



Board Report

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MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MARCH 6, 2024

SUBJECT: MEASURE M AUDITS OF FISCAL YEAR 2023

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund for the Fiscal Year ended June 30, 2023, completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines for the Fiscal Year ended June 30, 2023, completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines for the Fiscal Year ended June 30, 2023, completed by Simpson & Simpson, CPAs (Simpson).

ISSUE

The oversight process stipulated in the Measure M Ordinance requires that an annual audit be completed within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance, and the Measure M Guidelines developed by Metro, related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee so that the Oversight Committee can review the results of the audit performed and make findings as to whether LACMTA and local subrecipients are in compliance with the terms of the Ordinance.

BACKGROUND

On November 9, 2016, Los Angeles County voters approved Measure M which imposed a half-cent transaction and use tax for transportation, and the indefinite extension of an existing half-cent sales

tax (Measure R) also dedicated to transportation and originally set to expire in 2039. Measure M, also known as the Los Angeles County Traffic Improvement Plan Ordinance (Ordinance) establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (LACMTA) complies with the terms of the Ordinance.

DISCUSSION

The following summarizes the independent auditor's report on the Schedule of Revenues and Expenditures for the Measure M Special Revenue Fund:

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinance. 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 Schedule of Measure M Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedule referred to above presents fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2023, 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 Ordinance for the fiscal year ended June 30, 2023.

The following summarizes the independent auditor's report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines:

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure M sales tax revenues used by the County of Los Angeles (County) as well as the 88 cities (Cities). The firms conducted the audit 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 requirements in the Ordinance which could have a direct and material effect on the Measure M Local Return program occurred.

Vasquez concluded that the County and the 39 Cities complied in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2023. Vasquez found two (2) instances of noncompliance, which are summarized in Schedule 2 of Attachment B.

Simpson concluded that the 49 Cities complied, in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2023. Simpson found nine (9) instances of noncompliance, which are summarized in Schedule 2 of Attachment C.

NEXT STEPS

A public hearing will be scheduled to report on the results of the audits and receive public input.

ATTACHMENT(S)

- A. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund (BCA)
- B. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Vasquez)
- C. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Simpson and Simpson)

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