

**Board Report**

File #: 2021-0049, **File Type:** Informational Report**Agenda Number:** 5.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MARCH 17, 2021****SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2019****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE the Consolidated Audit Financial and Compliance Reports completed by Vasquez and Company (Vasquez) and Simpson and Simpson (Simpson), certified public accountants, for the Fiscal Year ending June 30, 2019.

ISSUE

As the Regional Transportation Planner for Los Angeles County, the Los Angeles County Metropolitan Transportation Authority (Metro) is responsible for planning, programming and allocating transportation funding to Los Angeles County jurisdictions, transit operators and other transportation programs. Metro has the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transit Administration (FTA) guidelines.

BACKGROUND

The consolidated audit process includes financial and compliance audits of the following programs:

- Local Funding Program to 88 cities and Unincorporated Los Angeles County
 - Proposition A Local Return
 - Proposition C Local Return
 - Measure R Local Return
 - Measure M Local Return
 - Transit Development Act (TDA) Article 3 and Article 8 Programs
 - Proposition A Discretionary Incentive Program
- Transit System Funds to Commerce, Redondo Beach, and Torrance
 - Transit Development Act (TDA) Article 4
 - State Transit Assistance (STA)
 - Proposition A 95% of 40% Discretionary
 - Proposition C 5% Security

- Proposition C 40% Discretionary
- Proposition 1B Funds
- Measure R 20% Bus Operations and Clean Fuel Bus Funds
- Measure M 20% Bus Transit Operation Fund
- Proposition A 40% Discretionary - Growth Over Inflation (GOI) Fund to Burbank, Glendale, LADOT and Pasadena Transit System Operators
- Fare Subsidies Programs
 - Immediate Needs Transportation Program (INTP)
 - Low Income Fare is Easy (LIFE)
 - Support for Homeless Re-Entry (SHORE) Program
- Metrolink Program
- EZ Transit Pass Program
- Access Services
- LADOT Operating Data (Proposition A Incentive Programs).

Metro allocates over \$650 million annually to the stated programs and distribution to the 88 cities in Los Angeles County (Cities) including the County of Los Angeles (County), and other agencies. Annual audits of the programs ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed Memorandums of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering the programs.

Management Audit Services (MAS) contracted with Vasquez and Simpson to perform the financial and compliance audits to provide reasonable assurance to management whether recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source. The audits were conducted in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Standards.

The auditor's concluded that the County and Cities, with the exception of the City of South El Monte, complied in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return programs for the Fiscal Year ending June 30, 2019.

DISCUSSION

The consolidated audit process includes financial and compliance audits of Local Return programs. Following is a summary of consolidated audit results:

Proposition A and C

Vasquez and Simpson found that the County and Cities, with the exception of the City of South El Monte, complied in all material respects, with the guidelines and requirements that could have a direct and material effect on the Local Return programs for the year ended June 30, 2019.

The auditors found 56 instances of non-compliance for Proposition A and C which consisted of 36 minor findings related to the untimely submittal of forms. Twenty (20) findings were identified with questioned costs totaling \$2 million for Proposition A and \$2.4 million for Proposition C which represent approximately 1% of each total fund reviewed. The Local Return program manager is

working with the respective cities to resolve the findings. The auditors will validate the resolution of the findings within next year's annual Consolidated Audit process.

Measure R

Vasquez and Simpson found that the County and Cities, with the exception of the City of South El Monte, complied in all material respects with the guidelines and requirements that could have a direct and material effect on the Local Return programs for the year ended June 30, 2019.

The auditors found 23 instances of non-compliance for Measure R which consisted of 13 minor findings related to the untimely submittal of forms. Ten (10) findings were identified with questioned costs totaling \$2 million for Measure R represents less than 2% of the total amount reviewed. The Local Return program manager is working with the respective cities to resolve the findings. The auditors will validate the resolution of the findings within next year's annual Consolidated Audit process.

Measure M

Vasquez and Simpson found that the County and Cities, with the exception of the City of South El Monte, complied in all material respects with the guidelines and requirements that could have a direct and material effect on the Local Return programs for the year ended June 30, 2019.

The auditors found 20 instances of non-compliance for Measure M, consisting of 14 minor findings related to the untimely submittal of forms. Six (6) findings were identified with questioned costs totaling \$856 thousand for Measure M represents less than 1% of the total amount reviewed. The Local Return program manager is working with the respective cities to resolve the findings. The auditors will validate the resolution of the findings within next year's annual Consolidated Audit process.

The consolidated audit process includes financial and compliance audits of Non- Local Return programs. Following is a summary of consolidated audit results:

The auditors found that schedules/financial statements for the various programs stated above present fairly, in all material respects. The auditors also found that the entities complied, in all material respects, with the compliance requirements of the respective guidelines. The auditors noted several compliance findings including:

- 16 findings for the TDA Article 3 program;
- 15 for the Fare Subsidies Programs;
- 10 for the INTP;
- 8 findings for the Metrolink program; and
- 5 for the LIFE Program.

Metro program managers are working with the respective funds recipients to resolve the findings. The auditors will validate the resolution of the findings within next year's annual Consolidated Audit process.

Due to the considerable size of the documents, the Reports on Compliance with Requirements Applicable to Proposition A and C, Measure R and M Ordinances and Local Return Guidelines are provided as Attachment A through F. The additional Consolidated Audit reports are accessible online.

The comprehensive financial and compliance audit reports issued by Vasquez are accessible online at:

[<http://libraryarchives.metro.net/DB_Attachments/Consolidated/Vasquez%20FY19/Vasquez/>](http://libraryarchives.metro.net/DB_Attachments/Consolidated/Vasquez%20FY19/Vasquez/)

The comprehensive financial and compliance audit reports issued by Simpson are accessible online at :

[<http://libraryarchives.metro.net/DB_Attachments/Consolidated/Simpson%20FY19/Simpson/>](http://libraryarchives.metro.net/DB_Attachments/Consolidated/Simpson%20FY19/Simpson/)

FINANCIAL IMPACT

This is an informational report and does not have a direct financial impact on Metro.

Impact to Budget

This is an informational report and does not impact the FY 2021 budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Approval of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization. The projects/programs developed with these funds directly or indirectly support all five Vision 2028 goals identified in Metro's Strategic Plan.

ATTACHMENTS

- A. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Vasquez)
- B. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Simpson)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson)
- E. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Vasquez)
- F. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Simpson)

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