



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

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ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE  
WITH THE REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE  
AND MEASURE R LOCAL RETURN GUIDELINES**

To: Board of Directors of the Los Angeles County  
Metropolitan Transportation Authority  
and Measure R Independent Taxpayers 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 R Ordinance enacted through a Los Angeles County voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (Metro), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R 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 R 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.



### ***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 R 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 #2024-004. 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.

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
December 31, 2024

**Los Angeles County Metropolitan Transportation Authority  
Measure R 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 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              |                                   |

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

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

## **SUMMARY OF AUDIT RESULTS**

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

The audit of the 49 cities have resulted in four (4) findings. The table below summarizes these findings:

<b>Compliance Areas</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding No. Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended with Metro's approval.	1	Lancaster (#2024-003)	\$ 31,949	\$ 31,949
Timely use of funds.	1	Glendale (#2024-001)	1,800,946	1,800,946
Accounting procedures, record keeping and documentation are adequate.	2	Glendora (#2024-002)	None	None
		South Pasadena (#2024-004)	None	None
<b>Total Findings and Questioned Costs</b>	<b>4</b>		<b>\$ 1,832,895</b>	<b>\$ 1,832,895</b>

Details of the above findings are presented in Schedule 2.

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

<b>Finding #2024-001</b>	<b>City of Glendale</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B (III), Timely Use of Funds, “Measure R LR funds have five (5) years to be expended. Funds must be expended within five years of the first day of the fiscal year in which funds were originally allocated or received.”
Condition	<p>The City's fiscal year 2018-19 lapsed fund balance in the amount of \$1,800,946 was not fully expended within 5 years as of June 30, 2024, and was not reserved for capital projects as required by the Measure R Local Return Guidelines.</p> <p>However, the City received an extension approval from Metro to spend the lapsed funds until June 30, 2025 on December 10, 2024.</p>
Cause	This was an oversight by the City for not tracking the timely use of funds.
Effect	The City was not in compliance with Measure R Local Return Guidelines.
Recommendation	We recommend that the City establish a procedure requiring City staff to review the estimated annual fund balance so that funds are expended in a timely manner or a capital reserve account can be established.
Management's Response	The City will program the funding to ensure the lapsed amount is spent in a timely manner.
Corrected During the Audit	On December 10, 2024, Metro granted the City an extension on the usage of the lapsed funds until June 30, 2025.

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

<b>Finding #2024-002</b>	<b>City of Glendora</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section VII, "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	<p>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.</p>
Cause	<p>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.</p>
Effect	<p>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.</p>
Recommendation	<p>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.</p>
Management's Response	<p>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 are 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 is 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.</p>

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

<b>Finding #2024-003</b>	<b>City of Lancaster</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R 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 the MRLRF's Project Code 720, 16ZZ001 - Safer Street Action Plan, in the amount of \$31,949, were incurred prior to Metro's approval. However, the City subsequently received an approved budget amount of \$1,057,000 from Metro for said MRLRF project on October 10, 2024.
Cause	This was an oversight on the part of the City.
Effect	The City did not comply with the Measure R Local Return Guidelines as expenditures for the MRLRF 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 MRLRF 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 MRLRF are in accordance with Metro's approval and the Measure R Local Return 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	The City subsequently entered the required information in the LRMS on October 10, 2024. No follow up is required.

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

<b>Finding #2024-004</b>	<b>City of South Pasadena</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section VII, "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"> <li>(a) The beginning fund balance for MRLRF was not reconciled with the prior year's audited financial statement.</li> <li>(b) A detailed breakdown of expenditures charged to the MRLRF for the fiscal year ended June 30, 2024 was not provided.</li> <li>(c) No bank reconciliation was prepared as of June 30, 2024.</li> </ul>
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"> <li>(a) Inaccurate or misstated financial records and reports.</li> <li>(b) Noncompliance with applicable local return guidelines.</li> </ul>
Recommendation	We recommend that management prioritize and complete the year-end closing process promptly to address the identified issues. Specifically, management should: <ol style="list-style-type: none"> <li>1. Ensure that all beginning fund balances are reconciled with the prior year's audited financial statements.</li> <li>2. Provide a detailed breakdown of expenditures charged to the local return funds for the fiscal year, along with the necessary supporting documentation for verification.</li> <li>3. Complete all required bank reconciliations for the fiscal year.</li> </ol> <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 R Local Return Fund  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2024  
 (Continued)**

<b>Finding #2024-004 (Continued)</b>	<b>City of South Pasadena</b>
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.