



**Presentation to the Measure R Oversight  
Committee  
Measure R Local Return Funds**

April 19, 2021



**Metro<sup>®</sup>**

Los Angeles County  
Metropolitan Transportation Authority

# AGENDA

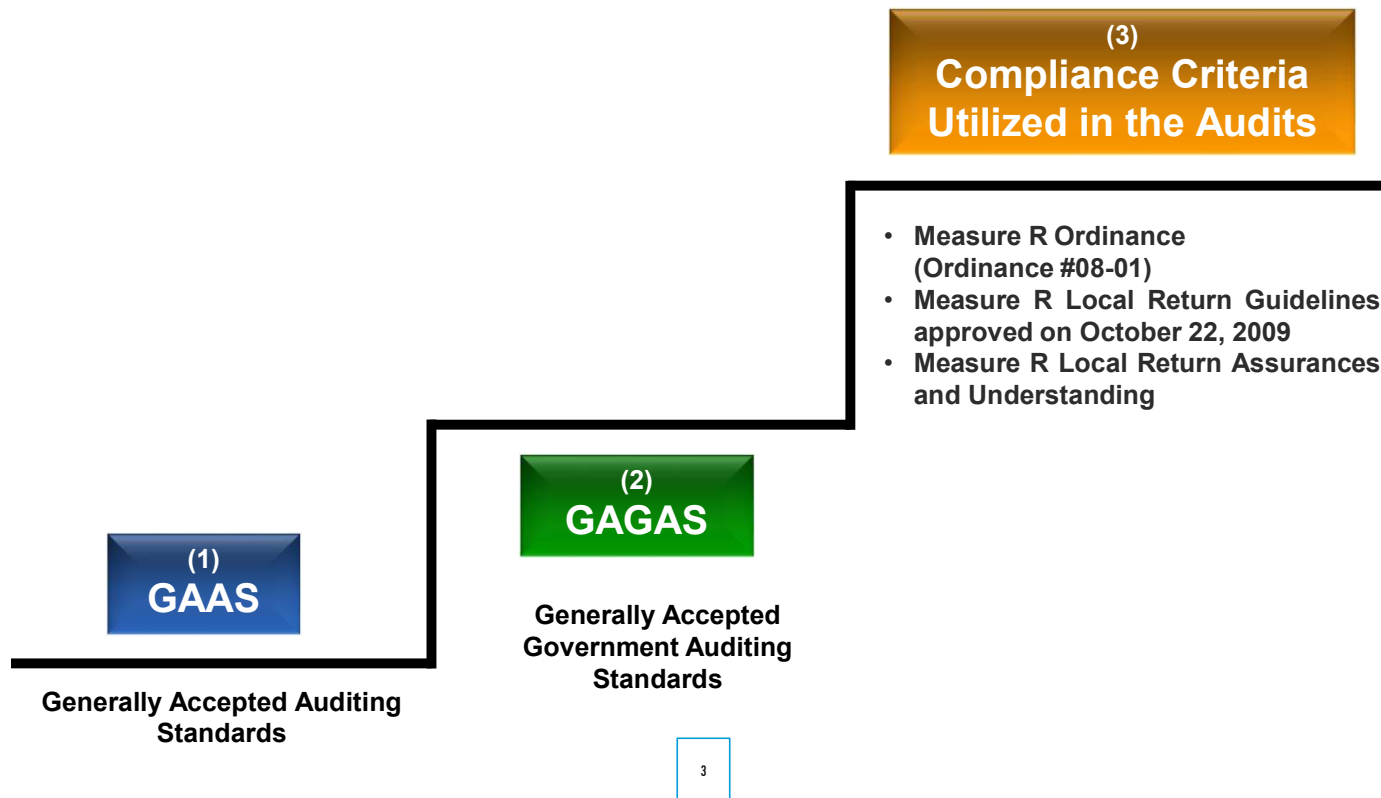
- Scope of the Audits
- Levels of Assurance, Compliance Criteria and Auditing Standards Utilized
- Revenue and Expenditures of 39 Jurisdictions
- Overview of the Audit Results
- Details of Audit Results
- Material Weakness and Significant Deficiency in Internal Control over Compliance
- Required Communications to the Measure R Oversight Committee
- Contact Information
- Q&A

# SCOPE OF THE AUDITS

Financial and Compliance Audit of Measure R Local Return Funds held by the 39 Cities under Package A (in alphabetical order)

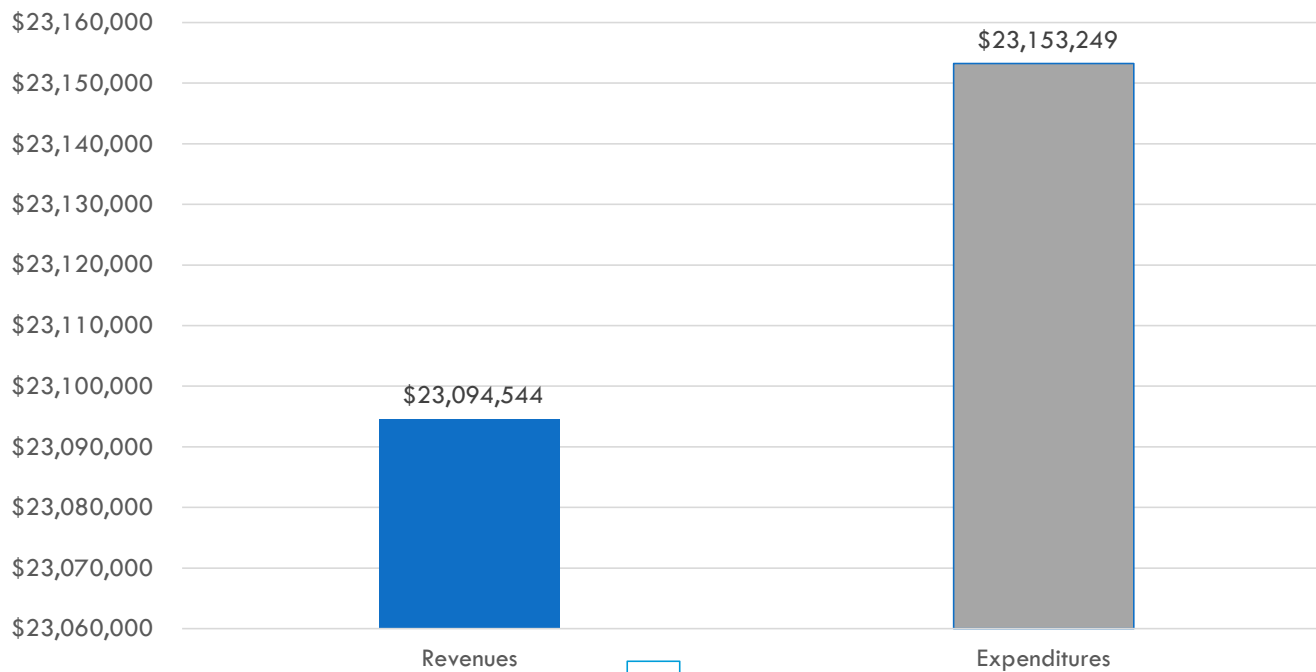
- |                  |                     |                      |
|------------------|---------------------|----------------------|
| 1. Agoura Hills  | 16. Hidden Hills    | 31. San Fernando     |
| 2. Azusa         | 17. Huntington Park | 32. Santa Fe Springs |
| 3. Baldwin Park  | 18. Industry 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

# LEVELS OF ASSURANCE, COMPLIANCE CRITERIA AND AUDITING STANDARDS UTILIZED



# REVENUE AND EXPENDITURES OF 39 JURISDICTIONS

FY 2020 Revenues and Expenditures



# OVERVIEW OF THE AUDIT RESULTS

## FY 2020 Summary of Audit Results

- Dollars associated with the findings have decreased from \$1,224,388 in FY2019 to \$628,828 in FY2020 audit.
- Total questioned costs of \$628,828 is about 2.7% of the total Measure R FY2020 allocations of \$23,094,544 to cities under Package A.

## Questioned Costs

- \$7,889 of the questioned cost relates to expenditures incurred with no adequate evidence that funds were expended for transportation purposes.
- \$620,939 of the questioned cost relates to funds expended on Measure R eligible projects with no prior approval from LACMTA. **All of these were resolved during the audit.**

## DETAILS OF AUDIT RESULTS

Our findings are as follows:

- A. No adequate evidence that funds were expended for transportation purposes.
- B. Funds were expended without LACMTA's approval.
- C. Expenditure Plan (Form One) was not submitted timely.

# DETAILS OF AUDIT RESULTS

## A. No adequate evidence that funds were expended for transportation purposes.

Compliance References	Number of cities involved: 1 of 39 cities	Questioned costs for 2020
Section VII of the Measure R Local Return Guidelines states that, 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".	1. <a href="#">City of South El Monte</a> (Finding #2020-008, page 27 of the report)	\$7,889



# DETAILS OF AUDIT RESULTS

## B. Funds were expended without LACMTA’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 LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year”.
- Number of cities involved: 3 of 39 cities
- Questioned costs for 2020:

	<b>Total Expenditures Claimed for 2020</b>	<b>Questioned</b>	<b>Resolved During the Audit</b>	<b>Report Reference</b>
1. Bell Gardens	\$ 39,335	\$ 38,835	\$ 38,835	Finding #2020-002, Page 19
2. Calabasas	12,655	12,655	12,655	Finding #2020-004, Page 22
3. Carson	1,140,695	569,449	569,449	Finding #2020-005, Page 23
	<b>\$ 1,192,685</b>	<b>\$ 620,939</b>	<b>\$ 620,939</b>	

# DETAILS OF AUDIT RESULTS

## C. Expenditure Plan (Form One) was not submitted timely.

Compliance Reference	Number of cities involved: 4 of 39 cities	Questioned costs for 2020
<p>Section B(II) Expenditure Plan (Form One) of Measure R Local Return Guidelines states that, "To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year".</p>	<ol style="list-style-type: none"><li>1. <a href="#">City of Azusa</a> (Finding #2020-001, page 18 of the report)</li><li>2. <a href="#">City of Bell Gardens</a> (Finding #2020-003, page 21 of the report)</li><li>3. <a href="#">City of Industry</a> (Finding #2020-006, page 25 of the report)</li><li>4. <a href="#">City of Maywood</a> (Finding #2020-007, page 26 of the report)</li></ol>	<p>None</p>

## MATERIAL WEAKNESS AND SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE

One (1) Material Weakness and One (1) Significant Deficiency (Repeat Findings):

### City of Calabasas

(Finding #2020-004)

#### Material Weakness: Finding #2020-004

The City claimed expenditures under MRLRF Project Code 1.05 Rondell Park & Ride project, totaling \$12,655 with no prior approval from LACMTA.

This is a repeat finding from prior year's audit.

### City of Bell Gardens

(Finding #2020-003)

#### Significant Deficiency: Finding #2020-003

The City submitted its Expenditure Plan (Form One) on August 21, 2019, 20 days after the due date of August 1, 2019.

This is a repeat finding from prior year's audit.

# REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

## REQUIRED COMMUNICATIONS TO THE MEASURE R 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 Oversight Committee based upon the results of our audit of the Measure R Local Return Funds of the 39 cities.

Matters to be Communicated	Auditor's Response
<p><i>The Auditor's Responsibility Under Generally Accepted Auditing Standards ("GAAS")</i></p> <p>The auditor should communicate the level of responsibility assumed under auditing standards generally accepted in the United States of America.</p>	<p>Our level of responsibility is communicated in the auditors' report. An audit conducted in accordance with GAAS is designed to obtain reasonable, rather than absolute, assurance on the financial statements, and about whether noncompliance the Measure R Local Return Guidelines that could have a direct and material effect on the Measure R Local Return Programs occurred.</p>
<p><i>Significant Accounting Policies and Unusual Transactions</i></p> <p>The auditor should determine that the Committee is informed about the initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.</p>	<p>The significant accounting policies adopted by audited jurisdictions are described in the notes to their respective financial statements. We do not consider any of the accounting elections made by any of the 39 cities we audited to be controversial.</p>
<p><i>Management Judgments and Accounting Estimates</i></p> <p>The Committee should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.</p>	<p>Accounting estimates are required for determining the fair value of investments and collectability of accounts receivable. Management's judgment is required in making assessments in estimating those items and accounts in the financial statements.</p> <p>We consider management's estimates to be reasonable, based on our audit.</p>

# REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

(Continued)

Matters to be Communicated	Auditor's Response
<p><i>Management Consultations with Other Independent Accountants</i></p> <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the jurisdiction's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, the professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.</p>	<p>To our knowledge, there were no such consultations made with other accountants.</p>
<p><i>Internal Controls</i></p> <p>The Committee should be advised of any significant deficiencies or material weaknesses in the design or operation of the internal control structure coming to the auditor's attention during the audit.</p>	<p>We noted a material weakness and a significant deficiency in internal controls over financial reporting and compliance in certain audited jurisdictions.</p>
<p><i>Difficulties Encountered in Performing the Audit</i></p> <p>Serious difficulties encountered in dealing with management that related to the performance of the audit are required to be brought to the attention of the Committee.</p>	<p>Delays in providing audit requirements by certain audited jurisdictions.</p>
<p><i>Fraud, Irregularities and Illegal Acts</i></p> <p>The Committee should be adequately informed of fraud, irregularities and illegal acts coming to the auditor's attention during the course of the audit.</p>	<p>The fraud reported in prior years in the City of Compton did not involve the use of the Measure R Local Return Funds.</p>

# REQUIRED COMMUNICATIONS TO THE MEASURE R OVERSIGHT COMMITTEE

(Continued)

Matters to be Communicated	Auditor's Response
<p><i>Significant Audit Adjustments</i></p> <p>The Committee should be adequately informed about adjustments arising from the audit that could individually or in the aggregate, have a significant effect on the jurisdictions' financial reporting process.</p>	<p>None noted.</p>
<p><i>Other Information in Documents Containing Audited Financial Statements</i></p> <p>The Committee should be informed as to the auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed, and the results.</p>	<p>As required by the auditing standards, if you publish or otherwise reproduce the financial statements and make reference to our firm, we are required to be provided with a copy of the material before it is published.</p>
<p><i>Disagreements With Management</i></p> <p>Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the jurisdictions' financial statements or the auditor's report should be communicated to the Committee.</p>	<p>There were no such disagreements.</p>
<p><i>Related Parties</i></p> <p>The Committee should be informed about related party transactions and policies governing related party transactions.</p>	<p>There were no related party transactions noted that relate to the Measure R Local Return Funds.</p>
<p><i>Independence</i></p> <p>The Audit Committee should be informed as to the auditor's continuing independence.</p>	<p>We confirm that, we are independent with respect to the 39 cities that we audited as required by the AICPA and GAGAS (Yellow Book). We are not aware of any relationships between Vasquez &amp; Co. LLP and any of the 39 cities that, in our professional judgment, may reasonably be thought to bear on our independence.</p>

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# Q&A



THANK YOU FOR YOUR TIME  
AND ATTENTION

