

**Proposition A and Proposition C Local Return Funds
Audit Results
For the Fiscal Year Ended June 30, 2025
(Package B)**

Simpson & Simpson, LLP



Proposition A and Proposition C
Independent Citizen's Advisory and Oversight Committee (ICAOC) Meeting
Date: March 4, 2026

Agenda

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



Background



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- 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 | |



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- 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 Proposition A and Proposition C Ordinances, the Proposition A and Proposition C Local Return Guidelines and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds.



Summary of Audit Results – Findings and Questioned Costs



Summary of Audit Results

- ❖ Audits were performed all 49 jurisdictions.
 - Total dollar amounts associated with the findings for Proposition A (PALRF) and Proposition C (PCLRF) for the jurisdictions under Package B are as follows:
 - PALRF:
 - **Total questioned costs:** \$562,924 identified during the FY2025 compliance audits. This represents approximately 0.3% of the total FY2025 allocations of \$182,900,003.
 - **Resolution:** All questioned costs were resolved during the audits.
 - PCLRF:
 - **Total questioned costs:** \$1,940,351 identified during the FY2025 compliance audits. This represents approximately 1.3% of the total FY2025 allocations of \$151,710,698.
 - **Resolution:** All questioned costs were resolved during the audits.



Summary of Audit Results (Cont.)

During our audit, we identified a total of 19 instances of non-compliance. The following were categorized as Significant Deficiencies:

- Significant Deficiencies (5 instances)
 - City of Glendora (#2025-006)
 - City of Palos Verdes Estates (#2025-011)
 - City of Palos Verdes Estates (#2025-012)
 - City of Redondo Beach (#2025-013)
 - City of San Dimas (#2025-014)

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.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Funds were expended with Metro's approval and were not substituted for property tax.	4	Bradbury (#2025-002) Glendora (#2025-005) Palos Verdes Estates (#2025-011) Signal Hill (#2025-016)	- \$ 81,525 313,956 -	\$ 51,897 - 954,157 94,940	\$ 51,897 81,525 1,268,113 94,940
Timely use of funds.	2	Lancaster (#2025-009) San Dimas (#2025-014)	- -	708,927 9,994	708,927 9,994



Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.	2	El Segundo (#2025-004) La Verne (#2025-008)	None None	- -	None None
Pavement Management System (PMS) is in place and used for Street Maintenance or Improvement Projects Expenditures	3	Artesia (#2025-001) Palmdale (#2025-010) Signal Hill (#2025-017)	- - -	None None None	None None None



Summary of Audit Results (Cont.)

Finding	# of Findings	Responsible Cities/ Finding Reference	PALRF Questioned Costs	PCLRF Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation are adequate.	8	Covina (#2025-003)	None	-	None
		Glendora (#2025-006)	None	None	None
		Glendora (#2025-007)	167,443	48,825	216,268
		Palos Verdes Estates (#2025-012)	-	None	None
		Redondo Beach (#2025-013)	None	None	None
		San Marino (#2025-015)	None	-	None
		Temple City (#2025-018)	None	-	None
		West Covina (#2025-019)	-	71,611	71,611
Total Findings and Questioned Costs	19		\$ 562,924	\$ 1,940,351	\$ 2,503,275



Significant Deficiencies In Internal Control over Compliance

➤ Significant Deficiency 1 of 5 :

City of Glendora (Finding #2025-006):

- **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 2 of 5:

City of Palos Verdes Estates (Finding #2025-011):

- **Issue:** The City incurred total expenditures of \$1,268,113 prior to receiving Metro's approval. This amount includes \$472,415 related to Fiscal Year 2025 projects, consisting of \$313,956 for Project Code 490 — JPA Transit Contribution (PALRF) and \$158,459 for Project Code 705 — Annual Resurfacing Project (PCLRF).

In addition, the City incurred \$795,698 related to Fiscal Year 2024 PCLRF projects prior to receiving Metro approval. These costs were subsequently recorded as prior period adjustments in Fiscal Year 2025 and consisted of \$319,306 for the FY 23/24 Annual Resurfacing Project and \$476,392 for the FY 23/24 Annual Slurry Seal Project under Project Code 705.

- **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 remaining vacant since March 2023.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.



Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ **Significant Deficiency 2 of 5 (continued):**

City of Palos Verdes Estates (Finding #2025-011):

- **Resolution:** On December 10 and 11, 2025, Metro granted retroactive budget approval for the projects. Specifically, Metro approved the budgets for Project Code 490 — JPA Transit Contribution (PALRF) and Project Code 705 — Annual Resurfacing Project (PCLRF). In addition, on December 18, 2025, Metro granted retroactive approval for the FY 23/24 Annual Resurfacing Project and the FY 23/24 Annual Slurry Seal Project. No further follow-up is required



Significant Deficiencies In Internal Control over Compliance (Cont.)

➤ Significant Deficiency 3 of 5:

City of Palos Verdes Estates (Finding #2025-012):

- **Issue:** During the FY 2025 beginning balance reconciliation, the City recorded \$795,698 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 PCLRF 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 being vacant since March 2023, 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 4 of 5:

City of Redondo Beach (Finding #2025-013):

- **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.



Significant Deficiencies

In Internal Control over Compliance (Cont.)

➤ Significant Deficiency 5 of 5:

City of San Dimas (Finding #2025-014):

- **Issue:** The City's Fiscal Year 2022 PCLRF ending fund balance of \$9,994 was not fully expended within three years as of June 30, 2025, nor reserved for capital projects as required by the Proposition A and Proposition C Local Return Guidelines.
- **Reason:** Major PCLRF projects were delayed due to pending external approvals, but the City expects the projects to proceed in FY 2025–26 and use most of the available funds.
- **Repeat Finding:** Repeat finding from the fiscal year 2024.
- **Resolution:** During the audit, Metro granted the City an extension for the usage of lapsed funds until June 30, 2026, on October 27, 2025. No further follow-up is required.

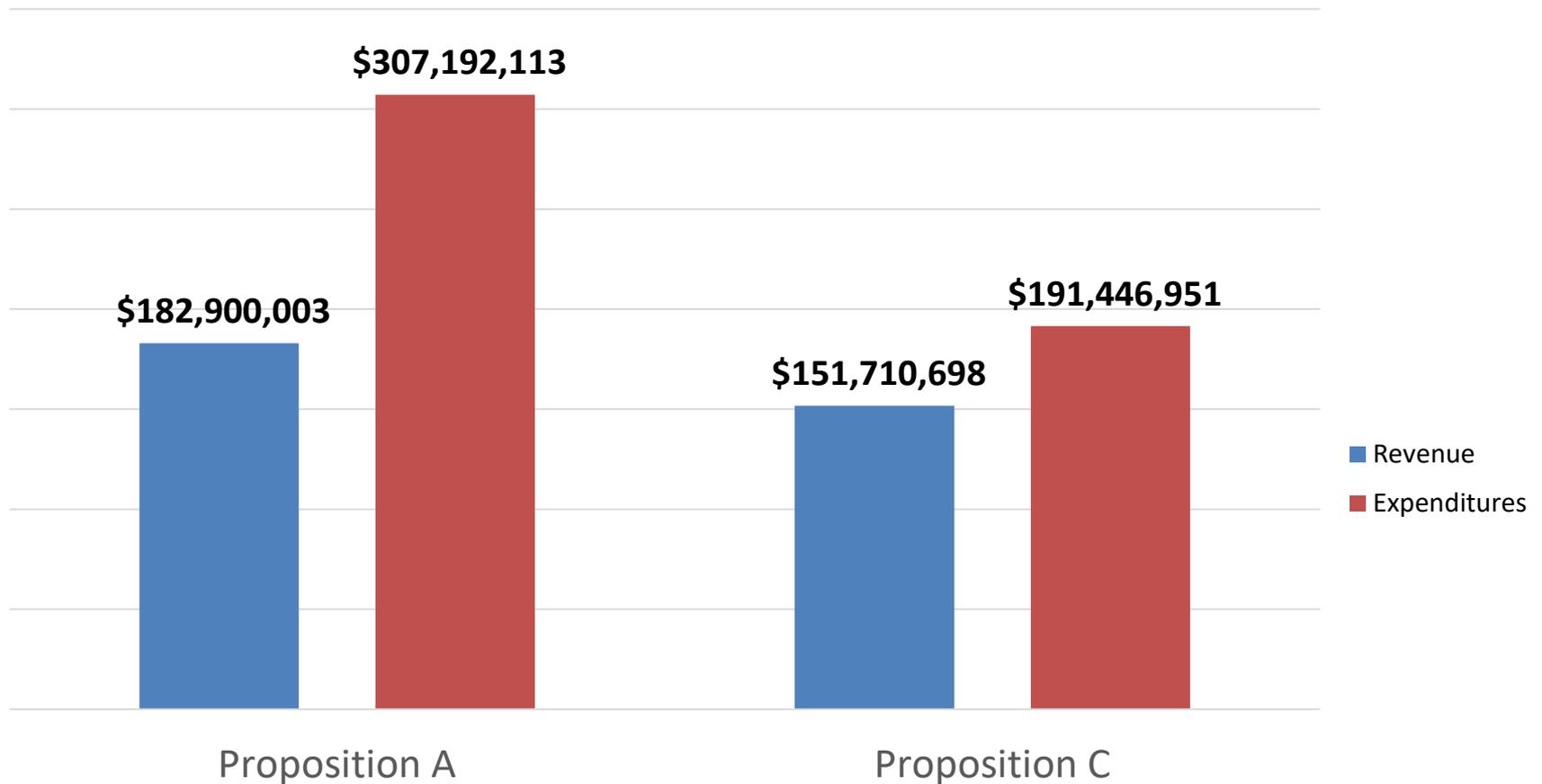


Analysis of Audit Results



Revenue and Expenditures of 49 Jurisdictions

FY 2025 Revenue and Expenditures – Proposition A & C



Simpson & Simpson CPAs

Contact information

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Questions

