

**Measure R Local Return Fund Audit Results  
For the Fiscal Years Ended June 30, 2022 and 2023  
(Package B)**

**Simpson & Simpson, LLP**



Measure R Independent Taxpayers Oversight Committee Meeting  
Date: March 6, 2024

# Agenda

- ❖ Presenters: Etta Hur, CPA, Partner  
Austine Cho, CPA, Senior Audit Manager
  - Background
  - Summary of Audit Results - Findings and Questioned Costs
  - Analysis of Measure R Audit Results
  - S&S Contact Information
  - Questions



# Background



# Simpson and Simpson, LLP

- We have audited the compliance of the following 49 cities (49 Jurisdictions under Package B).

- |                                  |                                   |
|----------------------------------|-----------------------------------|
| 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              |                                   |



# 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.



# Summary of Audit Results – Findings and Questioned Costs



# Summary of Audit Results

- ❖ Audits were performed for all 49 jurisdictions in both FY2022 and FY2023:
  - Total dollar amounts associated with the findings are as follows:
    - In FY2022: Increased from \$71,344 in FY2021 to \$216,035 in FY2022
    - In FY2023: Decreased from \$216,035 in FY2022 to \$100,429 in FY2023



# FY2022 Summary of Audit Results

## FY2022:

- Total questioned costs of \$216,035, which is approximately 0.2% of the FY2022 Measure R allocations of \$113,989,129 provided to jurisdictions under Package B.
- Of the total questioned cost of \$216,035, \$203,969 was resolved during the audits.

### Types of Questioned Costs:

- \$203,969 of the questioned costs related to funds expended on Measure R eligible projects prior to approval from Metro. These were resolved during the audits.
- \$12,066 of the questioned cost related to expenditures incurred without adequate evidence to substantiate the costs.
- We identified 11 non-compliance findings, which included the following:
  - 1 material weakness (City of Downey)
  - 1 significant deficiency (City of Bradbury)

Note: Further details regarding the specific conditions related to the material weaknesses and the significant deficiencies in internal control over Compliance for FY2023 and FY2022 will be provided as each finding is presented.





# FY2022 Summary of Audit Results

FY2022 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Claremont (#2022-004) Redondo Beach (#2022-011)	\$ 28,969 175,000	\$ 28,969 175,000
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	2	Artesia (#2022-001) Glendale (#2022-007)	None None	None None



# FY2022 Summary of Audit Results (Cont.)

FY2022 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	6	Artesia (#2022-002) Bradbury (#2022-003) Covina (#2022-005) La Habra Heights (#2022-008) Palmdale (#2022-009) Pasadena (#2022-010)	None None None None None None	None None None None None None
Accounting procedures, record keeping, and documentation are adequate.	1	Downey (#2022-006)	12,066	-
<b>Total FY2022 Findings and Questioned Cost</b>	<b>11</b>		<b>\$ 216,035</b>	<b>\$ 203,969</b>



# FY2022 Material Weakness and Significant Deficiency In Internal Controls over Compliance

➤ **One (1) material weakness:**

**City of Downey (Finding #2022-006):**

Funds were expended without adequate evidence to substantiate the costs.

- Salaries and benefits charged to Public Works Executive Management Salary Project Code 630 in the amount of \$12,066 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 2021-22.
- This is a repeat finding from the prior six fiscal years.



# FY2022 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

## ➤ One (1) material weakness:

### City of Downey (Finding #2022-006) (Continued):

- As a resolution to prior years' findings, the City hired an outside consultant (Revenue and Cost Specialists) to prepare an updated Cost Allocation Plan (CAP) and User Fee Study. On January 25, 2022, an executed contract/agreement with Revenue and Cost Specialists was taken to the City Council for approval, with an understanding that the CAP and the User Fee Study will be implemented in fiscal year 2022-23.
- All the department's directors communicated regularly with the CAP consultants until the CAP was finalized and completed in August 2022. Effective in fiscal year 2022-23, the City will allocate the payroll expenditures based on the new cost study.
- The City represented that they will reimburse MRLRF for the questioned cost of \$12,066 from General Fund during fiscal year 2022-23.



# FY2022 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

➤ **One (1) significant deficiency:**

**City of Bradbury (Finding #2022-003):**

- The City did not meet the October 15, 2022 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS).
- This is a repeat finding from the prior fiscal year 2021.
- The City had a staff turnover during fiscal year 2022 and the new management team was unaware of compliance requirements of Local Return Funds.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on November 4, 2022. No follow-up is required.



# FY2023 Summary of Audit Results

## FY2023:

- Total questioned costs of \$100,429, which is approximately 0.1% of the FY2023 Measure R allocations of \$116,685,176 provided to jurisdictions under Package B.
- \$100,429 of the questioned cost relates to funds expended on Measure R eligible projects prior to approval from Metro. However, all questioned costs were resolved during the audits.
- We identified 11 non-compliance findings, which included the following:
  - 1 material weakness (City of Bradbury)
  - 2 significant deficiencies (City of Artesia and City of La Habra Heights)



# FY2023 Summary of Audit Results

2023 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	3	Arcadia (#2023-001) Artesia (#2023-002) South Pasadena (#2023-011)	\$ 70,066 15,176 15,187	\$ 70,066 15,176 15,187
Expenditure Plan (Form One or electronic equivalent) was submitted on time.	1	Bradbury (#2023-004)	None	None



# FY2023 Summary of Audit Results (Cont.)

FY2023 Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time.	5	Artesia (#2023-003) Bradbury (#2023-005) La Habra Heights (#2023-008) Palos Verdes Estates (#2023-009) Rolling Hills (#2023-010)	None None None None None	None None None None None
Accounting procedures, record keeping, and documentation are adequate.	2	Cerritos (#2023-006) Glendora (#2023-007)	None None	None None
<b>Total FY2023 Findings and Questioned Cost</b>	<b>11</b>		<b>\$ 100,429</b>	<b>\$ 100,429</b>





# FY2023 Material Weakness and Significant Deficiencies In Internal Controls over Compliance

## ➤ One (1) material weakness:

### City of Bradbury (Finding #2023-005):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form Two) in the Local Return Management System (LRMS).
- The finding was due to personnel change in the City's finance department.
- This is a repeat finding from fiscal years 2021 and 2022.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on November 14, 2023. No follow-up is required.



# FY2023 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

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

**City of Artesia (Finding #2023-003):**

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the Local Return Management System (LRMS).
- The City was understaffed due to employee turnover.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on December 18, 2023. No follow-up is required.



# FY2023 Material Weakness and Significant Deficiency In Internal Controls over Compliance (Cont.)

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

### City of La Habra Heights (#2023-008):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form Two) in the Local Return Management System (LRMS).
- The City experienced turnover among administrative staff and management.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City subsequently entered the required information in the LRMS on November 20, 2023. No follow-up is required.

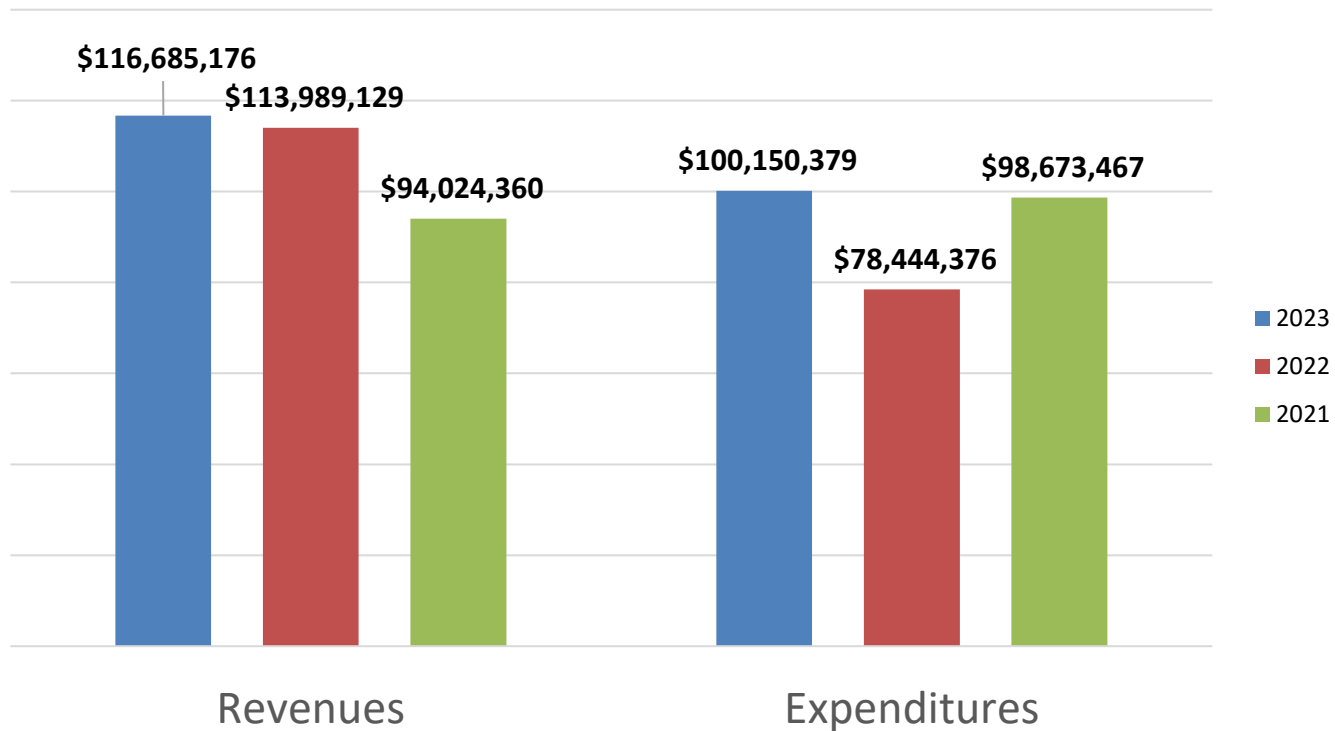


# Analysis of Measure R Audit Results (FY2022 and FY2023)



# Revenue and Expenditures of 49 Jurisdictions

FY 2023, FY 2022 & FY2021  
Revenues and Expenditures



# S&S Contact information

Team member	Contact information
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# Questions

