation are adequate.

SUMMARY OF AUDIT RESULTS

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2024

The audit of the 49 cities have resulted in five (5) findings. The table below summarize these findings:

Compliance Area	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Artesia (#2024-001)	\$ 981	\$ 981
		Temple City (#2024-005)	14,000	14,000
Accounting procedures, record keeping and documentation are adequate.	2	Glendora (#2024-002)	None	None
		South Pasadena (#2024-004)	None	None
Timely use of funds.	1	South Pasadena (#2024-003)	108,778	108,778
Total Findings and Questioned Costs	5		\$ 123,759	\$ 123,759

Details of the above findings are presented in Schedule 2

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024

Finding #2024-001	City of Artesia
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, "New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st." In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, "The Measure M 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 MMLRF's Project Code 630, General Program Administration, in the amount of \$981, were incurred prior to Metro's approval. However, the City subsequently received budget approval from Metro for the same amount on December 13, 2024.
Cause	This was an oversight on the part of the City due to understaffing.
Effect	The City did not comply with the Guidelines as expenditures for the MMLRF 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 M Local Return projects, properly enters the budgeted amount for each project in the LRMS and submits it before the requested due date so that the City's expenditures of Measure M Local Return Funds are in accordance with Metro's approval and the Guidelines.
Management's Response	The City will establish procedures to ensure that it obtains Metro's approval before expenditures are incurred.
Corrected During the Audit	Metro Program Manager granted retroactive budget approval of said project on December 13, 2024. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-002	City of Glendora
Compliance Reference	<p>According to Measure M Local Return Guidelines, Section XXV, "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 is 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 are 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
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-003	City of South Pasadena
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Local Return Administrative, Lapsing Requirement, “Measure M LR funds have five (5) years to be expended. Funds must be expended within five years of the last day of the fiscal year in which funds were originally allocated or received.”
Condition	The City's fiscal year 2019 ending fund balance in the amount of \$108,778 was not expended within 5 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 MMLRF 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 Measure M Local Return funds were not expended or reserved within the Timely Use period. The City did not comply with the Measure M 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 Measure M Local Return funds in conjunction with any eligible MMLRF projects and submit its Form M-II (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 Measure M Local Return funds until June 30, 2025 on December 16, 2024. No follow-up is required.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-004	City of South Pasadena
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these Guidelines."
Condition	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: <ul style="list-style-type: none"> (a) A detailed breakdown of expenditures charged to the MMLRF for the fiscal year ended June 30, 2024 was not provided. (b) No bank reconciliation was prepared as of June 30, 2024.
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	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: <ul style="list-style-type: none"> (a) Inaccurate or misstated financial records and reports. (b) Noncompliance with applicable local return guidelines.
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"> 1. Provide a detailed breakdown of expenditures charged to the local return funds for the fiscal year, along with the necessary supporting documentation for verification. 2. Complete all required bank reconciliations for the fiscal year. <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>

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-004 (Continued)	City of South Pasadena
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 and necessary adjustments are expected to be completed by February 2025.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2024
(Continued)

Finding #2024-005	City of Temple City
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV Administrative, Form Submission Timeline, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. In addition, the Audit Requirements, Financial and Compliance Provisions of the section states, “The Measure M 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 prior to receiving approval from Metro for MMLRF’s Project Code 640, SGVCOG VMT Analysis, in the amount of \$14,000. However, the City subsequently received an approved budget in the amount of \$14,000 from Metro on September 27, 2024.
Cause	Due to the change in the City’s personnel, along with the oversight of management, the City was not able to request a budget approval from Metro prior to incurring expenditures on the project.
Effect	The City did not comply with the Guidelines as the expenditures for the MMLRF 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 M Local Return projects, properly enters the budgeted amount for each project in the LRMS and submits before the requested due date so that the City’s expenditures of Measure M Local Return Funds are in accordance with Metro’s approval and the Guidelines.
Management’s Response	In the future, the City’s Director will coordinate with the staff and review the Metro budget to ensure all expenditures have the proper budget prior to the end of the fiscal year.
Corrected During the Audit	Metro Program Manager granted retroactive approval of said project on September 27, 2024. No follow-up is required.