



Board Report

File #: 2022-0085, **File Type:** Informational Report

Agenda Number: 2.

**INDEPENDENT CITIZEN’S ADVISORY AND OVERSIGHT COMMITTEE
MARCH 2, 2022**

**SUBJECT: INDEPENDENT AUDITOR’S REPORTS ON PROPOSITION A AND PROPOSITION C
SPECIAL REVENUE FUNDS AND COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO PROPOSITION A AND C ORDINANCE AND LOCAL RETURN
GUIDELINES**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor’s Report on:

- A. Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds for the Fiscal Year ended June 30, 2021, completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2021, completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Local Return Guidelines for the Fiscal Year ended June 30, 2021, completed by Simpson & Simpson, CPAs (Simpson).

ISSUE

In November of 1998, Los Angeles County voters passed the MTA Reform and Accountability Act of 1998. This Act requires the completion of an independent audit to determine compliance by LACMTA with the provisions of Propositions A and C since the effective dates of each ordinance through June 30, 1998, and then annual audits thereafter. The oversight process requires that an annual audit be conducted six months after the end of the fiscal year to determine compliance with the provisions of the Ordinances related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee in order for the Oversight Committee to determine whether the LACMTA and local subrecipients have complied with the Proposition A and Proposition C requirements. In addition, the Ordinance requires that Metro hold a public hearing to

obtain the public's input on the audit results.

DISCUSSION

The following summarizes the independent auditor's report on Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds:

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinances and the MTA Reform and Accountability Act of 1998. BCA conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that BCA plan and perform the audit to obtain reasonable assurance about whether the Schedules of Proposition A and Proposition C Revenues and Expenditures (Schedules) are free of material misstatement.

The auditors found that the Schedules referred to above present fairly, in all material respects, the Proposition A and Proposition C Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinances and the MTA Reform and Accountability Act of 1998 for the fiscal year ended June 30, 2021.

The following summarizes the independent auditor's reports on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez & Company, LLP (Vasquez) and Simpson & Simpson, CPAs (Simpson), to conduct the audits of Proposition A and Proposition C sales tax revenues used by the County of Los Angeles (County) as well as the 88 cities (Cities). The firms conducted the audits of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the Ordinances and the Proposition A and Proposition C Local Return Guidelines could have a direct and material effect on the Proposition A and Proposition C Local Return programs occurred.

Vasquez concluded that the County and the Cities complied in all material respects, with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2021. Vasquez found eight (8) instances of noncompliance, which are summarized in Schedule 2 of Attachment B.

In all material respects, Simpson concluded that the Cities complied with the requirements in the Ordinances and the Proposition A and Proposition C Local Return Guidelines that are applicable to the Proposition A and Proposition C Local Return programs for the fiscal year ended June 30, 2021.

Simpson found twenty-one (21) instances of noncompliance, which are summarized in Schedule 2 of Attachment C.

NEXT STEPS

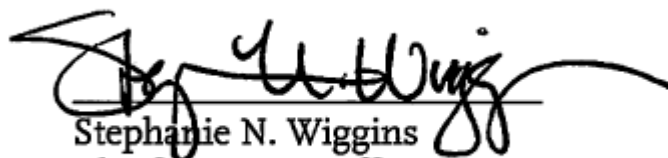
As required by the Ordinance, a public hearing will be scheduled to obtain the public's input on the audit results.

ATTACHMENT(S)

- A. Independent Auditor's Report on Schedules of Revenues and Expenditures for Proposition A and Proposition C Special Revenue Funds for the Fiscal Year Ended June 30, 2021 (BCA)
- B. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Vasquez)
- C. Report on Compliance with Requirements Applicable to Proposition A and Proposition C Ordinances and Proposition A and Proposition C Local Return Guidelines (Simpson and Simpson)

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