



Board Report

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Agenda Number: 3.

MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE MARCH 7, 2024

SUBJECT: MEASURE R AUDITS OF FISCAL YEAR 2022 AND 2023

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Independent Auditor's Report on:

- A. Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Years ended June 30, 2022 (Attachment A) and June 30, 2023 (Attachment B) completed by BCA Watson Rice, LLP (BCA);
- B. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Years ended June 30, 2022 (Attachment C) and June 30, 2023 (Attachment D) completed by Vasquez & Company, LLP (Vasquez); and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Years ended June 30, 2022 (Attachment E) and June 30, 2023 (Attachment F) completed by Simpson and Simpson, LLP (Simpson).

ISSUE

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 Ordinance 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 determine whether the LACMTA and local subrecipients have complied with the Measure R requirements.

BACKGROUND

On November 4, 2008, Los Angeles County voters approved Measure R that imposed a half-cent transactions and use tax to fund transportation improvements in the County. Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers 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 reports on the Schedule of Revenues and Expenditures for Measure R Special Revenue Fund:

Management Audit Services contracted with BCA to perform the independent audits of the LACMTA, as required by the Ordinance. BCA conducted the audits 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 audits to obtain reasonable assurance about whether the Schedule of Measure R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedules referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal years ended June 30, 2022 and 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 years ended June 30, 2022 and 2023.

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

Management Audit Services contracted with two firms, Vasquez and Simpson, to conduct the audits of Measure R sales tax revenues used by the County of Los Angeles (County) as well as the 87 cities (Cities). These reports cover the audits of the County and 39 Cities completed by Vasquez; and audits of the 49 Cities completed by Simpson. 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 audits to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance and the Measure R Local Return Guidelines occurred, which could have a direct and material effect on the Measure R Local Return program.

Vasquez concluded that the County and the Cities complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal years ended June 30, 2022 and 2023. For Fiscal Years 2022 and 2023, Vasquez found seven and three instances of noncompliance, respectively, which are summarized in Schedule 2 of Attachments C and D.

Simpson and Simpson concluded that the Cities complied, in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure R Local Return program for the fiscal years ended June 30, 2022 and 2023. For both Fiscal Years, Simpson and Simpson found 11 instances of noncompliance, which are summarized in

Schedule 2 of Attachments E and F.

NEXT STEPS

The Oversight Committee will prepare an annual report detailing the results of the annual audit process and any findings. In addition, a public hearing will be scheduled to receive public input.

ATTACHMENT(S)

- A. Independent Auditor’s Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund (FY22)
- B. Independent Auditor’s Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund (FY23)
- C. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez FY22)
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez FY23)
- E. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson FY22)
- F. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson FY23)

Prepared by: Kimberly Houston, Deputy Chief Auditor, (213) 922-4720
Lauren Choi, Senior Director, Audit, (213) 922-3926
Monica Del Toro, Senior Manager, Audit, (213) 922-7494

Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101