



Metro[®]

**PRESENTATION
TO THE INDEPENDENT CITIZEN'S
ADVISORY AND OVERSIGHT
COMMITTEE
AUDIT OF PROPOSITIONS A AND C
LOCAL RETURN FUNDS
(Package A)**

March 4, 2026



/ Table of Contents

Scope of the Audits	2
Levels of Assurance, Compliance Criteria and Auditing Standards Utilized	4
Revenue and Expenditures of the County of Los Angeles and 39 Cities	6
Overview of the Audit Results	8
Details of Audit Results	10
Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance	19
Required Communications to the Independent Citizen’s Advisory and Oversight Committee	26
Questions	31
Contact Information	32

/ Scope of the Audits



/ Scope of the Audits

Financial and Compliance Audits of Proposition A and Proposition C Local Return Funds held by the County of Los Angeles and 39 Cities under Package A

1. County of Los Angeles
2. Agoura Hills
3. Azusa
4. Baldwin Park
5. Bell
6. Bell Gardens
7. Beverly Hills
8. Calabasas
9. Carson
10. Commerce
11. Compton
12. Cudahy
13. Culver City
14. El Monte
15. Gardena
16. Hawthorne
17. Hidden Hills
18. Huntington Park
19. Industry
20. Inglewood
21. Irwindale
22. La Puente
23. Lawndale
24. Lynwood
25. Malibu
26. Maywood
27. Montebello
28. Monterey Park
29. Pico Rivera
30. Pomona
31. Rosemead
32. San Fernando
33. Santa Fe Springs
34. Santa Monica
35. South El Monte
36. South Gate
37. Vernon
38. Walnut
39. West Hollywood
40. Westlake Village



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized



/ Levels of Assurance, Compliance Criteria and Auditing Standards Utilized



(1)
GAAS
Generally Accepted Auditing Standards

(2)
GAGAS
Generally Accepted Government Auditing Standards

(3)
Compliance Criteria Utilized in the Audits

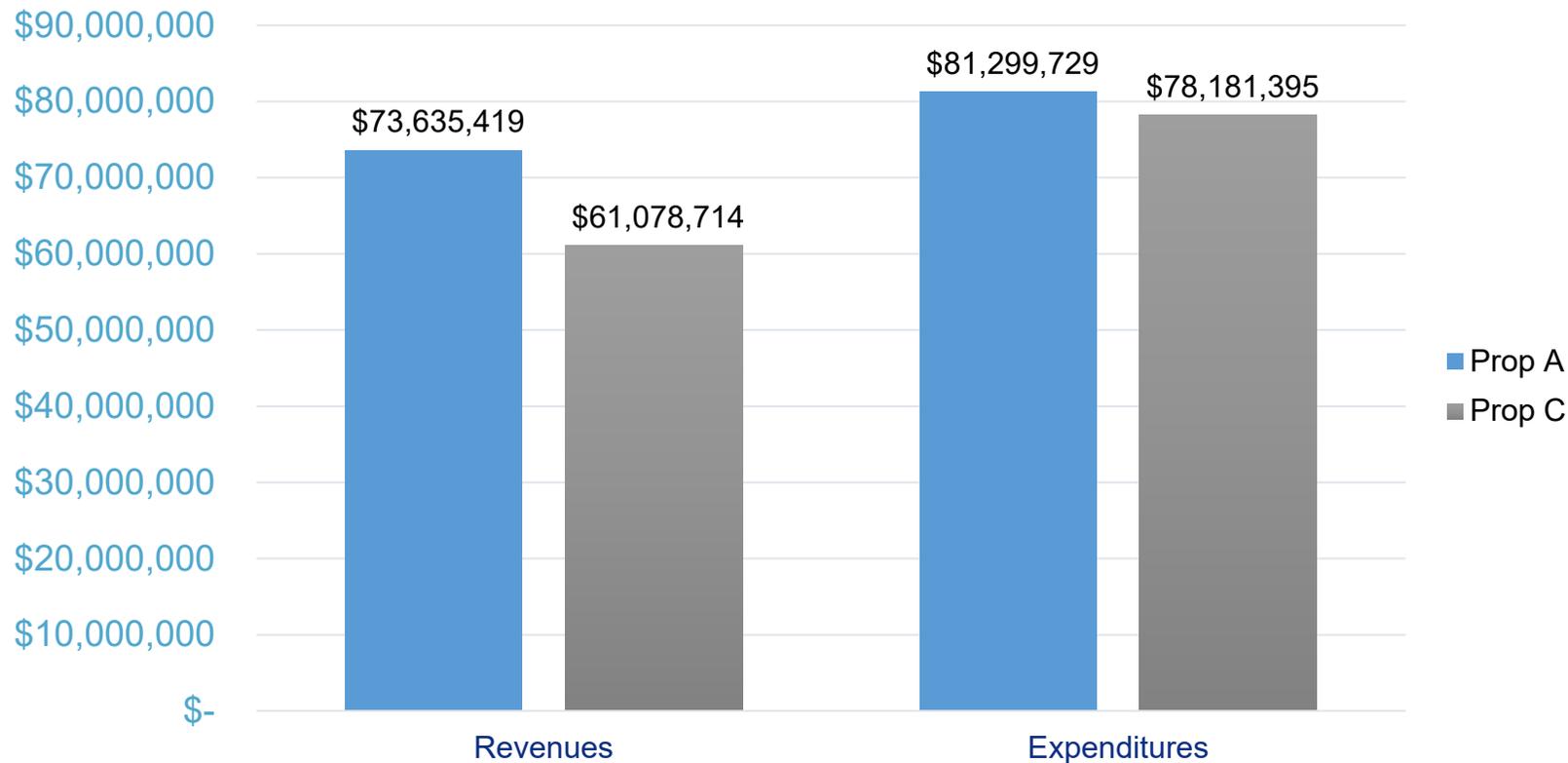
- Proposition A Ordinance (Ordinance No. 16)
- Proposition C Ordinance (Ordinance No. 49)
- Proposition A and C Local Return Guidelines (Board approved FY 2006-07)
- Proposition A and C Local Return Assurances and Understandings

/ Revenue and Expenditures of the County of Los Angeles and 39 Cities



/ Revenue and Expenditures of the County of Los Angeles and 39 Cities

FY 2025 Revenues and Expenditures



/ Overview of the Audit Results



/ Overview of the Audit Results

FY 2025 Summary of Audit Results

- Dollars associated with the findings have increased from \$ 862,275 in FY2024 to \$2,230,242 in FY2025 audit.
- This represents about 1.66% of the total Proposition A and Proposition C FY2025 allocations of \$134,714,133 to the County of Los Angeles and the 39 cities under Package A.

Questioned Costs

- \$359,609 of the questioned cost relates to Proposition A and Proposition C funds expended on eligible projects prior to Metro's approval.
- \$1,764,460 of the questioned cost relates to unused funds which lapsed as of June 30, 2025. The cities received a one-year extension to use the lapsed funds.
- \$106,173 of the questioned cost relates to administrative expenses in excess of the 20% cap.

All of these were resolved during the audit.

/ Details of Audit Results



/ Details of Audit Results

Our findings are as follows:

A. Funds were expended prior to Metro’s approval.

- Compliance Reference: Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that “Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”
- Number of cities involved: 2 of 39 cities
- Questioned costs for 2025:

	Fund	Total Expenditures Claimed for 2025	Questioned	Report Reference
1. Huntington Park	Proposition A	\$ 1,462,920	\$ 10,945	Finding #2025-008, Page 17
	Proposition C	812,843	285,310	Finding #2025-008, Page 17
2. South Gate	Proposition A	2,120,238	8,115	Finding #2025-017, Page 32
	Proposition C	3,720,182	55,239	Finding #2025-017, Page 32
		\$ 8,116,183	\$ 359,609	

/ Details of Audit Results, continued

B. Funds were not used in a timely manner.

- Compliance Reference: Section I(B) Timely Use of Funds of the Proposition A and Proposition C Local Return Guidelines states that, “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.”

Number of cities involved: 2 of 39 cities

Questioned costs for 2025:

	Fund	Total Expenditures Claimed for 2025	Questioned	Report Reference
1. Compton	Proposition A	\$ 2,069,488	\$ 546,252	Finding #2025-004, Page 12
	Proposition C	1,115,352	1,215,734	Finding #2025-004, Page 12
2. Vernon	Proposition A	-	2,276	Finding #2025-018, Page 34
	Proposition C	-	198	Finding #2025-018, Page 34
		<u>\$ 3,184,840</u>	<u>\$ 1,764,460</u>	

The Cities were granted a one-year extension for the use of the lapsed funds.

/ Details of Audit Results, continued

C. Administrative expenses are within the 20% cap.

- Compliance Reference: Section II(A) 15 Direct Administration of the Proposition A and C Local Return Guidelines states that, “The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%. The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges.”

Number of cities involved: 1 of 39 cities

- [City of Cudahy](#) (Finding #2025-006, page 15 of the report)

Questioned costs for 2025:

		Total Expenditures Claimed for 2025	Questioned	Report Reference
1. Cudahy	Proposition A	\$ 454,694	\$ 36,989	Finding #2025-006, Page 28
	Proposition C	137,090	69,184	Finding #2025-006, Page 28
		<u>\$ 591,784</u>	<u>\$ 106,173</u>	

/ Details of Audit Results, continued

D. Project expenditures exceeded 25% of approved project budget.

- Compliance Reference: Section I(C) Project Description Form (Form A) of the Proposition A and Proposition C Local Return Guidelines states that “Jurisdictions shall submit for approval a Project Description Form (Form A) or its electronic equivalent prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.”

Number of cities involved: 3 of 39 cities

- City of Bell Gardens (Finding #2025-001, page 8 of the report)
- City of Huntington Park (Finding #2025-009, page 19 of the report)
- City of Lynwood (Finding #2025-014, page 26 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

E. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.

- Compliance Reference: Section III(A) Annual Project Update (Form B) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year”.

Number of cities involved: 2 of 39 cities

- City of Calabasas (Finding #2025-002, page 9 of the report)
- City of Huntington Park (Finding #2025-010, page 21 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

F. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.

- Compliance Reference: Section II (C)(7) Pavement Management Systems (PMS) of the Proposition A and Proposition C Local Return Guidelines states that, “Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “Street Repair and Maintenance” or “Bikeway projects. Self-certifications executed by the jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria. A Pavement Management System (PMS) Certification Form should be prepared and submitted to Metro with project codes 705, 710, 806, and 840.”

Number of cities involved: 4 of 39 cities

- City of Carson (Finding #2025-003, page 10 of the report)
- City of Hawthorne (Finding #2025-007, page 16 of the report)
- City of Lawndale (Finding #2025-013, page 25 of the report)
- City of Montebello (Finding #2025-015, page 28 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

G. Recreational transit form was not submitted timely.

- Compliance Reference: Section III(A) Reporting Requirements for Jurisdictions, Annual Expenditure Report (Form C or Actuals Entry) of the Proposition A and Proposition C Local Return Guidelines states that, “For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C or Actuals Entry, no later than October 15 after the fiscal year”.

Number of cities involved: 1 of 39 cities

- [City of Huntington Park](#) (Finding #2025-011, page 22 of the report)

Questioned costs for 2025: None

/ Details of Audit Results, continued

H. Accounting procedures, recordkeeping and documentation were not adequate.

- Compliance Reference: Proposition A and Proposition C Local Return Guidelines Section V, states that, “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines”.

Number of cities involved: 3 of 39 cities

- City of Compton (Finding #2025-005, page 13 of the report)
- City of Huntington Park (Finding #2025-012, page 23 of the report)
- City of Santa Fe Springs (Finding #2025-016, page 30 of the report)

Questioned costs for 2025: None

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance



/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance

(1) Material Weaknesses

City of Compton

Finding #2025-005

During the fiscal years 2017 through 2025, the City lost several key employees in the Finance and Accounting department. As a result, there were delays in the closing of the City's books for the fiscal year 2025 and prior years. As of December 30, 2025, accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.

A **qualified opinion** was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2025.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance , Continued

(2) Material Weaknesses

City of Huntington Park

Finding #2025-0011

The City submitted its Recreational Transit Certification for PALRF on November 17, 2025, which was 33 days after the October 15, 2025 due date.

This is a repeat finding from the fiscal years 2023 and 2024.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, Continued

(3) Material Weaknesses

City of Huntington Park

Finding #2025-0012

During the fiscal years 2021 through 2025, the City lost several key employees, particularly in the Finance and Accounting Department. This resulted in delays in closing the City's books for the fiscal year 2025 and prior years. As of December 29, 2025, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.

A **qualified opinion** was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2025.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, Continued

(4) Material Weaknesses

City of Santa Fe Springs

Finding #2025-0016

During the fiscal year 2025, the City lost several key employees, particularly in the Finance and Accounting Department. As such, there were delays in the closing of the City's books for the fiscal year 2025. As of December 30, 2025, the accounting personnel and support staff are working toward closing the books and preparing the closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.

A **disclaimer of opinion** was issued on the City's PALRF and PCLRF financial statements as of and for the year ended June 30, 2025.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, Continued

(5) Significant Deficiencies (repeat finding)

City of Cudahy

Finding #2025-006

The City claimed PALRF administrative expenses in excess of the 20% cap, totaling \$9,893.

This is a repeat finding from prior year's audit relating to the PALRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 610, Administrative Prop A to \$121,791, resulting in an excess of \$27,096.

Additionally, the PCLRF's prior period adjustment which increased the FY2023/24 expenditures for Project Code 620, Administration Prop C to \$77,180, resulted in an excess of \$69,184.

/ Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance, Continued

(5) Significant Deficiencies (repeat finding)

City of South Gate

Finding #2025-017

The City charged expenditures to several Proposition A and Proposition C projects before obtaining required Metro approval.

Prop A: Project 610 – Traffic Development Impact Fee Study – \$8,115

Prop C:

- Project 303 – Tweedy Blvd Traffic Signal Synchronization – \$47,124
- Project 620 – Traffic Development Impact Fee Study – \$8,115

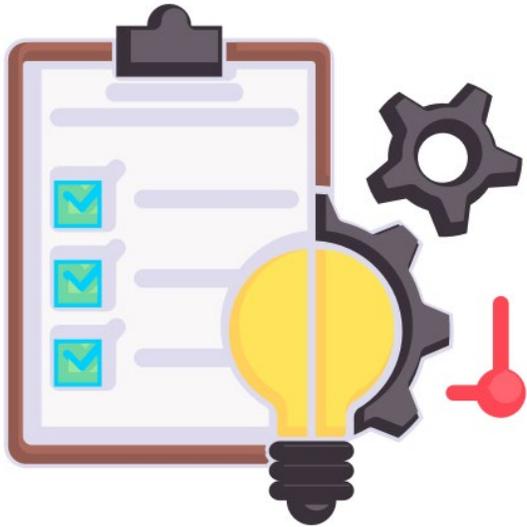
Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from Metro.

This is a repeat finding for PCLRF from prior year.

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee



/ Required Communications to the Independent Citizen's Advisory and Oversight Committee



Professional standards require independent accountants to discuss with those in charge of governance matters of importance which arise during the course of their audit as well as significant matters concerning the audited jurisdictions' internal controls and the preparation and composition of the financial statements. We therefore present the following information required to be communicated to the Independent Citizen's Advisory and Oversight Committee based upon the results of our audit of the Proposition A and Proposition C Local Return Funds of the County of Los Angeles and 39 cities.

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee, continued

Management's Responsibility

Management of the jurisdictions has primary responsibility for the accounting principles used, their consistency, application and clarity.

Consultations with Other Accountants

We are not aware of any consultations by management of the jurisdictions with other accountants about accounting or auditing matters.

Difficulties with Management

We did not encounter any difficulties with management of the jurisdictions while performing our audit procedures.

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee, continued

Disagreements with Management

We encountered no disagreements with management of the jurisdictions on financial accounting and reporting matters.

Significant Accounting Policies

The jurisdictions' significant accounting policies are appropriate and were consistently applied.

Controversial Issues

No significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.

/ Required Communications to the Independent Citizen's Advisory and Oversight Committee, continued

Irregularities, Fraud or Illegal Acts

No irregularities, fraud or illegal acts came to our attention as a result of our audit procedures.

Management Representations

The jurisdictions provided us with a signed copies of the management representation letters prior to issuance of our auditor's opinions.

/ Questions

/ Contact Information

Vasquez + Company LLP has over 55 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, and governmental entities.

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Cristy Canieda, CPA, CGMA

O: +1.213.873.1720

ccanieda@vasquezcpa.com

Roger Martinez, CPA

O: +1.213-873-1703

ram@vasquezcpa.com

www.vasquez.cpa



**Thank you for your
time and attention!**

