

**Proposition A and Proposition C Local Return Funds  
Audit Results  
For the Fiscal Year Ended June 30, 2024  
(Package B)**

**Simpson & Simpson, LLP**



Proposition A and Proposition C  
Independent Citizen's Advisory and Oversight Committee (ICAOC) Meeting  
Date: March 5, 2025

# Agenda

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



# Background



# Simpson and Simpson, LLP

- We have audited the compliance of the 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 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              |                                   |



# 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 Proposition A and Proposition C Ordinances, the Proposition A and Proposition C Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds.



# Summary of Audit Results – Findings and Questioned Costs



# Summary of Audit Results

- ❖ Audits were performed all 49 jurisdictions.
  - Total dollar amounts associated with the findings for Proposition A (PALRF) and Proposition C (PCLRF) for the jurisdictions under Package B are as follows:
    - PALRF:
      - **Total questioned costs:** \$85,734 identified during the FY2024 compliance audits. This represents approximately 0.05% of the total FY2024 allocations of \$185,506,336.
      - **Resolution:** Of the questioned costs, \$76,359 was resolved during the audit process.
    - PCLRF:
      - **Total questioned costs:** \$500,221 identified during the FY2024 compliance audits. This represents approximately 0.33% of the total FY2024 allocations of \$153,853,196.
      - **Resolution:** All questioned costs were resolved during the audits.



# Summary of Audit Results (Cont.)

During our audit, we identified a total of 18 instances of non-compliance. The following were categorized as Material Weaknesses and Significant Deficiencies:

- Material Weaknesses (3 instances)
  - City of Artesia (#2024-002)
  - City of La Habra Heights (#2024-007)
  - City of Palos Verdes Estates (#2024-012)
  
- Significant Deficiencies (3 instances)
  - City of Artesia (#2024-001)
  - City of La Habra Heights (#2024-006)
  - City of Palmdale (#2024-010)

Further details about the specific conditions leading to these material weaknesses and the significant deficiencies in internal control over Compliance will be explained as each finding is presented.





# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval and were not substituted for property tax.	3	Diamond Bar (#2024-004) La Habra Heights (#2024-006) Lancaster (#2024-008)	\$ - 24,322 -	\$ 51,265 - 6,802	\$ 51,265 24,322 6,802
Timely use of funds.	6	Bradbury (#2024-003) Palmdale (#2024-010) Palos Verdes Estates (#2024-012) San Dimas (#2024-013) Signal Hill (#2024-015) South Pasadena (#2024-018)	722 - - - 51,315 -	- 56,743 188,565 81,288 - 115,558	722 56,743 188,565 81,288 51,315 115,558



# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	4	Artesia (#2024-001) La Habra Heights (#2024-007) Palos Verdes Estates (#2024-011) San Gabriel (#2024-014)	None None None -	- - - None	None None None None
Recreational transit form was submitted on time.	2	Artesia (#2024-002) Manhattan Beach (#2024-009)	None None	- -	None None



# Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation are adequate.	3	Glendora (#2024-005) South Pasadena (#2024-016) South Pasadena (#2024-017)	None None 9,375	None None -	None None None
<b>Total Findings and Questioned Costs</b>	<b>18</b>		<b>\$ 85,734</b>	<b>\$ 500,221</b>	<b>\$ 576,580</b>



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance

## ➤ Material Weakness 1 of 3:

### City of Artesia (Finding #2024-002):

- **Issue:** The City failed to meet the October 15, 2024 deadline for submitting the Recreational Transit Form to Metro.
- **Reason:** Oversight due to understaffing.
- **Repeat Finding:** Previously identified in the Fiscal Years 2022 and 2023.
- **Resolution:** During the Audit, the City submitted the form on December 13, 2024. No further follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Material Weakness 2 of 3 (continued):

### City of La Habra Heights (Finding #2024-007):

- **Issue:** The City exceeded Metro's approved budget for PALRF Project Code 107, Dial-A-Ride, by more than 25%, totaling an excess of \$4,322.
- **Reason:** Oversight caused by personnel turnover among administrative staff and management.
- **Repeat Finding:** Previously identified in the Fiscal Years 2022 and FY 2023.
- **Resolution:** During the audit, Metro's Program Manager granted retroactive budget approval of \$24,322 on December 11, 2024. No further follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Material Weakness 3 of 3 (continued):

### City of Palos Verdes Estates (Finding #2024-012):

- **Issue:** The City's FY 2021 ending fund balance for PCLRF, amounting to \$188,565, was not fully expended within three years as of June 30, 2024, nor reserved for capital projects, as required by the Prop C Local Return Guidelines.
- **Reason:** Oversight due to recent administrative and management turnover, including the departure of the Public Works Director in August 2024 and the Finance Director position being vacant since March 2023.
- **Repeat Finding:** Previously identified in the Fiscal Years 2021, 2022, and 2023.
- **Resolution:** During the audit, Metro granted an extension for the usage of lapsed funds until June 30, 2025, on December 9, 2024. No further follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Significant Deficiency 1 of 3 :

### City of Artesia (Finding #2024-001):

- **Issue:** The City exceeded Metro's approved budget for Project Code 155, Youth and Senior Recreation Transportation Services, by more than 25%, totaling \$17,680.
- **Reason:** Oversight due to understaffing.
- **Repeat Finding:** Previously identified in the Fiscal Year 2022.
- **Resolution:** During the audit, the City entered the required information in the LRMS on December 13, 2024. No further follow-up is required.



# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Significant Deficiency 2 of 3 (continued):

### City of La Habra Heights (Finding #2024-006):

- **Issue:** The City incurred expenditures of \$24,322 prior to receiving Metro's approval for PALRF Project Code 107, Dial-A-Ride.
- **Reason:** Oversight due to personnel turnover among administrative staff and management.
- **Repeat Finding:** Previously identified in the Fiscal Year 2023.
- **Resolution:** During the audit, Metro's Program Manager granted retroactive budget approval for the project on November 18, 2024. No further follow-up is required.





# Material Weaknesses and Significant Deficiencies In Internal Control over Compliance (Cont.)

## ➤ Significant Deficiency 3 of 3 (continued):

### City of Palmdale (Finding #2024-010):

- **Issue:** The City's Fiscal Year 2021 PCLRF ending fund balance of \$56,743 was not fully expended within three years as of June 30, 2024, nor reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
- **Reason:** Oversight on the part of the City.
- **Repeat Finding:** Previously identified in the Fiscal Year 2023.
- **Resolution:** During the audit, Metro granted the City an extension for the usage of lapsed funds until June 30, 2025, on December 13, 2024. No further follow-up is required..

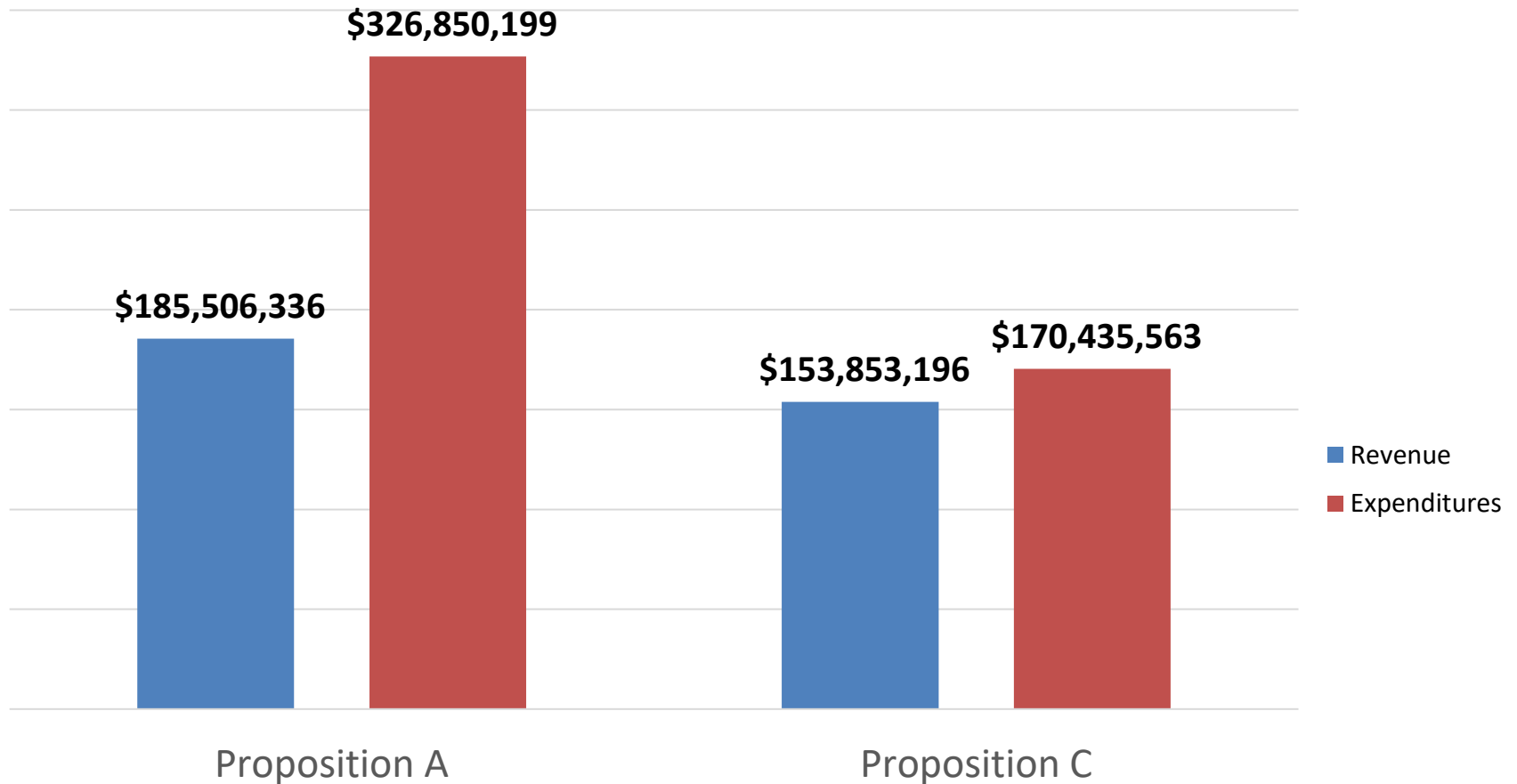


# Analysis of Audit Results



# Revenue and Expenditures of 49 Jurisdictions

FY 2024 Revenue and Expenditures – Proposition A & C



# Simpson & Simpson CPAs

## Contact information

Team member	Contact information
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# Questions

