



**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, 2023



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, 2023**

TABLE OF CONTENTS

| | <u>Page</u> |
|---|--------------------|
| 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 | 1 |
| List of Package B Jurisdictions | 5 |
| Compliance Area Tested | 6 |
| Summary of Audit Results | |
| Schedule 1 – Summary of Compliance Findings | 7 |
| Schedule 2 - Schedule of Findings and Questioned Costs | 8 |



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS
FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

**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: 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, 2023 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying 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, 2023.

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 is responsible for the Cities' 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 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 Measure R Local Return Program 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 #2023-001 through #2023-011. 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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Finding #2023-005, that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2023-003 and #2023-008, that we consider to be significant deficiencies.

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 & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
December 29, 2023

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2023**

- | | |
|----------------------------------|-----------------------------------|
| 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, 2023

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, 2023**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 11 findings. The table below summarizes those findings:

| Finding | # of Findings | Responsible Cities/ Finding Reference | Questioned Costs | Resolved During the Audit |
|--|----------------------|--|--------------------------------------|--------------------------------------|
| Funds were expended with Metro's approval. | 3 | Arcadia (#2023-001) Artesia (#2023-002) South Pasadena (#2023-011) | \$ 70,066 15,176 15,187 | \$ 70,066 15,176 15,187 |
| Expenditure Plan (Form One or electronic equivalent) was submitted on time. | 1 | Bradbury (#2023-004) | None | None |
| Annual Expenditure Report (Form Two or electronic equivalent) was submitted on time. | 5 | Artesia (#2023-003) Bradbury (#2023-005) La Habra Heights (#2023-008) Palos Verdes Estates (#2023-009) Rolling Hills (#2023-010) | None None None None None | None None None None None |
| Accounting procedures, record keeping, and documentation are adequate | 2 | Cerritos (#2023-006) Glendora (#2023-007) | None None | None None |
| | | | | |
| Total Findings and Questioned Costs | 11 | | \$ 100,429 | \$ 100,429 |

Details of the findings are 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, 2023**

| Finding #2023-001 | City of Arcadia |
|----------------------------|--|
| 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 MRLRF's Project Code 820, Baldwin Avenue Streetscape Improvement Street, in the amount of \$70,066 were incurred prior to Metro’s approval. However, the City subsequently received an approved budget amount of \$1,600,000 from Metro for the said MRLRF project on November 30, 2023. |
| Cause | The finding was due to staff turnover among those responsible for submitting the budgets to Metro. |
| 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 Measure R Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Measure R Local Return Guidelines. |
| Management’s Response | The finding was due to staff turnover among those responsible for submitting the budgets. Staff have since then addressed this matter with Metro. Metro has retroactively accepted this project. |
| Corrected During the Audit | Metro granted retroactive budget approval for the project on November 30, 2023. 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, 2023
(Continued)**

| Finding #2023-002 | City of Artesia |
|----------------------------|--|
| 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 City incurred expenditures prior to receiving approval from Metro for MRLRF Project Code 705, ATP Cycle 3, in the amount of \$15,176. However, the City subsequently received an approved budget in the amount of \$15,176 from Metro for the MRLRF project on December 18, 2023. |
| Cause | This was an oversight on the part of the City due to understaffed. |
| Effect | The City did not comply with the Measure R Local Return Guidelines. |
| Recommendation | We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that it obtains approval from Metro prior to implementing any Measure R Local Return projects, properly enters the budgeted amount for each project into the LRMS and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines. |
| Management’s Response | The City will establish procedures to ensure that it obtains Metro's approval before expenditures incurred. |
| Corrected During the Audit | Metro Program Manager granted retroactive budget approval of the said project on December 18, 2023. 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, 2023
(Continued)

| Finding #2023-003 | City of Artesia |
|----------------------------|---|
| Compliance Reference | According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)." |
| Condition | The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on December 18, 2023. This is a repeat finding from fiscal year 2022. |
| Cause | This was an oversight on the part of the City due to understaffed. |
| Effect | The City did not comply with the Measure R Local Return Guidelines. |
| Recommendation | We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that Form Two is entered into the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines. |
| Management's Response | The City is understaffed due to employee turnover. In the future, management will ensure Form Two is submitted before the deadline. |
| Corrected During the Audit | The City subsequently entered the required information in the LRMS on December 18, 2023. 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, 2023
(Continued)**

| Finding #2023-004 | City of Bradbury |
|----------------------------|--|
| Compliance Reference | According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Plan (Form One), "To maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit to Metro an Expenditure Plan (Form One) annually, by August 1st of each year. |
| Condition | The City did not meet the August 1, 2022 deadline for submitting Form One in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. |
| Cause | It was due to the change in personnel in the City's finance department. |
| Effect | The City did not comply with the Measure R Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that Form One is submitted in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure R Local Return Guidelines. |
| Management's Response | The City accepts the finding and has established calendar notifications to remind the finance department to submit Form One before the due date. |
| Corrected During the Audit | The City subsequently submitted the required information in the LRMS on November 14, 2023. 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, 2023
(Continued)**

| Finding #2023-005 | City of Bradbury |
|----------------------------|---|
| Compliance Reference | According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)." |
| Condition | The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on November 14, 2023. This is a repeat finding from fiscal years 2021 and 2022. |
| Cause | It was due to the change in personnel in the City's finance department. |
| Effect | The City did not comply with the Measure R Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form Two is entered in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines including procedures to ensure that new personnel are properly trained in the Measure R Local Return Guidelines. |
| Management's Response | The City accepts the finding and has established calendar notifications to remind the finance department to submit Form Two before the due date. |
| Corrected During the Audit | The City subsequently submitted the required information in the LRMS on November 14, 2023. 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, 2023
(Continued)**

| Finding #2023-006 | City of Cerritos |
|--------------------------|--|
| Compliance Reference | According to Measure R Local Return Guidelines, Section A.I: Program Summary, “The Measure R Ordinance specifies that LR (Local Return) funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section states, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.” |
| Condition | To support the propriety of expenditures charged to the Measure R Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers or other official documentation evidencing in proper detail the nature of the charges. Although a payment to the vendor, Built Rite Fence Company that was charged to MRLRF's Street Repair and Maintenance Project Code 705 in the amount of \$7,616, was allowable and was properly supported by an invoice and cancelled check, the expenditure was not supported by a formal contract, purchase order, or an approval/resolution from the City Council, as mandated by the City’s Purchasing and Contracting Policy. |
| Cause | This oversight occurred as the City approved the invoice through its accounting system as a check request, bypassing the essential procurement protocols like a contract, purchase order, or City Council approval. |
| Effect | The absence of a purchase order, contract, or City Council approval as required by the City’s Purchasing and Contracting Policy highlights a deficiency in the City’s internal control. |
| Recommendation | We recommend that the City implement more stringent controls and review processes to ensure that all expenditures are processed in compliance with the City’s Purchasing and Contracting Policy so that all Local Return Fund expenditures are also fully compliant with the Guidelines. |
| Management’s Response | The City has an adopted purchase policy that applies to all purchases. The City staff will continue to utilize the policy in order to determine the appropriate procedure for managing purchases. |

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

| Finding #2023-007 | City of Glendora |
|--------------------------|---|
| Compliance Reference | <p>The Measure R Local Return Guidelines, Section A.I: Program Summary, states, “The Measure R Ordinance specifies that Local Return funds are to be used for transportation purposes. No net revenue distributed to Jurisdictions may be used for purposes other than transportation purposes.” and Section B.VII: Audit Section, “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of audit prescribed in these guidelines.”</p> |
| Condition | <p>During our payroll testing, the City provided both the timesheets and the Special Funding Time Certification (Certification), a supplemental form for the timesheet. The pay periods tested were as follows:</p> <ul style="list-style-type: none"> a) September 4, 2022 b) January 22, 2023 c) May 28, 2023 <p>Normally, both the employee and their supervisor are required to sign these forms. However, in special circumstances, such as when employees are on sick leave due to a work injury, on unpaid leave, or receiving salary continuation due to an industrial injury, the City Manager’s signature is also necessary.</p> <p>During our review, we noted that in the following scenarios, only the supervisors’ signatures were present, and the City Manager’s signature was absent:</p> <ul style="list-style-type: none"> a) Employees on sick leave due to work injury b) Employees on unpaid leave c) Employees receiving salary continuation due to industrial injury <p>Of the eleven (11) payroll transactions tested, charges for seven (7) transactions were allocated to the MRLRF despite the absence of the required authorization documentation from the City management, particularly in special circumstances cases. However, since these charges are allowable and eligible expenses for the local return funds, they will not be questioned.</p> <p>Furthermore, we noted salary discrepancies amounting to \$94 in three (3) out of eleven (11) payroll transactions tested. The differences were noted between the amounts recorded on the general ledger and those calculated from the hours shown in the Certification, when multiplied by the employees’ hourly rates.</p> <p>However, since the net effect of the payroll discrepancies resulted in an under allocation to the local return funds, these discrepancies will not be questioned.</p> |

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

| Finding #2023-007 (Continued) | City of Glendora |
|--|---|
| Cause | <p>In regard to the City Manager’s approval of the employees’ salaries, who were paid under special circumstances, the Finance department does not have access to the workman’s compensation files. Due to the holiday vacations and vacancies in the Human Resources (HR) department, the necessary information requested was not provided to the auditor.</p> <p>Regarding salary discrepancies, upon reviewing the Certification and timecards, it was discovered that the employees did not fill out their timecards properly by breaking out the number of hours reported on the Certification and the rest of the working hours to the General Fund. In this discovery, it was determined that the General Fund paid for hours that should have been charged to MRLRF resulting in an under allocation of salaries to the local return funds.</p> |
| Effect | <p>The payroll costs claimed under the local return funds projects for employees paid under special circumstances without City management approvals may include expenditures that could be disallowed to the local return funds.</p> <p>Also, payroll discrepancies resulting from improper timecard management and limited HR data access, can lead to misallocation to the local return funds.</p> |
| Recommendation | <p>We recommend that the City strengthen its controls to ensure that the necessary approvals are obtained for salaries paid under special circumstances, including sick pay for work injuries, unpaid leave, and salary continuation for industrial injuries. Also, we recommend that the City strengthen its controls to ensure accuracy of hours allocated to the local return fund’s projects. This includes verifying that all supporting documentation, such as the timesheets and Certifications, consistently reflects the hours worked.</p> |
| Management’s Response | <p>The City is implementing a new finance system that will require electronic entry, thereby eliminating manual entry, in which the proper funds will be charged for the time worked on projects and will be better managed by the City. However, in order to resolve this issue at the present time, the employees will now be required to attach and submit the Certification with the timecard to the supervisor for validation that the hours are listed accurately and broken down according to the appropriate funds to be charged.</p> <p>Furthermore, the City plans to have a discussion meeting on providing access to HR files to the Finance department employees for any payroll-related documents that is requested so they can be provided to the Metro auditor during the audit.</p> |

**Los Angeles County Metropolitan Transportation Authority
Measure R Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023
(Continued)**

| Finding #2023-008 | City of La Habra Heights |
|----------------------------|---|
| Compliance Reference | According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)." |
| Condition | The City did not meet the October 15, 2023 deadline for submitting the Annual Expenditure Report in the LRMS. Instead, the City submitted the information in the LRMS on November 20, 2023. This is a repeat finding from fiscal year 2022. |
| Cause | This was an oversight by the City due to the recent turnover among administrative staff and management. |
| Effect | The City did not comply with the Measure R Local Return Guidelines. |
| Recommendation | We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring the annual actual expenditures are entered in the LRMS before the due date so that the City is in compliance with the Measure R Local Return Guidelines. |
| Management's Response | In the future, management will ensure the Annual Expenditure Report is submitted before the deadline. |
| Corrected During the Audit | The City subsequently entered the required information in the LRMS on November 20, 2023. 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, 2023
(Continued)**

| Finding #2023-009 | City of Palos Verdes Estates |
|----------------------------|---|
| Compliance Reference | According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)." |
| Condition | The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on December 1, 2023. |
| Cause | This was an oversight by the City due to administrative staff and management turnover for not submitting the Annual Expenditure Report by the due date. |
| Effect | The City did not comply with the Measure R Local Return Guidelines. |
| Recommendation | We recommend that the City take the necessary steps to ensure that new administrative staff and management are fully aware of compliance requirements. This includes ensuring that the Form Two is entered in the LRMS before the due date so that the City is in compliance with Measure R Local Return Guidelines. |
| Management's Response | The City is understaffed due to employee turnover. In the future, management will ensure Form Two is submitted before the deadline. |
| Corrected During the Audit | The City subsequently entered Form Two in the LRMS on December 1, 2023. 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, 2023
(Continued)**

| Finding #2023-010 | City of Rolling Hills |
|----------------------------|--|
| Compliance Reference | According to Measure R Local Return Guidelines, Section B (II.2), Expenditure Report (Form Two), "The submittal of an Expenditure Report (Form Two) is also required to maintain legal eligibility and meet Measure R LR program compliance requirements. Jurisdictions shall submit a Form Two, to Metro annually by October 15th (following the conclusion of the fiscal year)." |
| Condition | The City did not meet the October 15, 2023 deadline for submitting Form Two in the LRMS. Instead, the City submitted the information in the LRMS on October 31, 2023. |
| Cause | This was due to an oversight on the part of the City. |
| Effect | The City did not comply with the Measure R Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that Form Two is entered in the LRMS before the due date so that the City is in compliance with the Measure R Local Return Guidelines. |
| Management's Response | The City acknowledges the oversight and will ensure to submit the Form Two on or before October 15th. |
| Corrected During the Audit | The City subsequently entered the required information in the LRMS on October 31, 2023. 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, 2023
(Continued)

| Finding #2023-011 | City of South Pasadena |
|----------------------------|---|
| 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 | <p>The expenditures for the following MRLRF projects were incurred prior to Metro’s approval:</p> <ul style="list-style-type: none"> a. Planning, Engineering for Transit Services Project Code 180, in the amount of \$380. b. Planning, Engineering for Traffic Control Project Code 380, in the amount of \$7,593. c. Planning, Engineering for Transportation Marketing Project Code 580 in the amount of \$569. d. Planning, Engineering for Streets and Roads Project Code 780 in the amount of \$2,848. e. Planning, Engineering for Active Transportation Project Code 880 in the amount of \$3,797. <p>However, the City subsequently received approved budgets in the total amount of \$15,187 from Metro on December 4, 2023 for the same amounts of the expenditures incurred on all of the projects listed above.</p> |
| Cause | This finding occurred due to a misunderstanding of the coding system. The team was under the impression that the newly hired staff’s time can only be used as administrative expenditures, leading to the misallocation of the expenses. |
| Effect | The City did not comply with the 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 Measure R Local Return projects, properly enters the budgeted amount for each project into the Local Return Management System (LRMS) and submits it before the requested due date so that the City’s expenditures of Measure R Local Return Funds are in accordance with Metro’s approval and the Guidelines. |
| Management’s Response | The City is taking immediate steps to rectify the situation, including re-training the City staff on the coding system and reviewing all recent transactions to ensure that they are properly coded. The City also is implementing additional checks and balances to prevent similar issues in the future. |
| Corrected During the Audit | Metro Program Manager granted retroactive approval of the said projects on December 4, 2023. No follow-up is required. |