



**Metro**<sup>TM</sup>

**City of Compton  
Annual Financial Report of its**

**Proposition A Local Return Fund**

**As of and for the Year Ended June 30, 2024  
with Independent Auditor's Report**



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## **FINANCIAL SECTION**



## Independent Auditor's Report

**To the Honorable Members of the City Council of the  
City of Compton, California and the  
Los Angeles County Metropolitan Transportation Authority**

### **Report on the Audit of the Financial Statements**

#### ***Qualified Opinion***

We have audited the accompanying financial statements of the Proposition A Local Return Fund (PALRF or the Fund) of the City of Compton which comprise the PALRF's balance sheet as of June 30, 2024, the related statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the Fund financial statements, as listed in the table of contents.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition A Local Return Fund of the City of Compton, California, as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Qualified Opinion***

As described in Note 5, the City has made adjustments to the beginning fund balance of the Proposition A Local Return Fund to correct the errors related to investment income and expenditures reported and not reported in the fund in the prior year. The adjustments resulted from the audits of the City's financial statements as a whole. As of the date of this report, the audits of the City's financial statements for the fiscal years 2024 and 2023 have not yet been completed. Consequently, we were unable to determine whether additional adjustments would still be necessary as a result of the audits being conducted on the City's financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Emphasis of Matter***

As discussed in Note 2, the financial statements present only the Proposition A Local Return Fund of the City of Compton, California, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the Fund's financial statements as a whole. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Fund's basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the Fund's basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Fund's basic financial statements or to the Fund's basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Fund's basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2024 on our consideration of the City's internal control over the Fund's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over the Fund's financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Fund's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Fund's financial reporting and compliance.

**Glendale, California  
December 24, 2024**

**City of Compton**  
**Proposition A Local Return Fund**  
**Balance Sheet**  
**June 30, 2024**

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**ASSETS**

Cash and investments	\$	8,060,836
Accounts receivable		196,856
Interest receivable		144
		144
<b>Total assets</b>	<b>\$</b>	<b><u>8,257,836</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$	248,329
Accrued wages payable		208
		208
<b>Total liabilities</b>		<b><u>248,537</u></b>

**Fund balance**

Restricted		8,009,299
		8,009,299
<b>Total fund balance</b>		<b><u>8,009,299</u></b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u>8,257,836</u></b>

*See Independent Auditor's Report and notes to Funds financial statements.*

**City of Compton**  
**Proposition A Local Return Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year ended June 30, 2024**

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<b>Revenues</b>	
Proposition A	\$ 2,498,718
Investment income	112,616
Passenger fares	30,800
<b>Total revenues</b>	<u>2,642,134</u>
<b>Expenditures</b>	
Various projects	1,586,247
<b>Total expenditures</b>	<u>1,586,247</u>
Excess of revenues over expenditures	1,055,887
Fund balance at beginning of year, as restated (Note 5)	<u>6,953,412</u>
Fund balance at end of year	<u><u>\$ 8,009,299</u></u>

*See Independent Auditor's Report and notes to Funds financial statements.*

**City of Compton**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Expenditures – Actual and Metro Approved Project Budget**  
**Year ended June 30, 2024**

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<b>Project Code</b>	<b>Project Name</b>	<b>Metro Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
105	Fixed Route Transit System	\$ 2,000,000	\$ 1,490,090	\$ 509,910
107	Dial-A-Ride Transit System	300,000	46,367	253,633
280	Transit Oriented Development Specific Plan	50,000	-	50,000
610	Direct Administration	544,687	48,670	496,017
610	Self-Insured Compton	100,000	-	100,000
610	Self Insured Compton Employer	100,000	-	100,000
610	NTD Audit Services	3,000	-	3,000
610	CALACT Membership	2,000	1,120	880
<b>Total expenditures</b>		<b>\$ 3,099,687</b>	<b>\$ 1,586,247</b>	<b>\$ 1,513,440</b>

*See Independent Auditor's Report.*

**City of Compton**  
**Proposition A Local Return Fund**  
**Supplementary Information**  
**Schedule of Capital Assets**  
**Year ended June 30, 2024**

<u>Date Acquired</u>	<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
1987-91	MLK Transit Center	\$ 2,069,970	\$ -	\$ -	\$ 2,069,970
2005	Quadrant Gate at 4 Blue Line Arterial Street	40,389	-	-	40,389
2005	MLK Transit Center Renovation	723,878	-	-	723,878
2010	Bus Stop Shelter Construction	10,435	-	-	10,435
2010	Bus Stop Improvement Project	198,409	-	-	198,409
2018	3 Buses	380,759	-	-	380,759
<b>Total</b>		<b>\$ 3,423,840</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,423,840</b>

*See Independent Auditor's Report.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The operation of the Proposition A Local Return Fund (PALRF or the Fund) is accounted for in separate sets of self-balancing accounts that comprise their assets, liabilities, fund balance, revenues and expenditures.

PALRF represents 25% of the ½ cent Proposition A sales taxes which is distributed to the jurisdictions within Los Angeles County based on population and must be used exclusively for transportation related programs and projects.

**Basis of Accounting and Measurement Focus**

The Fund is reported as Special Revenue Fund of the City and is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

A Special Revenue Fund is reported on a spending or "financial flow" measurement focus. This means that generally, only current assets, current liabilities and deferred inflows and outflows of resources are included on its balance sheet. Statement of revenues, expenditures and changes in fund balance for Special Revenue Fund generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**Budgets and Budgetary Accounting**

The budgeted amounts presented in this report for comparison to the actual amounts are based on budgets approved by Metro and are presented in accordance with accounting principles generally accepted in the United States of America.

**Fair Value Measurement**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurement within the fair value hierarchy that is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Accordingly, the City reports its investments at fair value and recognizes unrealized gain (loss) on investments.

Refer to the City's Annual Comprehensive Financial Report (ACFR) for detailed disclosures regarding the City's investments policy and fair value measurement disclosures.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The Fund reports the following fund balance classification as of June 30, 2024:

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The use of the Fund's remaining fund balance is restricted for projects approved by Metro.

Information regarding the fund balance reporting policy adopted by the City is described in the City of Compton's ACFR.

**Governmental Accounting Standards Update**

During the year ended June 30, 2024, the Funds implemented the following Governmental Accounting Standards Board (GASB) standard. The financial statements included herein apply the requirements and provisions of the new standard.

GASB Statement No. 100 - *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this standard are effective for reporting periods beginning after June 15, 2023.

**NOTE 2      ANNUAL FINANCIAL STATEMENTS**

The financial statements reflect only the financial position and results of operations of the Fund, and do not purport to, and do not present fairly the City's financial position as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**NOTE 3      PROPOSITION A LOCAL RETURN COMPLIANCE REQUIREMENTS**

The Proposition A Ordinance requires that Local Return (LR) fund be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR fund. Proposition A LR fund may also be traded with other Jurisdictions in exchange for general or other funds.

**NOTE 3      PROPOSITION A LOCAL RETURN COMPLIANCE REQUIREMENTS  
(CONTINUED)**

Proposition A LR fund must be expended within three years of the last day of the fiscal year in which the fund was originally allocated.

In accordance with *Proposition A Local Return Program Guidelines*, funds received pursuant to these guidelines may only be used for Proposition A Local Return approved program. See accompanying Compliance Matrix.

**NOTE 4      CASH AND INVESTMENTS**

The Fund's cash balance was pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash account was separately maintained and interest income was apportioned to the participating funds based on the relationship of their average quarterly balances to the total of the pooled cash and investments. Please refer to the City's ACFR for a full description of risks relating to cash and investments.

**NOTE 5      RESTATEMENT OF FUND FINANCIAL STATEMENTS**

The City has made adjustments to the beginning fund balance of the Fund to correct the investment income allocation and expenditures reported in the prior year. This beginning fund balance has been restated as follows:

Beginning fund balance, as previously reported	\$ 6,766,266
Adjustments to correct FY22/23 investment income	(55,029)
Adjustments to correct FY22/23 expenditures	<u>242,175</u>
Beginning fund balance, as restated	<u>\$ 6,953,412</u>

**NOTE 6      SUBSEQUENT EVENTS**

The City has evaluated events subsequent to June 30, 2024 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 24, 2024, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of the City Council of the City of Compton, California and the Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the 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, the financial statements of the Proposition A Local Return Fund (PALRF or the Fund) of the City of Compton, California (the City) as of and for the year ended June 30, 2024, and the related notes to the Fund financial statements, and have issued our report thereon dated December 24, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the Fund's financial statements, we considered the City's internal control over the Fund's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Fund's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the Schedule of Findings on Internal Control over Financial Reporting as Finding No. FS 2024-001, that we consider to be a material weakness.



### **The City's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings on Internal Control over Financial Reporting. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's Proposition A Local Return Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California  
December 24, 2024**

**Finding No. FS 2024-001: Year-end Closing Process**

*Criteria*

Proposition A Local Return Guidelines Section V, states that “It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines”.

*Condition and Context*

As of the date of the audit, the City’s year-end closing process is still ongoing. We noted the following critical observations:

- Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City’s adjustments which affected the prior period’s account balances.
- The beginning fund balance was not reconciled with the prior year’s audited reports.

The audits of the City’s financial statements for the fiscal years 2023 and 2024 have not yet been completed because of the clean-up and closing processes currently being done.

*Cause and Effect*

During the fiscal years 2017 through 2023, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City’s books for the fiscal year 2024 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.

*Recommendation*

We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management’s or the auditor’s need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.

*Views of Responsible Officials*

The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Controller’s office is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.

## **COMPLIANCE SECTION**



**Independent Auditor's Report on Compliance  
and on Internal Control Over Compliance Required by the Guidelines**

**To the Honorable Members of the City Council of the  
City of Compton, California and the  
Los Angeles County Metropolitan Transportation Authority**

**Report on Compliance**

***Opinion***

We have audited the City of Compton, California's (the City) compliance with the Proposition A Local Return Guidelines (the Guidelines) for the year ended June 30, 2024.

In our opinion, the City of Compton, California complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2024.

***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Guidelines. Our responsibilities under those standards and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.



### ***Responsibilities of Management for Compliance***

Management is responsible for the City's compliance with the Guidelines and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the City's Proposition A Local Return Fund.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



### ***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Guidelines and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2024-001. Our opinion is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the Guidelines on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with the Guidelines will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding #2024-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidelines. Accordingly, this report is not suitable for any other purpose.

*Vasquez & Company LLP*

**Glendale, California  
December 24, 2024**

**City of Compton  
Compliance Matrix  
Year ended June 30, 2024**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response
	Yes	No	N/A		
<b>A. Proposition A Local Return Fund</b>					
1. Uses the State Controller's Uniform System of Accounts and Records or has established a separate Proposition A Local Transit Assistance Account for Local Return purposes.	X				
2. Revenues received including allocations, project generated revenues and interest income was properly credited to the Proposition A Local Return Account.	X				
3. Funds were expended with Metro's approval and were not substituted for property tax.	X				
4. Timely use of funds.	X				
5. Administrative expenses are within the 20% cap.	X				
6. Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A) or electronic equivalent.			X		
7. Annual Project Update Report (Form B) or electronic equivalent was submitted on time.	X				
8. Annual Expenditure Report (Form C) or electronic equivalent was submitted on time.	X				
9. Pavement Management System (PMS) is in place and being used for Street Maintenance or Improvement Projects Expenditures.	X				
10. Local Return Account is credited for reimbursable expenditures.			X		
11. Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, the receiving jurisdiction has credited its Local Return Account with the funds received.			X		

*See Independent Auditor's Report on compliance.*

**City of Compton  
Compliance Matrix  
Year ended June 30, 2024**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response
	Yes	No	N/A		
<b>A. Proposition A Local Return Fund</b>					
12. Self-Certification was completed and submitted for Intelligent Transportation Systems projects and elements.			X		
13. A separate account was established for Capital reserve funds, Capital reserve was approved by Metro and current status is reported in the Annual Project Update (Form B) or electronic equivalent.			X		
14. Recreational transit form was submitted on time.			X		
15. Fund exchanges (trades, loans, or gifts) were approved by Metro.			X		
16. All on-going and carryover projects were reported on Form B or electronic equivalent.	X				
17. Cash or cash equivalents accounts are maintained separately.	X				
18. Accounting procedures, record keeping, and documentation are adequate.		X			See Finding #2024-001

*See Independent Auditor's Report on compliance.*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Compton**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2024**

**Finding #2024-001**

<b>Compliance Reference</b>	Proposition A Local Return Guidelines Section V, states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
<b>Condition</b>	<p>As of the date of the audit, the City's year-end closing process is still ongoing. We noted the following critical observations:</p> <ul style="list-style-type: none"> <li>• Reconciliations of major balance sheet accounts including bank accounts were not yet completed.</li> <li>• Cut-off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. This resulted in the City's adjustments which affected the prior period's account balances.</li> <li>• Beginning fund balances were not reconciled with the prior year's audited reports.</li> </ul> <p>The audits of the City's financial statements for the fiscal years 2023 and 2024 have not yet been completed because of the clean-up and closing process currently being done.</p> <p>Further, we have noted that the separate local return fund bank accounts were combined into the City's pooled cash and investments accounts during FY2024. This violates Metro's mandate to maintain separate bank accounts for local return funds.</p>
<b>Cause</b>	During the fiscal years 2017 through 2021, the City lost several key employees in the Finance and Accounting department. As such, there were delays in the closing of the City's books for the fiscal year 2024 and prior years. Currently, the accounting personnel and support staff are working towards closing the books and providing the closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.
<b>Effect</b>	The City was not in compliance with the audit requirements of the Local Return Guidelines.

**Finding #2024-001 (Continued)**

<p><b>Recommendation</b></p>	<p>We recommend the City implement a monthly and year-end closing process in a timely manner. We also recommend that the City establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are complete and accurate.</p> <p>We further recommend that the City reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate. This will also help in monitoring and tracking the activities and balances of local return funds.</p>
<p><b>Management's Response</b></p>	<p>The City is in the process of catching up on all accounting processes that have not been completed due to staff turnover and various other reasons. The new management team in the Finance and Accounting Department is putting procedures in place to ensure monthly and annual year-end closing processes are well documented and occur on time.</p> <p>The City acknowledges the finding and will recommend to the City Council to reinstate the maintenance of individual bank accounts for its local return funds to comply with Metro's mandate.</p>

**EXIT CONFERENCE**

An exit conference was held on November 25, 2024 with the City of Compton representatives. Those in attendance were:

Vasquez and Company LLP representatives:

Cristy Canieda – Audit Partner  
Erica Ong – Audit Manager  
Mary Tanglao – Audit Supervisor

City of Compton representatives:

Sharon Rahban – City Controller  
Jocelyn Logan – Deputy City Controller  
Maria David – Accounting Specialist  
Austin Okonta – Accounting I

Matters discussed:

Results of the audit disclosed findings on internal control over financial reporting and compliance.

A copy of this report was forwarded to the following City of Compton representatives for comments prior to the issuance of the final report:

Sharon Rahban – City Controller  
Jocelyn Logan – Deputy City Controller  
Maria David – Accounting Specialist

Vasquez & Company LLP  
655 North Glendale Avenue, Suite 1550  
Glendale, CA 91203

RE: CITY OF COMPTON, CALIFORNIA ANNUAL FINANCIAL REPORT OF THE PROPOSITION A  
LOCAL RETURN FUND FOR THE YEAR ENDED JUNE 30, 2024.

I have received the annual financial report of the Proposition A Local Return Fund for the year ended June 30, 2024 for the City of Compton and agreed with the contents of the report except as indicated below:

*(Attach additional pages if necessary)*

Very truly yours,

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Name

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Title

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Date



[www.vasquez.cpa](http://www.vasquez.cpa)

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