

Eco-Rapid Transit, formerly known as the Orangeline Development Authority, is a joint powers authority (JPA) created to pursue development of a transit system that moves as rapidly as possible, uses grade separation as appropriate, and is environmentally friendly and energy efficient. The system is designed to enhance and increase transportation options for riders of this region utilizing safe, advanced transit technology to expand economic growth that maximizes ridership in Southern California. The Authority is composed of the following public agencies:

**AGENDA REPORT**

**TO:** Members of Eco-Rapid Transit  
**FROM:** Michael Kodama, Executive Director  
**DATE:** January 9, 2019  
**SUBJECT:** **UPDATE AND/OR ACTION REGARDING APPROVAL OF AN AUDIT CONDUCTED BY MOSS, LEVY & HARTZHEIM FOR FISCAL YEAR AUDIT ENDING JUNE 30, 2018**

Public comments on items on the agenda will be taken at the time the item is called and are limited to 3 minutes per speaker

**ISSUE**

Eco-Rapid Transit staff seeks guidance from the Board of Directors regarding the potential approval of an audit to be conducted by Moss, Levy & Hartzheim for Fiscal Year ending June 30, 2018.

**BACKGROUND**

The City of Bellflower conducted a competitive process to secure a firm to conduct its audit. As part of this process, the City of Bellflower included the Orangeline Development Authority dba Eco-Rapid Transit (Authority) for the fiscal year ended June 30, 2018. Moss, Levy & Hartzheim has been selected to audit the financial statements of the governmental activities and the major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority as of and for the fiscal year ended June 30, 2018.

The objective of the audit is the expression of opinions as to whether our financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. They will issue written reports upon completion of the audit of the Authority's financial statements.

They will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards.

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluation and monitoring ongoing activities to help ensure that appropriate goals and objectives are met, following laws and regulations, and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements.

City of Artesia

City of Bell

City of Bell Gardens

City of Bellflower

City of Cudahy

City of Downey

City of Glendale

City of Huntington Park

City of Maywood

City of Paramount

City of South Gate

City of Vernon

Burbank-Glendale-Pasadena  
Airport Authority

Chair

Zareh Sinanyan  
President

Hollywood Burbank Airport  
Mayor  
City of Glendale

Vice-Chair

Pedro Aceituno  
Council Member  
City of Bell Gardens

Secretary

Karina Macias  
Council Member  
City of Huntington Park

Treasurer

Ali Sajjad Taj  
Council Member  
City of Artesia

Internal Auditor

Cristian Markovich  
Council Member  
City of Cudahy

Executive Director  
Michael R. Kodama

General Counsel  
Teresa L. Highsmith

Ex-Officio  
William Rawlings  
City Manager Representative



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- City of Artesia
- City of Bell
- City of Bell Gardens
- City of Bellflower
- City of Cudahy
- City of Downey
- City of Glendale
- City of Huntington Park
- City of Maywood
- City of Paramount
- City of South Gate
- City of Vernon
- Burbank-Glendale-Pasadena Airport Authority

Chair

Zareh Sinanyan  
President  
Hollywood Burbank Airport  
Mayor  
City of Glendale

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William Rawlings  
City Manager Representative

They will begin the audit upon our notice to proceed and to issue the reports no later than the mutually agreed upon dates. Craig A Hartzheim is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

The fee for these services will be at a standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$10,000, with the possibility of additional work beyond the first year of service (see attached).

## RECOMMENDATION

It is recommended that the Board:

1. Discuss information presented and offer action items; and/or
2. Receive and file the item



# MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
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## GOVERNMENTAL AUDIT SERVICES

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November 29, 2018

To the Board of Directors  
Orangeline Development Authority  
Dba Eco-Rapid Transit  
16401 Paramount Blvd  
Paramount, CA 90723

We are pleased to confirm our understanding of the services we are to provide the Orangeline Development Authority dba Eco-Rapid Transit (Authority) for the fiscal year ended June 30, 2018. We will audit the financial statements of the governmental activities and the major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority as of and for the fiscal year ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) The General Fund Budgetary Comparison Schedule

## Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and will include tests of accounting records, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our audit of the Authority's financial statements. Our report will be addressed to the Board of Directors and Management of the Authority. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an

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audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Authority is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with the provisions of applicable laws, regulations, contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Other Services**

We will also assist in preparing the financial statements and related notes to the Authority in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluation and monitoring ongoing activities to help ensure that appropriate goals and objectives are met, following laws and regulations, and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Moss, Levy & Hartzheim LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the California State Controller or its designee, for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Moss, Levy & Hartzheim LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the California State Controller. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on a November 30, 2018 and to issue our reports no later than the mutually agreed upon dates. Craig A Hartzheim is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$10,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim LLP

RESPONSE:

This letter correctly sets forth the understanding of the Authority.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CITY OF BELLFLOWER  
COST PROPOSAL**

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**PROPOSED FEES (CONTINUED)**

**APPENDIX B**

**TOTAL ALL INCLUSIVE MAXIMUM FEE  
(OLDA / ECO-RAPID TRANSIT)**

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Option Year 2020-21</b>	<b>Option Year 2021-22</b>
<b>OLDA/ Eco-Rapid</b>	<u>\$ 10,000</u>	<u>\$ 10,500</u>	<u>\$ 11,000</u>	<u>\$ 11,500</u>	<u>\$ 12,000</u>

**HOURLY RATES**

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Option Year 2020/21</b>	<b>Option Year 2021/22</b>
<b>Partner</b>	<u>\$ 175</u>	<u>\$ 178</u>	<u>\$ 181</u>	<u>\$ 184</u>	<u>\$ 187</u>
<b>Manager</b>	<u>\$ 125</u>	<u>\$ 128</u>	<u>\$ 131</u>	<u>\$ 134</u>	<u>\$ 137</u>
<b>Supervisor</b>	<u>\$ 100</u>	<u>\$ 102</u>	<u>\$ 104</u>	<u>\$ 106</u>	<u>\$ 108</u>
<b>Staff Accountant</b>	<u>\$ 80</u>	<u>\$ 81</u>	<u>\$ 82</u>	<u>\$ 83</u>	<u>\$ 84</u>
<b>Clerical</b>	<u>\$ 66</u>	<u>\$ 67</u>	<u>\$ 68</u>	<u>\$ 69</u>	<u>\$ 70</u>

**Note: All hourly rates previously shown will be used for any services provided to the City.**

The City, during the term of this agreement, may request that Consultant provide special services in accordance with the provisions of this agreement. If Consultant agrees to perform the special services, the Consultant's hourly fees to perform these services for the term of the agreement are as follows: unless a lesser fee is agreed to in a separate agreement between the City and Consultant.

**OUT-OF-POCKET EXPENSES**

All expenses incurred by the Consultant in performing the services in accordance with this agreement are included in the above annual fee quotes. These expenses include, but are not limited to: meals and lodging, transportation, communications, report preparation, word processing, and printing, and postage.

**MANNER OF PAYMENT**

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's proposal. Interim billings shall cover a period of not less than a calendar month.