

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

Simpson & Simpson, LLP



Measure R Independent Taxpayers Oversight Committee Meeting
Date: March 9, 2026

Agenda

- ❖ Presenters: Etta Hur, CPA, Partner
Austine Cho, CPA, Senior Audit Manager
 - Background
 - Summary of Audit Results - Findings and Questioned Costs
 - Analysis of Measure R Audit Results
 - S&S Contact Information
 - Questions



Background



Simpson and Simpson, LLP

- We have audited the compliance of the following 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 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 | |



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 R Ordinance, the Measure R Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds.



Summary of Audit Results – Findings and Questioned Costs



Summary of Audit Results

❖ Audit Summary: FY2025

Audits were performed for all 49 jurisdictions in FY2025:

- Total dollar amounts associated with the findings are as follows:
 - **FY2025:** Increase from \$1,832,895 in FY2024 to \$2,157,320 in FY2025.



Summary of Audit Results (Cont.)

FY2025 Audit Summary:

- **Total Questioned Costs:** \$2,157,320 (approximately 1.9% of the FY2025 Measure R allocations of \$108,550,831 under Package B).
- **Resolution:** All questioned costs were resolved during the audits.

Types of Questioned Costs:

- a) \$369,577: Funds expended on Measure R eligible project prior to Metro's approval (resolved during the audits).
- b) \$1,522,484: Untimely use of funds (resolved during the audit).
- c) \$4,127: Administrative expenses exceed the 20% cap (resolved during the audit).
- d) \$261,132: Accounting procedures, record keeping and documentation are adequate (resolved during the audit).



Summary of Audit Results (Cont.)

During our audit, we identified a total of 9 instances of non-compliance. The following were categorized as Significant Deficiencies:

- Significant Deficiencies (4 instances)
 - City of Glendale (#2025-003)
 - City of Glendora (#2025-004)
 - 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 Audit Results (Cont.)

Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval.	2	Downey (#2025-002) Palos Verdes Estates (#2025-006)	\$ 137,503 232,074	\$ 137,503 232,074
Timely use of funds.	1	Glendale (#2025-003)	1,522,484	1,522,484
Administrative expenses exceed the 20% cap.	1	Artesia (#2025-001)	4,127	4,172



Summary of Audit Results (Cont.)

Findings	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation are adequate.	5	Glendora (#2025-004) Glendora (#2025-005) Palos Verdes Estates (#2025-007) Redondo Beach (#2025-008) West Covina (#2025-009)	None 212,403 None None 48,729	None 212,403 None None 48,729
Total Findings and Questioned Cost	9		\$ 2,157,320	\$ 2,157,320



Significant Deficiencies In Internal Controls over Compliance

➤ Significant Deficiency 1 of 4 :

City of Glendora (Finding #2025-003):

- **Issue:** The City's Fiscal Year 2020 MRLRF ending fund balance of \$1,522,484 was neither fully expended within five years as of June 30, 2025, nor reserved for capital projects, as required by the Measure R Local Return Guidelines.
- **Reason:** Oversight on the part of the City.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.
- **Resolution:** On November 17, 2025, Metro granted the City an extension to use the lapsed funds until June 30, 2026. No further follow-up is required.



Significant Deficiencies In Internal Controls over Compliance (Cont.)

➤ Significant Deficiency 2 of 4:

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 Controls over Compliance (Cont.)

➤ Significant Deficiency 3 of 4:

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

- **Issue:** During the FY 2025 beginning balance reconciliation, the City recorded \$232,074 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 MRLRF expenditures.
- **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 Controls over Compliance (Cont.)

➤ Significant Deficiency 4 of 4:

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 through 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.

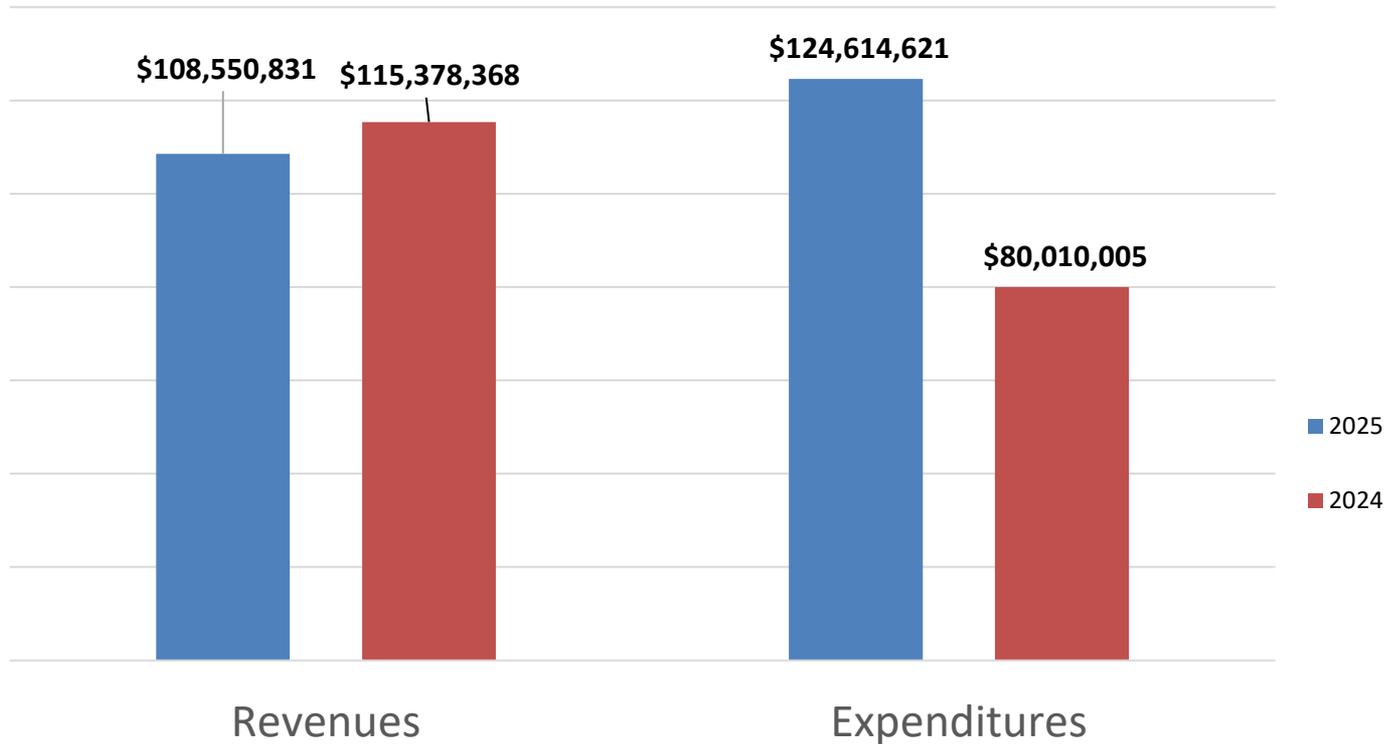


Analysis of Measure R Audit Results



Revenue and Expenditures of 49 Jurisdictions

FY 2025 and FY 2024
Revenues and Expenditures



S&S Contact information

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



Questions

