

**Proposition A and Proposition C Local Return Funds
Audit Results
For the Fiscal Year Ended June 30, 2023
(Package B)**

Simpson & Simpson, LLP



Proposition A and Proposition C
Independent Citizen's Advisory and Oversight Committee (ICAOC) Meeting
Date: March 6, 2024

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



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- 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' audits.
 - 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: Found total questioned costs of \$1,939,513 in FY2023 compliance audits (About 1.0% of the FY2023 allocations of \$187,624,212), which were resolved during the audits.
 - PCLRF: Found total questioned costs of \$1,089,502 in FY2023 compliance audits (About 0.7% of the FY2022 allocations of \$155,649,202), which were resolved during the audits.



Summary of Audit Results (Cont.)

- We identified a total of 30 instances of non-compliance, which include the following:
 - 3 material weaknesses
 - City of Artesia
 - City of Bradbury
 - City of Palos Verdes Estates

 - 9 significant deficiencies
 - City of Artesia (2)
 - City of Bradbury
 - City of El Segundo (2)
 - City of La Habra Heights (3)
 - City of Signal Hill

Further details about the specific conditions for the 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.	7	Alhambra (#2023-001)	\$ 1,160,382	\$ -	\$ 1,160,382
		Artesia (#2023-006)	-	29,105	29,105
		Bradbury (#2023-007)	-	604	604
		Downey (#2023-011)	215,316	-	215,316
		La Habra Heights (#2023-016)	15,036	-	15,036
		Rolling Hills (#2023-025)	58,400	-	58,400
		Rolling Hills Estates (#2023-027)	15,686	-	15,686
Timely use of funds.	3	El Segundo (#2023-013)	470,845	-	470,845
		Palmdale (#2023-022)	-	496,812	196,812
		Palos Verdes Estates (#2023-024)	-	198,744	198,744
Administrative expenses are within the 20% cap.	2	Arcadia (#2023-003)	3,848	58,789	62,637
		Burbank (#2023-010)	-	305,448	305,448



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.	2	Alhambra (#2023-002) La Habra Heights (#2023-017)	None None	None -	None None
Annual Project Report (Form B) or electronic equivalent was submitted on time.	1	Bradbury (#2023-008)	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
Annual Expenditure Report (Form C) or electronic equivalent was submitted on time	5	Artesia (#2023-004) Bradbury (#2023-009) La Habra Heights (#2023-018) Palos Verdes Estates (#2023-023) Rolling Hills (#2023-026)	None None None None None	None None None None None	None None None None None
Recreational transit form was submitted on time.	8	Artesia (#2023-005) El Segundo (#2023-012) Glendora (#2023-014) Long Beach (#2023-020) Los Angeles (#2023-021) San Dimas (#2023-028) Signal Hill (#2023-029) Temple City (#2023-30)	None None None None None None None None	- - - - - - - -	None None None None 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
Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	La Habra Heights (#2023-019)	-	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.	1	Glendora (#2023-015)	None	-	None
Total Findings and Questioned Costs	30		\$ 1,939,513	\$ 1,089,502	\$ 3,029,015



Material Weaknesses and Significant Deficiencies In Internal Control over Compliance

➤ **Three (3) material weaknesses:**

City of Artesia (Finding #2023-006):

- The City incurred expenditures prior to receiving approval from Metro for PCLRF Project Code 705, ATP Cycle 3, in the amount of \$29,105.
- This was an oversight on the part of the City due to understaffed.
- This is a repeat finding from fiscal years 2021 and 2022.
- Resolved During the Audit: Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. No follow-up is required.



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

➤ **Three (3) material weaknesses (continued):**

City of Bradbury (Finding #2023-009):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form C) in the Local Return Management System (LRMS).
- The finding was due to change in personnel in the City's finance department.
- This is a repeat finding from the prior 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.



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

➤ Three (3) material weaknesses (continued):

City of Palos Verdes Estates (Finding #2023-024):

- The City's fiscal year 2020 PCLRF ending fund balance in the amount of \$198,744 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines.
- It was due to changes in administrative staff and management, leading to oversight.
- This is a repeat finding from the prior fiscal years 2021 and 2022.
- Resolved During the Audit: On December 21, 2023, Metro granted the City an extension on the usage of lapsed funds until June 30, 2024. No follow-up is required.



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

➤ **Nine (9) significant deficiencies:**

City of Artesia (Finding #2023-004):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form C) 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.



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

➤ **Nine (9) significant deficiencies (continued):**

City of Artesia (Finding #2023-005):

- The City did not meet the October 15, 2023 deadline for submitting the Recreational Transit Form to Metro.
- 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's Recreational Transit Form was submitted to Metro on December 18, 2023. No follow-up is required.



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

➤ **Nine (9) significant deficiencies (continued):**

City of Bradbury (Finding #2023-007):

- The City incurred expenditures prior to receiving approval from Metro for PCLRF Project Code 705, Wild Rose Project, in the amount of \$604.
- The finding was due to personnel change in the City's finance department.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: Metro Program Manager granted retroactive budget approval of the said project on November 16, 2023. No follow-up is required.



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

➤ **Nine (9) significant deficiencies (continued):**

City of El Segundo (Finding #2023-012):

- The City did not meet the October 15, 2023 deadline for submitting the Recreational Transit Form to Metro.
- This was an oversight on the part of the City.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City's Recreational Transit Form was submitted to Metro on December 5, 2023. No follow-up is required.



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

➤ **Nine (9) significant deficiencies (continued):**

City of El Segundo (Finding #2023-013):

- The City's fiscal year 2020 PALRF ending fund balance in the amount of \$470,845 was not fully expended within 3 years as of June 30, 2023, and it was not reserved for capital projects as required by the Prop C Local Return Guidelines.
- This was an oversight by the City for not tracking the timely use of funds.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: On December 5, 2023, Metro Program Manager granted the City an extension on the usage of lapsed funds until June 30, 2024. No follow-up is required.



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

➤ **Nine (9) significant deficiencies (continued):**

City of La Habra Heights (Finding #2023-017):

- The City exceeded Metro's approved budget for PALRF Project Code 410, Prop A Fund Trade, by more than 25 percent, amounting to an excess of \$30,000.
- It was due to turnover within the City's administrative staff and management.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: Metro Program Manager granted retroactive budget approval of the said project from \$40,000 to \$80,000 on November 20, 2023. No follow-up is required.



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

➤ **Nine (9) significant deficiencies (continued):**

City of La Habra Heights (Finding #2023-018):

- The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report (Form C) in the Local Return Management System (LRMS).
- It was due to turnover within the City's 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 30, 2023. No follow-up is required.



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

➤ **Nine (9) significant deficiencies (continued):**

City of La Habra Heights (Finding #2023-019):

- The City did not submit a PMS Certification Form during the fiscal year 2023. A PMS Certification Form was due for the fiscal year 2023 since the City incurred PCLRF expenditures for the following two projects:
 - (1) Project Code 715, 20/21 Street Improvements - Various Roads Overlay
 - (2) Project Code 715, 21/22 Street Improvements - Various Roads Overlay
- It was due to turnover within the City's administrative staff and management.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City has submitted the PMS Certification Form on November 20, 2023. No follow-up is required.



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

➤ **Nine (9) significant deficiencies (continued):**

City of Signal Hill (Finding #2023-029):

- The City did not meet the October 15, 2023 deadline for submission of the Recreational Transit Form.
- The finding was an oversight on the part of the City.
- This is a repeat finding from the prior fiscal year 2022.
- Resolved During the Audit: The City submitted the Recreational Transit Form on November 6, 2023. No follow-up is required.

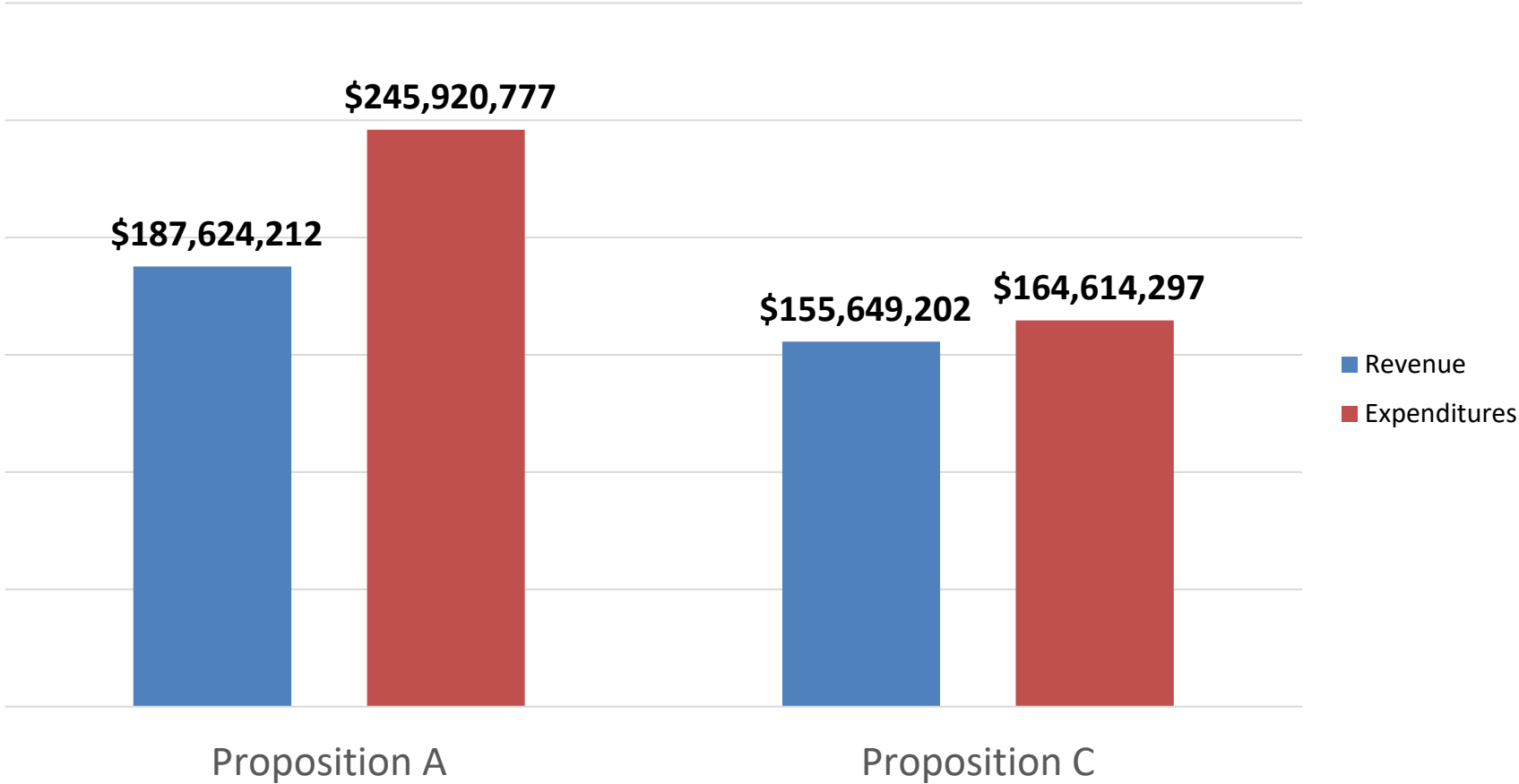


Analysis of Audit Results



Revenue and Expenditures of 49 Jurisdictions

FY 2023 Revenue and Expenditures – Proposition A & C



Simpson & Simpson CPAs

Contact information

Team member	Contact information
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Questions

