



Board Report

File #: 2020-0697, **File Type:** Informational Report

Agenda Number: 2.

**MEASURE R INDEPENDENT TAXPAYER
OVERSIGHT COMMITTEE
NOVEMBER 4, 2020**

**SUBJECT: INDEPENDENT AUDITOR’S REPORT ON MEASURE R SPECIAL REVENUE FUND
AND COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R
ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES**

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 Year ended June 30, 2019 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 Year ended June 30, 2019 completed by Vasquez & Company, LLP; and
- C. Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines for the Fiscal Year ended June 30, 2019 completed by Simpson and Simpson, CPAs.

ISSUE

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. 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.

DISCUSSION

The following summarizes the independent auditor's report on Schedule of Revenues and Expenditures for Measure R 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 R Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedule referred to above present fairly, in all material respects, the Measure R Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2019, 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, 2019.

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

Management Audit Services contracted with two firms, Vasquez and Company (Vasquez) and Simpson and Simpson, CPAs (Simpson and Simpson), to conduct the audits of Measure R sales tax revenues used by the 87 cities (Cities) as well as the County of Los Angeles (County). This report covers the audits of 38 Cities completed by Vasquez as listed in Attachment B; and audits of 49 Cities and the County completed by Simpson and Simpson as listed in Attachment C. 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 and the Measure R Local Return Guidelines which could have a direct and material effect on the Measure R Local Return program occurred.

Vasquez concluded that the Cities, except for the City of South El Monte, 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 year ended June 30, 2019. Vasquez found 9 instances of noncompliance, which are summarized in Schedule 2 of Attachment D. The City of South El Monte's non-compliance was due to delay in the year end closing process. As noted in Attachment E, Vasquez performed a subsequent audit and concluded on August 27, 2020 that the City of South El Monte complied in all material respects, with the requirements in the Ordinance and the Measure R Local Return Guidelines that are applicable to the Measure Local Return Program for the fiscal year ended June 30, 2019.

Simpson and Simpson concluded that the Cities and County 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 year ended June 30, 2019. Simpson and Simpson found 14 instances of noncompliance, which are summarized in Schedule 2 of Attachment F.

NEXT STEPS

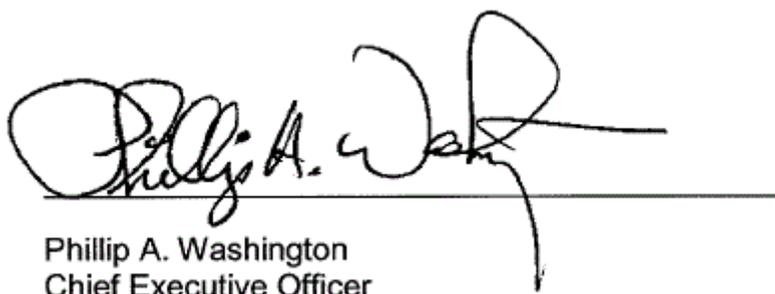
A public hearing will be scheduled.

ATTACHMENT(S)

- A. Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure R Special Revenue Fund for the Fiscal Year Ended June 30, 2019
- B. List of Entities Audited by Vasquez
- C. List of Entities Audited by Simpson and Simpson
- D. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- E. Consolidated Report - City of South El Monte
- F. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson and Simpson)

Prepared by: Lauren Choi, Sr. Director (Interim), Audit, (213) 922-3926
Monica Del Toro, Audit Support Manager, (213) 922-7494

Reviewed by: Shalonda Baldwin, Chief Auditor (Interim), (213) 418-3265



Phillip A. Washington
Chief Executive Officer