

**Measure M Local Return Fund Audit Results  
For the Fiscal Year Ended June 30, 2025  
(Package B)**

**Simpson & Simpson, LLP**



Measure M Independent Taxpayer Oversight Committee Meeting  
Date: March 4, 2026

# Agenda

- ❖ Presenters: Etta Hur, CPA, Partner  
Austine Cho, Senior Audit Manager
  - Background
  - Summary of Findings
  - Analysis of Measure M 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 the Measure M Ordinance, the Measure M Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds.



# Summary of Audit Results – Findings and Questioned Costs



# Summary of Findings

- ❖ Audits were performed in all 49 jurisdictions.
  - Total dollar amounts associated with the findings increased from \$123,759 in FY2024 to \$1,593,546 in the FY2025 compliance audit.

## **Total Questioned Costs:**

- \$1,593,546, approximately 1.3% of the FY2025 Measure M allocations, totaling \$123,016,141 under Package B.
- All questioned costs were resolved during the audits.

## **Types of Questioned Costs:**

- a) \$1,569,708: Funds expended on Measure M eligible projects without prior approval from Metro (resolved during the audit).
- b) \$23,838: Accounting procedures, record keeping, and documentation are adequate (resolved during the audit).



# Summary of Findings (Cont.)

During our audit, we identified a total of 8 instances of non-compliance. The following were categorized as Significant Deficiencies:

- Significant Deficiencies (5 instances)
  - City of Artesia (#2025-001)
  - City of Glendora (#2025-004)
  - City of Palos Verdes Estates (#2025-006)
  - City of Palos Verdes Estates (#2025-007)
  - City of Redondo Beach(#2025-008)

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



# Summary of Findings (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	4	Artesia (#2025-001) Downey (#2025-002) Glendora (#2025-003) Palos Verdes Estates (#2025-006)	\$ 28,885 688,825 3,099 848,899	\$ 28,885 688,825 3,099 848,899
Accounting procedures, record keeping and documentation are adequate.	4	Glendora (#2025-004) Glendora (#2025-005) Palos Verdes Estates (#2025-007) Redondo Beach (#2025-008)	None 23,838 None None	None 23,838 None None
<b>Total Findings and Questioned Cost</b>	<b>8</b>		<b>\$ 1,593,546</b>	<b>\$ 1,593,546</b>



# Significant Deficiencies In Internal Control over Compliance

## ➤ Significant Deficiency 1 of 5 :

### City of Artesia (Finding #2025-001):

- **Issue:** The City incurred expenditures of \$28,885 prior to receiving Metro's approval for MMLRF Project Code 705, Traffic Control/Curb and Approach Improvements at Various Sites.
- **Reason:** Oversight due to understaffing.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.
- **Resolution:** During the audit, Metro's Program Manager granted retroactive budget approval for the project on December 12, 2025. No further follow-up is required.



# Significant Deficiencies

## In Internal Control over Compliance (Cont.)

### ➤ Significant Deficiency 2 of 5:

#### City of Glendora (Finding #2025-004):

- **Issue:** The bank reconciliation process was significantly delayed, and the year-end closing process had not been finalized as of the date of our audit on December 25, 2025. The most recent completed bank reconciliation was for June 2024.
- **Reason:** The Finance Department experienced staff turnover in key positions, and the City transitioned to a new financial system effective January 1, 2024. These factors contributed to delays in completing bank reconciliations and year-end closing procedures, and compensating controls were not fully implemented to ensure these activities continued to be performed on a monthly basis.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.
- **Management's response:** The Finance Department has hired contract and part-time staff to assist with completing bank reconciliations and year-end closing activities, and to help train employees on the new financial system. The Department is also establishing procedures designed to ensure that these activities are completed timely going forward.



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

## ➤ Significant Deficiency 3 of 5:

### City of Palos Verdes Estates (Finding #2025-006):

- **Issue:** The City incurred total expenditures of \$848,899 prior to receiving Metro's approval for MMLRF Project Code 705, including \$630,885 related to Fiscal Year 2025 projects (comprising \$71,324 for the FY 24/25 Annual Slurry Seal Project and \$559,561 for the FY 24/25 Annual Resurfacing Project) and \$218,014 related to the FY 23/24 Annual Resurfacing Project, which was recorded as a prior period adjustment in the fiscal year 2025.
- **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:** Repeat finding from the fiscal year 2024.
- **Resolution:** During the audit, Metro's Program Manager granted retroactive budget approval for the projects on December 18, 2025. No further follow-up is required.



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

## ➤ Significant Deficiency 4 of 5:

### City of Palos Verdes Estates (Finding #2025-007):

- **Issue:** During the FY 2025 beginning balance reconciliation, the City recorded \$218,014 of FY 2024 Local Return Funds expenditures after completion of the FY 2024 audit (prior period adjustment), resulting in an overstatement of cash and understatement of MMLRF expenditures. Additionally, \$59,007 of FY 2024 Measure M MSP grant revenue was recorded in FY 2025 beginning balances, understating cash and revenue as of June 30, 2024.
- **Reason:** Oversight resulted from recent administrative and management turnover, including the Public Works Director's departure in August 2024 and the Finance Director position remaining vacant since March 2023, further compounded by staff unfamiliarity with fund requirements and reliance on external accounting support, which contributed to delays in reconciliations, analyses, and year-end reporting.
- **Management's response:** The City has updated the projects and budgets and will implement procedures and provide staff training to ensure timely updates and compliance with Metro requirements going forward.



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

## ➤ Significant Deficiency 5 of 5:

### City of Redondo Beach (Finding #2025-008):

- **Issue:** As of the audit date of December 16, 2025, the City's year-end closing process was incomplete, with May and June 2025 bank reconciliations pending, interest income allocations and accruals not finalized, and unrealized investment gains and losses not recorded.
- **Reason:** The City's transition between permit and financial systems from August 2024 to April 2025, combined with Finance Department staffing shortages, caused reconciliation challenges and delays that prevented completion of the year-end closing process and related allocations before the audit.
- **Management's response:** Management will strengthen the year-end closing process with improved documentation, a structured checklist, and clear task assignments. Interest allocations and bank reconciliations will be completed monthly with supervisor review, responsibilities will be reassigned to ensure continuity, and progress will be regularly monitored to ensure timely and accurate financial reporting.

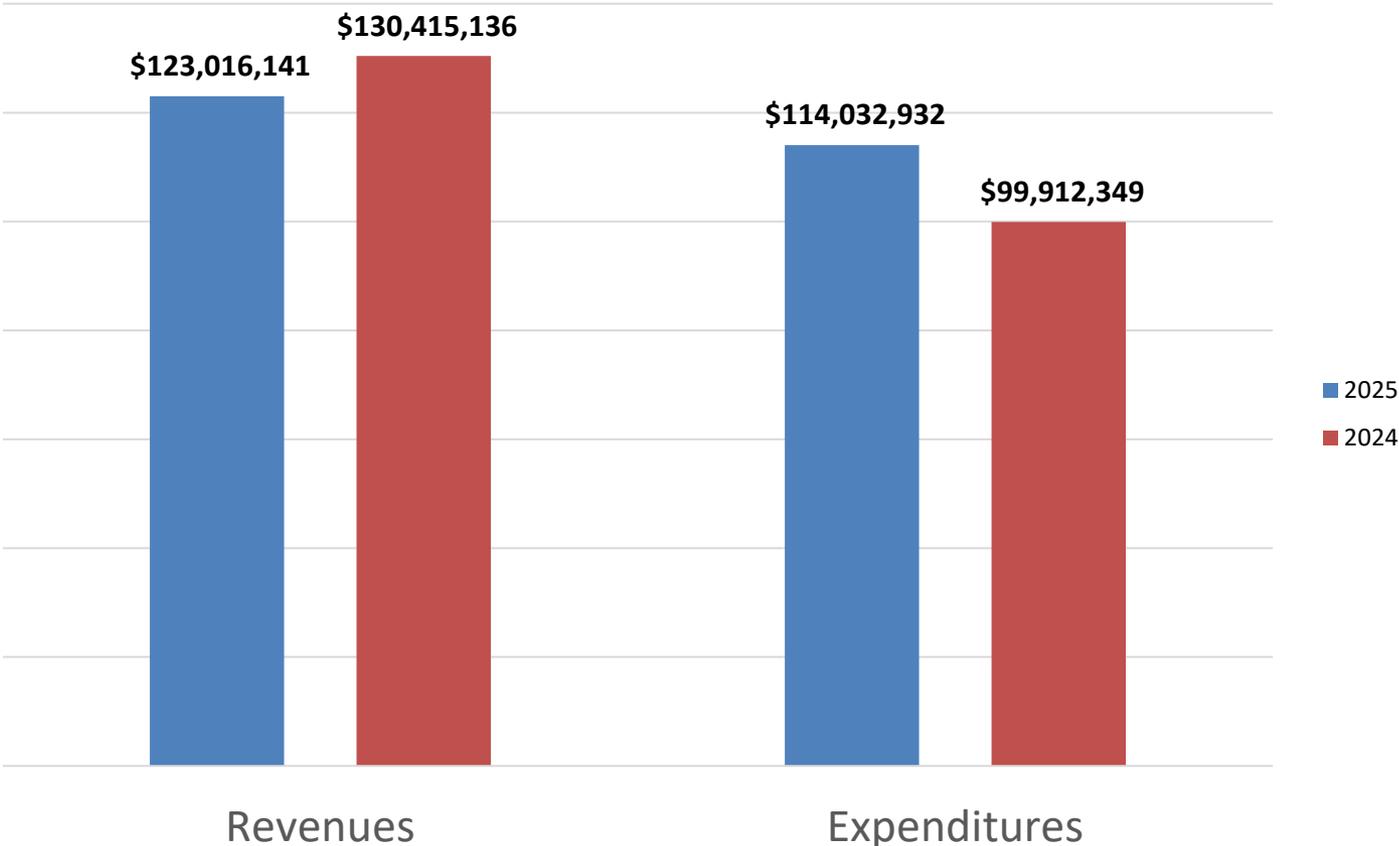


# Analysis of Measure M Audit Results



# Revenue and Expenditures of 49 Jurisdictions

FY 2025 & FY 2024 Revenues and Expenditures



# Simpson & Simpson CPAs

## Contact information

Team member	Contact information
<b>Grace Yuen</b> Lead Engagement Partner	Email: <a href="mailto:gyuen@simpsonllp.com">gyuen@simpsonllp.com</a>
<b>Etta Hur</b> Engagement Partner	Email: <a href="mailto:ehur@simpsonllp.com">ehur@simpsonllp.com</a>
<b>Melba Simpson</b> Quality Control Partner	Email: <a href="mailto:msimpson@simpsonllp.com">msimpson@simpsonllp.com</a>
<b>Austine Cho</b> Audit Senior Manager	Email: <a href="mailto:acho@simpsonllp.com">acho@simpsonllp.com</a>
<b>Samuel Qiu</b> Managing Partner (SBE)	Email: <a href="mailto:samq@qiuaccountancy.com">samq@qiuaccountancy.com</a>
<b>Dulce Kapuno</b> Audit Manager (SBE)	Email: <a href="mailto:dulcek@qiuaccountancy.com">dulcek@qiuaccountancy.com</a>



# Questions

