



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY'S
FUNDING AND ALLOCATION GUIDELINES FOR
TRANSPORTATION DEVELOPMENT ACT ARTICLE 3
BICYCLE AND PEDESTRIAN FUNDS**

**TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
Consolidated Audit Report
Fiscal Year Ended June 30, 2021**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY'S FUNDING AND ALLOCATION GUIDELINES
FOR TRANSPORTATION DEVELOPMENT ACT ARTICLE 3 BICYCLE AND
PEDESTRIAN FUND**

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities identified in the List of Package B Jurisdictions, with the types of compliance requirements described in the Transportation Development Act (TDA) Statutes and California Codes of Regulations; issued by the California Department of Transportation Division of Mass Transportation (CalTrans) and the Los Angeles County Metropolitan Transportation Authority's Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds. Compliance with the above-noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Audit Results, Schedule 1 and Schedule 2.

Management's Responsibility

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' management.

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the TDA Article 3 program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



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Opinion

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the TDA Article 3 program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Compliance Findings (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2021-001 through #2021-005. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the TDA Article 3 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Cost (Schedule 2) as Findings #2021-002, #2021-004 and #2021-005 to be significant deficiencies.



The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subject to the 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 on internal control over compliance and the results of that testing based on the requirements of the Guidelines and Requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
December 30, 2021

Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
List of Package B Jurisdictions
Fiscal Year Ended June 30, 2021

- | | |
|----------------------------------|-----------------------------------|
| 1. CITY OF ALHAMBRA | 31. CITY OF PALMDALE |
| 2. CITY OF ARCADIA | 32. CITY OF PALOS VERDES ESTATES |
| 3. CITY OF ARTESIA | 33. CITY OF PARAMOUNT |
| 4. CITY OF AVALON | 34. CITY OF PASADENA |
| 5. CITY OF BELLFLOWER | 35. CITY OF RANCHO PALOS VERDES |
| 6. CITY OF BRADBURY | 36. CITY OF REDONDO BEACH |
| 7. CITY OF BURBANK | 37. CITY OF ROLLING HILLS |
| 8. CITY OF CERRITOS | 38. CITY OF ROLLING HILLS ESTATES |
| 9. CITY OF CLAREMONT | 39. CITY OF SAN DIMAS |
| 10. CITY OF COVINA | 40. CITY OF SAN GABRIEL |
| 11. CITY OF DIAMOND BAR | 41. CITY OF SAN MARINO |
| 12. CITY OF DOWNEY | 42. CITY OF SANTA CLARITA |
| 13. CITY OF DUARTE | 43. CITY OF SIERRA MADRE |
| 14. CITY OF EL SEGUNDO | 44. CITY OF SIGNAL HILL |
| 15. CITY OF GLENDALE | 45. CITY OF SOUTH PASADENA |
| 16. CITY OF GLENORA | 46. CITY OF TEMPLE CITY |
| 17. CITY OF HAWAIIAN GARDENS | 47. CITY OF TORRANCE |
| 18. CITY OF HERMOSA BEACH | 48. CITY OF WEST COVINA |
| 19. CITY OF LA CANADA FLINTRIDGE | 49. CITY OF WHITTIER |
| 20. CITY OF LA HABRA HEIGHTS | |
| 21. CITY OF LA MIRADA | |
| 22. CITY OF LA VERNE | |
| 23. CITY OF LAKEWOOD | |
| 24. CITY OF LANCASTER | |
| 25. CITY OF LOMITA | |
| 26. CITY OF LONG BEACH | |
| 27. CITY OF LOS ANGELES | |
| 28. CITY OF MANHATTAN BEACH | |
| 29. CITY OF MONROVIA | |
| 30. CITY OF NORWALK | |

**Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
Compliance Area Tested
Fiscal Year Ended June 30, 2021**

1. Timely use of funds.
2. Expenditures were incurred for activities relating to pedestrian and bicycle facilities and amenities.

SUMMARY OF AUDIT RESULTS

**Los Angeles County Metropolitan Transportation Authority
 Transportation Development Act Article 3 Fund
 Summary of Compliance Findings
 Fiscal Year Ended June 30, 2021**

The audit of the 49 cities identified in the List of Package B Jurisdictions have resulted in 5 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Timely use of funds: Lapsed funds	2	Artesia (#2021-001) Rolling Hills (#2021-005)	\$ 6,442 5,000	\$ 6,442 -
Timely used of funds: Unencumbered fund balance	3	Bradbury (#2021-002) Hermosa Beach (#2021-003) Redondo Beach (#2021-004)	None None None	None None None
Total Findings and Questioned Costs	5		\$ 11,442	\$ 6,442

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021**

Finding #2021-001	City of Artesia
Compliance Requirement	According to Metro’s Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds, Funding, Lapsing, and Accounting: “TDA Article 3 local funds may be placed on reserve for up to three years (i.e. no longer than the fourth fiscal year after they were made available by Metro Board action). Agencies may accumulate three years worth of reserved TDA Article 3 local funds before being required to obligate them or return them to the TDA Article 3 fund. Any funds left on reserve by the local agency longer than three years are subject to lapse and future reallocation.”
Condition	At June 30, 2021, the City had lapsed funds of \$6,442 from the fiscal year 2016-17 allocation. However, the City received an extension approval from Metro to spend the lapsed funds until June 30, 2022 on December 22, 2021.
Cause	This was an oversight of the City.
Effect	The City was not in compliance with Los Angeles County Metropolitan Transportation Authority Funding and Allocation Guidelines for Transportation Development Act Article 3 Bicycle and Pedestrian Funds.
Recommendation	We recommend that the City implement internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the required timeline per the TDA Article 3 Guidelines.
Management’s Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the TDA Article 3 Guidelines.
Finding Corrected During the Audit	On December 22, 2021, Metro approved an extension on the usage of lapsed funds until June 30, 2022.No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021
(Continued)**

Finding #2021-002	City of Bradbury
Compliance Requirement	According to TDA Article 3 Guidelines, General Guidelines, “Agency may only draw down local funds if they will be fully spent or encumbered before the end of the fiscal year (by May 31) in which they are allocated.”
Condition	<p>During the fiscal year ended June 30, 2021, the City had a remaining fund balance of \$1,241 and has not encumbered these funds as of June 30, 2021. The remaining funds were not encumbered or placed on a reserve account with Metro as required by the Guidelines.</p> <p>Subsequently, the City received an extension approval from Metro on December 20, 2021, to spend the remaining funds until June 30, 2022.</p>
Cause	This is due to the oversight of city staff.
Effect	Because these funds were not fully spent or encumbered on eligible projects within the required timeline per the TDA Article 3 Guidelines and were not returned to Metro to be placed on reserve, the City did not comply with the TDA Article 3 Guidelines.
Recommendation	We recommend that the City strengthen internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the required timeline per the TDA Article 3 Guidelines.
Management’s Response	The City has a staff turnover during fiscal year 2021 and the new management team was unaware of compliance requirements of TDA Article 3 Funds.
Finding Corrected During the Audit	The City was granted an extension by Metro on the usage of lapsed funds until June 30, 2022 on December 22, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021
(Continued)**

Finding #2021-003	City of Hermosa Beach
Compliance Requirement	According to the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Article 3 Bicycle and Pedestrian Funds, Funding and Allocation Guidelines: "Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the city under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated."
Condition	As of June 30, 2021, the City had unspent TDA 3 ending fund balance of \$10,000. The remaining funds were not encumbered or placed on a reserve account with Metro as required by the Guidelines. However, the City received an extension approval from Metro on December 15, 2021, to spend the remaining funds until June 30, 2022.
Cause	This was an oversight on the part of the City.
Effect	Because these funds were not expended within the required timeline per the TDA Article 3 Guidelines and were not returned to Metro to be placed on reserve, the City did not comply with the TDA Article 3 Guidelines.
Recommendation	We recommend that the City implement internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the required timeline per the TDA Article 3 Guidelines.
Management's Response	The City's was looking into initiating the development of the Wayfinding Signage for Summer Streets project in fiscal year 2021. However, the project was on hold due to the pandemic. The City reached out to Metro on December 14, 2021, for an extension.
Finding Corrected During the Audit	The City was granted an extension by Metro to expend the remaining funds until June 30, 2022, on December 15, 2021. No follow-up is required.

**Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021
(Continued)**

Finding #2021-004	City of Redondo Beach
Compliance Requirement	According to the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Article 3 Bicycle and Pedestrian Funds, Funding and Allocation Guidelines: “Agencies may only draw down the funds that they can spend during the fiscal year in which they were allocated. Agencies are not allowed to have a fund balance at the end of the fiscal year. Any funds drawn down and that remain unspent after the end of the fiscal year must be returned to Metro to be placed on reserve for the city under the fiscal year in which they were originally allocated. Agencies must also fully spend any interest accumulated by these funds by the end of the fiscal year in which the funds were allocated.”
Condition	As of June 30, 2021, the City had an unspent TDA 3 ending fund balance of \$37,152 and did not encumber these funds. These funds should have been placed back on reserve. This is a repeat finding from prior fiscal year.
Cause	This was an oversight of the City.
Effect	Because these funds were not expended or encumbered within the required timeline per the TDA Article 3 Guidelines and were not returned to Metro to be placed on reserve, the City did not comply with the TDA Article 3 Guidelines.
Recommendation	In accordance with the Guidelines, we recommend that the City establish procedures to ensure that it only draws down funds that will be spent or encumbered on eligible projects before the end of the fiscal year and returns any unspent funds to Metro to be placed on reserve for the City as required by the Guidelines.
Management’s Response	The City will establish procedures to ensure that all funds are appropriately expended or reserved according to the TDA Article 3 Guidelines.
Finding Corrected During the Audit	On December 16, 2021, Metro granted the City an extension on the usage of remaining funds until June 30, 2022.

**Los Angeles County Metropolitan Transportation Authority
Transportation Development Act Article 3 Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2021
(Continued)**

Finding #2021-005	City of Rolling Hills
Compliance Requirement	According to Metro’s Funding and Allocation Guidelines for the TDA Article 3 Bicycle and Pedestrian Funds, General Guidelines, Funding, Lapsing, and Accounting: “TDA Article 3 local funds may be placed on reserve for up to three years (i.e. no longer than the fourth fiscal year after they were made available by Metro Board action). Agencies may accumulate three years worth of reserved TDA Article 3 local funds before being required to obligate them or return them to the TDA Article 3 fund. Any funds left on reserve by the local agency longer than three years are subject to lapse and future reallocation.
Condition	As of June 30, 2021, the City had lapsed funds of \$5,000 from the June 30, 2016 allocation and \$5,000 from the June 30, 2017 allocation. Subsequently, the City requested an extension approval to Metro to expend the lapsed funds for both years but was not granted. This is a repeat finding.
Cause	This was an oversight of the City due to the recent staff turnover.
Effect	Untimely review of the funding status from the prior year allocation could result in losing the funding.
Recommendation	We recommend that the City implement internal control procedures to track the TDA Article 3 reserve balance to ensure that all TDA Article 3 funds are claimed and expended within the required timeline per the TDA Article 3 Guidelines.
Management’s Response	There has been a change in finance staff. We will implement the necessary internal control procedures including an update to our Finance task calendar to include all timeline and deadline dates for all reports related to our transit funds.