



Metro[®]

**PRESENTATION TO THE MEASURE R
INDEPENDENT TAXPAYERS
OVERSIGHT COMMITTEE
AUDIT RESULTS OF MEASURE R LOCAL RETURN FUNDS
Package A**

March 7, 2024

/ AGENDA

- Scope of the Audits
- Levels of Assurance, Compliance Criteria and Auditing Standards Utilized
- Revenue and Expenditures of the County of Los Angeles and 39 Cities
- Overview of the Audit Results
- Details of Audit Results
- Material Weaknesses in Internal Control over Compliance
- Required Communications to the Measure R Independent Taxpayers Oversight Committee
- Q&A
- Contact Information

SCOPE OF THE AUDITS

/ SCOPE OF THE AUDITS

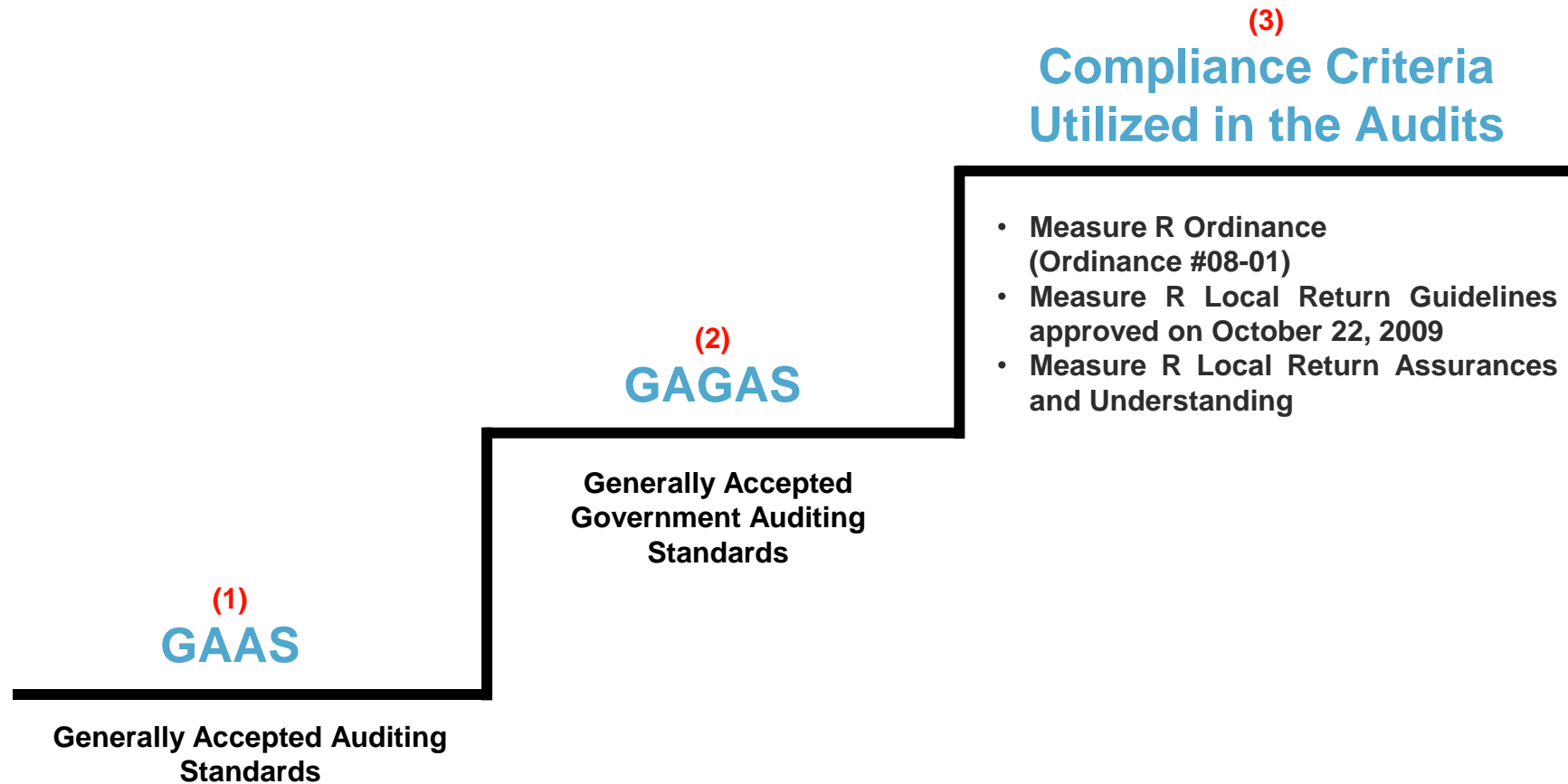
Financial and Compliance Audits of Measure R Local Return Funds held by the County of Los Angeles and 39 Cities under Package A

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



LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED

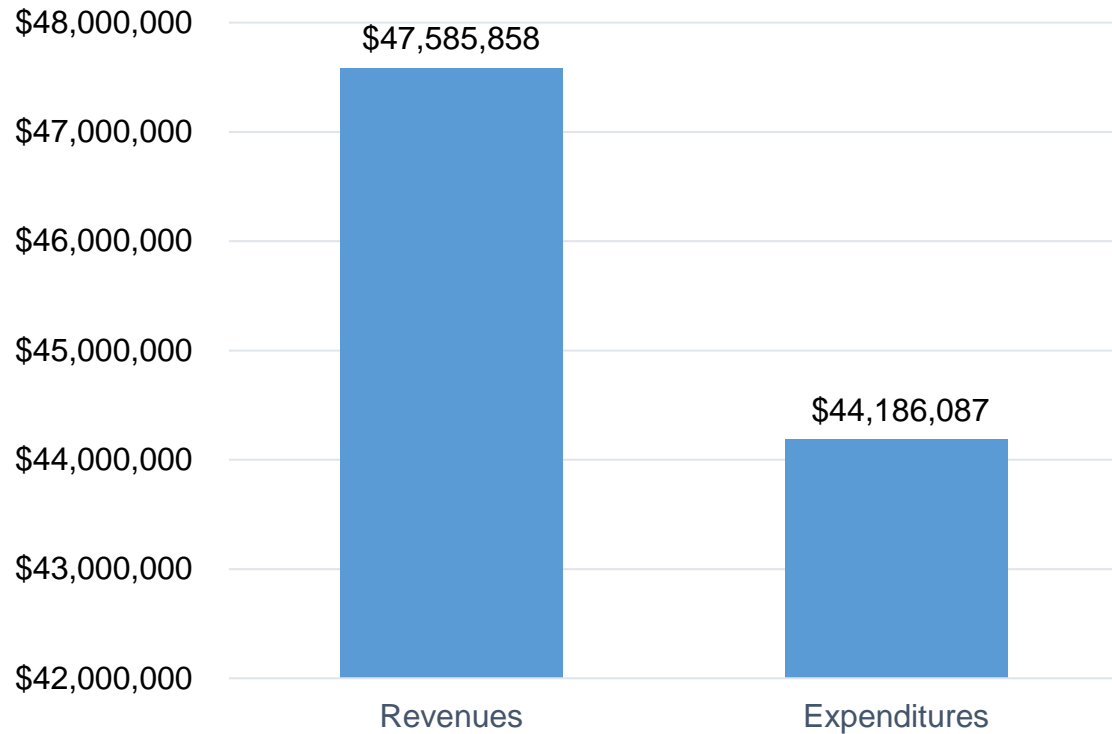
/ LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



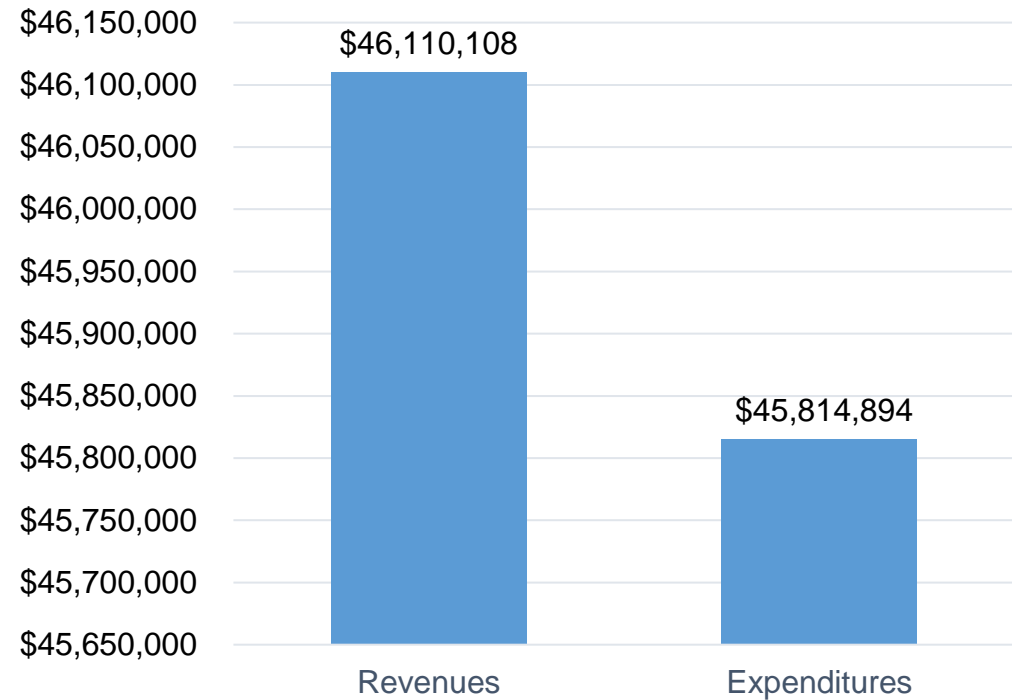
REVENUE AND EXPENDITURES OF THE COUNTY OF LOS ANGELES AND 39 CITIES

REVENUE AND EXPENDITURES OF THE COUNTY OF LOS ANGELES AND 39 CITIES

FY 2023 Revenues and Expenditures



FY 2022 Revenues and Expenditures



OVERVIEW OF THE AUDIT RESULTS

/ OVERVIEW OF THE FY2022 AUDIT RESULTS

FY 2022 Summary of Audit Results

- Dollars associated with the findings have increased from \$58,090 in FY2021 to \$1,067,314 in FY2022 audit.
- This represents about 2% of the total Measure R FY2022 allocations of \$46,110,108 to the County of Los Angeles and 39 cities under Package A.

Questioned Costs

- The questioned cost of \$1,067,314 relates to Measure R funds expended on eligible projects prior to Metro's approval.

All of these were resolved during the audit.

/ OVERVIEW OF THE FY2023 AUDIT RESULTS

FY 2023 Summary of Audit Results

- Dollars associated with the findings have decreased from \$1,067,314 in FY2022 to \$341,654 in FY2023 audit.
- This represents about 0.72% of the total Measure R FY2023 allocations of \$47,585,858 to the County of Los Angeles and 39 cities under Package A.

Questioned Costs

- The questioned cost of \$341,654 relates to Measure R funds expended on eligible projects prior to Metro's approval.

All of these were resolved during the audit.

DETAILS OF FY2022 AUDIT RESULTS

/ DETAILS OF AUDIT RESULTS

Our findings are as follows:

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

- Compliance Reference: Section B(II) Expenditure Plan (Form One) of the Measure R Local Return Program Guidelines state that, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (Form One), annually, by August 1st of each year”.
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2022:

	Total Expenditures Claimed for 2022	Questioned	Resolved During the Audit	Report Reference
1. Bell	\$ 361,021	\$ 134,979	\$ 134,979	Finding #2022-001, Page 8
2. Calabasas	357,979	156,347	156,347	Finding #2022-003, Page 10
3. Compton	891,118	605,793	605,793	Finding #2022-004, Page 12
4. Montebello	1,815,834	170,195	170,195	Finding #2022-005, Page 14
	\$ 3,425,952	\$ 1,067,314	\$ 1,067,314	

/ DETAILS OF AUDIT RESULTS

B. Expenditure Plan (Form One or electronic equivalent was not submitted timely.)

- Compliance Reference: Section B(II)(1) (8/1 Table) of Measure R Local Return Guidelines state that, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year”.
- Number of cities involved: 3 of 39 cities
 - **City of Bell Gardens (Finding #2022-002, Page 9 of the report)**
 - **City of South Gate (Finding #2022-006, Page 16 of the report)**
 - **City of Vernon (Finding #2022-007, Page 17 of the report)**
- Questioned costs for 2022: **None**

MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

(1) Material Weakness (repeat finding)

City of Calabasas

Finding #2022-003

The City claimed expenditures of \$156,347 for the following projects prior to Metro's approval:

1. MRLRF Project code 110, Public Transit Fueling project, totaling \$9,968;
2. MRLRF Project code 110, Flexible Route Shuttle project, totaling \$26,171;
3. MRLRF Project code 110, Old Town Calabasas/Commons Trolley project, totaling \$6,448;
4. MRLRF Project code 110, JARC Grant Local Match Funding project, totaling \$20,814;
5. MRLRF Project code 130, Dial-A-Ride project, totaling \$27,699;
6. MRLRF Project code 140, Summer Beach Bus project, totaling \$413;
7. MRLRF Project code 180, Vehicle and Misc. Equipment project, totaling \$5,171; and
8. MRLRF Project code 630, Direct Administration project, totaling \$59,663.

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

(2) Two (2) Significant deficiencies (repeat finding)

City of Compton

Finding #2022-004

- The City's issuance of the PCLRF, MRLRF and MMLRF Limited Tax Bonds and the use of the proceeds of the bonds for Street Improvement Projects was approved by Metro before the issuance of the bonds in March 2021. Accordingly, the debt service payments were also approved as an eligible expense under MRLRF. However, to comply with Metro's annual budget approval process and reporting requirement, the City is required to submit a Budget Request or "8/1" Table and include the annual budgets for both bond proceeds project expenditures and debt service payment for approval by Metro. Debt service payments of \$605,793 were not included in the Budget Request or "8/1" Table.

/ MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

(2) Two (2) Significant deficiencies (repeat finding)

City of Montebello

Finding #2022-005

The City claimed expenditures of \$170,195 for the following projects prior to Metro's approval:

1. Project code 490, Sales Tax Revenue Bonds, totaling \$1,605; and
2. Project code 630, Administrative Overhead, totaling \$168,590.

DETAILS OF FY2023 AUDIT RESULTS

/ DETAILS OF AUDIT RESULTS

Our findings are as follows:

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

- Compliance Reference: Section B(II) Expenditure Plan (8/1 Table) of the Measure R Local Return Program Guidelines states that, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to Metro an Expenditure Plan (8/1 Table), annually, by August 1st of each year”.
- Number of cities involved: 1 of 39 cities
- Questioned costs for 2023:

	Total Expenditures Claimed for 2023	Questioned	Resolved During the Audit	Report Reference
1. South Gate	\$ 1,549,984	\$ 341,654	\$ 341,654	Finding #2023-003, Page 11
	\$ 1,549,984	\$ 341,654	\$ 341,654	

/ DETAILS OF AUDIT RESULTS

B. Annual Expenditure Report (Actuals Entry) was not submitted timely.

- Compliance Reference: Section B(II)(2) Annual Expenditure Report (Actuals Entry) of the Measure R Local Return Guidelines states that “Jurisdiction shall submit an Annual Expenditure Report (Actuals Entry) to Metro annually, by October 15th. The Expenditure Report serves to notify Metro of the previous year's LR fund receipts and expenditures.
- Number of cities involved: 1 of 39 cities
 - **City of Lynwood (Finding #2023-002, Page 10 of the report)**
- Questioned costs for 2023: **None**

/ DETAILS OF AUDIT RESULTS

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

- Compliance Reference: Section VII of the Measure R Local Return Program Guidelines 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: 1 of 39 cities
 - **City of Huntington Park (Finding #2023-001, Page 8)**
- Questioned costs for 2023: **None**

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

/ MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

City of Huntington Park

Finding #2023-001

- During the fiscal years 2021 through 2023, 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 2023 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing 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 MRLRF financial statements as of and for the year ended June 30, 2023.

REQUIRED COMMUNICATIONS TO THE MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

/ REQUIRED COMMUNICATIONS TO THE MEASURE R INDEPENDENT TAXPAYERS 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 Measure R Independent Taxpayers Oversight Committee based upon the results of our audit of the Measure R Local Return Funds of the County of Los Angeles and 39 cities.

/ REQUIRED COMMUNICATIONS TO THE MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE

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 MEASURE R INDEPENDENT TAXPAYERS 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 MEASURE R INDEPENDENT TAXPAYERS 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

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Cristy Canieda, CPA, CGMA
213-873-1720 OFFICE
ccanieda@vasquezcpa.com

Roger Martinez, CPA
213-873-1703 OFFICE
ram@vasquezcpa.com

Marialyn Labastilla, CPA, CGMA
213-873-1738 OFFICE
mlabastilla@vasquezcpa.com

www.vasquez.cpa

Los Angeles \ San Diego \ Irvine \ Sacramento \
Fresno \ Phoenix \ Las Vegas \ Manila, PH

\ 213-873-1700
\ solutions@vasquezcpa.com

Thank you for your time and attention.