



Orange County Transportation Authority

Finance and Administration Committee Agenda

Wednesday, April 26, 2023 at 10:30 a.m.

Board Room, 550 South Main Street, Orange, California

Committee Members

Michael Hennessey, Chairman
Patrick Harper, Vice Chairman
Andrew Do
Jamey Federico
Brian Goodell
Steve Jones
Vicente Sarmiento

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the Orange County Transportation Authority (OCTA) Clerk of the Board's office at (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda Descriptions

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

Public Availability of Agenda Materials

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Meeting Access and Public Comments on Agenda Items

Members of the public can either attend in-person or listen to audio live streaming of the Board and Committee meetings by clicking this link: <https://octa.legistar.com/Calendar.aspx>

In-Person Comment

Members of the public may attend in-person and address the Board regarding any item. Please complete a speaker's card and submit it to the Clerk of the Board or notify the Clerk of the Board the item number on which you wish to speak. Speakers will be recognized by the Chairman at the time the agenda item is to be considered. Comments shall be limited to three minutes.

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Written Comment

Written public comments may also be submitted by emailing them to ClerkOffice@octa.net, and must be sent by 5:00 p.m. the day prior to the meeting. If you wish to comment on a specific agenda item, please identify the item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

Call to Order

Pledge of Allegiance

Director Harper

Special Calendar

1. **Proposed Fiscal Year 2023-24 Southern California Regional Rail Authority Budget**
Megan Taylor/Johnny Dunning, Jr.

Overview

Metrolink staff will present a verbal overview of the draft Southern California Regional Rail Authority Fiscal Year 2023-24 Budget, including the Orange County Transportation Authority's proposed share of operating, rehabilitation, and capital expenses for Metrolink commuter rail service.

Attachments:

[Presentation](#)

Consent Calendar (Items 2 through 6)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

2. **Approval of Minutes**

Recommendation

Approve the April 12, 2023 minutes of the Finance and Administration Committee meeting.

Attachments:

[Minutes](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

3. **Fiscal Year 2022-23 Internal Audit Plan, Third Quarter Update**

Janet Sutter

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan on July 25, 2022. This report provides an update of activities for the third quarter of the fiscal year.

Recommendation

Receive and file the third quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan as an information item.

Attachments:

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

[Attachment C](#)

4. **Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Laguna Beach Public Transportation Services**

Sam Kaur/Andrew Oftelie

Overview

The Laguna Beach Municipal Transit Lines, a department within the City of Laguna Beach, is eligible to receive funding from the Local Transportation Fund in Orange County for providing public transportation services throughout the city. To receive the funds, the Laguna Beach Municipal Transit Lines must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

Recommendations

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services, in the amount of \$1,531,335.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

Attachments:

[Staff Report](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

5. Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Public Transportation and Community Transit Services

Sam Kaur/Andrew Oftelie

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation and community transit services throughout Orange County. To receive the funds, the Orange County Transit District must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

Recommendations

- A. Approve the Orange County Transit District Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services, in the amount of \$211,736,396, and for community transit services, in the amount of \$11,224,618 for a total claim amount \$222,961,014.
- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

Attachments:

[Staff Report](#)

6. Amendment to Agreement for Health Insurance Brokerage Services

Karen DeCrescenzo/Maggie McJilton

Overview

On May 22, 2020, the Orange County Transportation Authority Board of Directors approved an agreement with Alliant Insurance Services, Inc., for health insurance brokerage services for a three-year initial term with a two-year option term. Board of Directors' approval is requested to exercise the option term effective June 1, 2023 through May 31, 2025.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-0-2078 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., to exercise the two-year option term effective June 1, 2023 through May 31, 2025, in the amount of \$238,000, to continue providing health insurance brokerage services. This will increase the maximum obligation of the agreement to a total contract value of \$580,000.

Attachments:

[Staff Report](#)

[Attachment A](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

Regular Calendar

7. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2022

Janet Sutter

Overview

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Local Fair Share funds provided to seven cities, and Senior Mobility Program funds provided to four cities, for the fiscal year ended June 30, 2022. Local Fair Share program reports include observations of ineligible maintenance of effort expenditures, indirect charges lacking a reasonable methodology, reporting errors, and funded projects not reflected in Seven-Year Capital Improvement Program plans. Senior Mobility Program audits include observations relating to late submission of monthly reports, reporting errors, failure to allocate interest, and verification of participant eligibility.

Recommendations

- A. Direct staff to monitor implementation of recommendations by cities.
- B. Direct staff to review observations with legal counsel and develop recommendations for Board of Directors' consideration related to the City of Cypress' compliance with the Measure M2 Ordinance and Eligibility Guidelines.

Attachments:

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

[Attachment C](#)

[Attachment D](#)

FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

8. Orange County Transportation Authority Fiscal Year 2023-24 Budget Workshop Preview

Victor Velasquez/Andrew Oftelie

Overview

The Orange County Transportation Authority is developing the fiscal year 2023-24 budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail during an informal workshop following the May 8, 2023, Orange County Transportation Authority Board of Directors meeting.

Recommendation

Review the fiscal year 2023-24 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 8, 2023.

Attachments:

[Staff Report](#)

[Presentation](#)

Discussion Items

9. Public Comments

10. Chief Executive Officer's Report

11. Committee Members' Reports

12. Closed Session

There are no Closed Session items scheduled.

13. Adjournment

The next regularly scheduled meeting of this Committee will be held:

10:30 a.m. on Wednesday, May 10, 2023

OCTA Headquarters

Board Room

550 South Main Street

Orange, California



METROLINK

**Proposed FY 24 Budget OCTA Finance and
Administration Committee Meeting**

April 26, 2023

Darren Kettle, Metrolink CEO

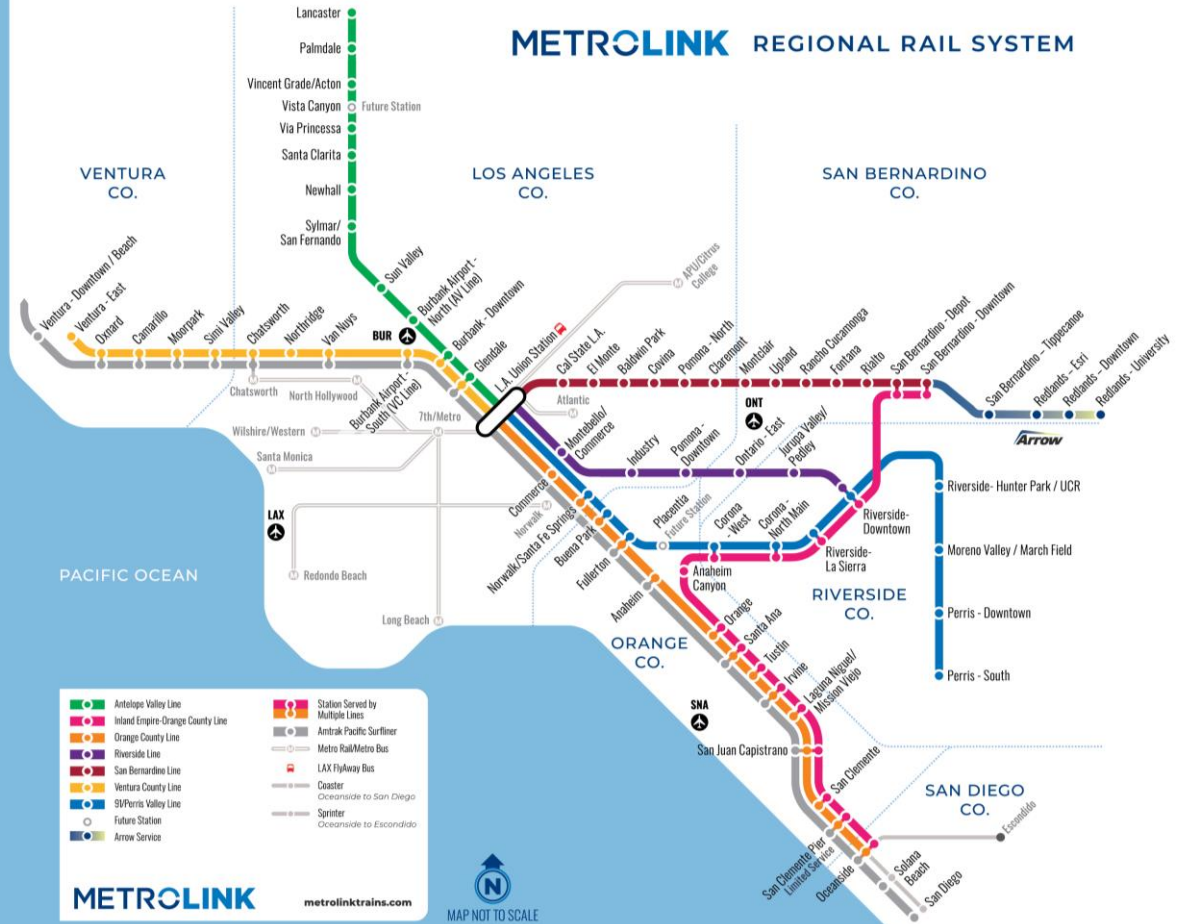
Linking People and Places in SoCal for 30 Years

6 counties served
7 lines
547 route miles
67 stations

Highest Ridership Lines
Orange County
San Bernardino
Antelope Valley

METROLINK

METROLINK REGIONAL RAIL SYSTEM





Proposed FY24 Operating Budget

METROLINK

FY24 Budget Assumptions

Service Level:

- Metrolink Board direction to return to 100% Pre-Pandemic Service Level
- Full Codeshare (Pending Rail-2-Rail Agreement with LOSSAN)
- Arrow Service is a Separate Budget

Revenue: (Revenue Constraints)

- Revenue / Ridership based on Sperry Capital / KPMG Low Forecast Scenario
- No Fare Increases
- New Fare Promotions

Expenses:

- Contractor Increases only as Mandated by Agreements
- No New FTE Headcount
- 5.0% Merit Pool (No COLA)

Reporting:

- Monthly
- Formal Mid-Year Budget Review
- Arrow Service Monthly Budget & Revenue / Ridership

Efficiency Actions & Growing Ridership

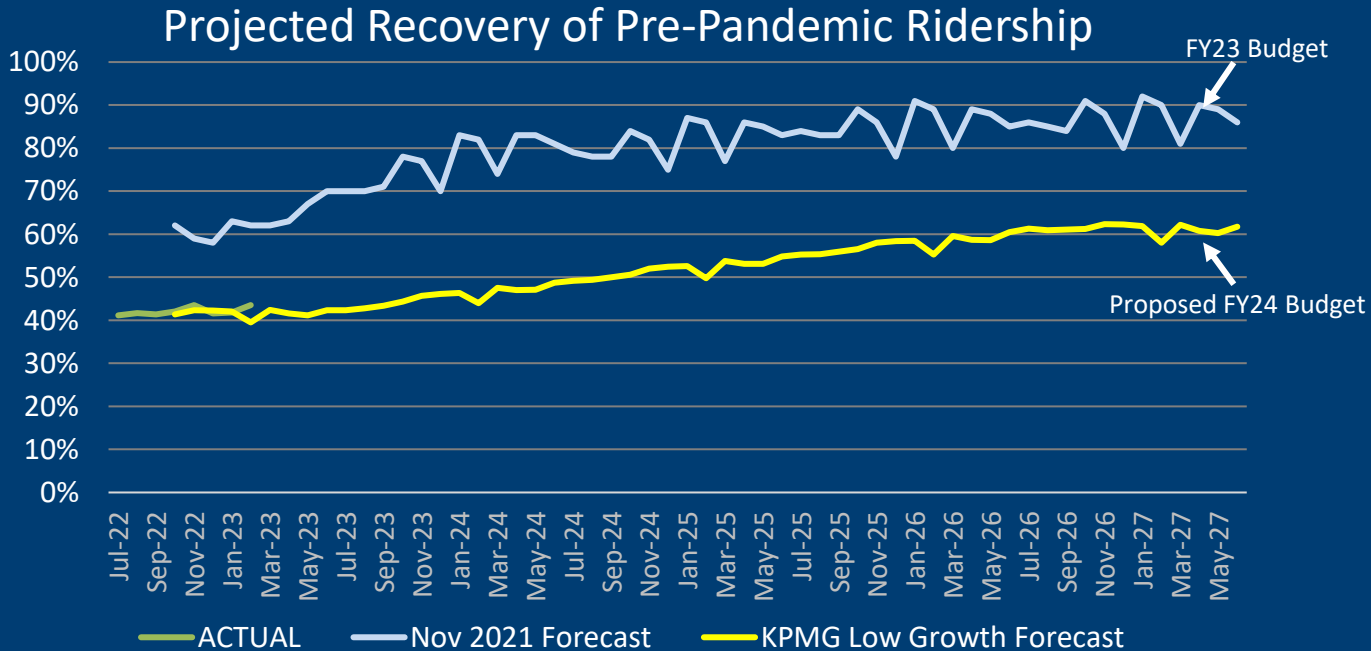
Studies in Progress – Results Due Spring 2023

- Metrolink has retained an outside consultant to provide optimizations for train crews and equipment usage. The results are intended to accomplish the following:
 - Optimize current stations pairs and identify new potential station
 - Model and cost peak-hour, off-peak and reverse-peak trains to be used to establish a performance evaluation model/matrix to aid in optimizing ongoing services.
- Schedule Integration Study
 - Collaborating with LOSSAN to optimize distribution of trains across travel hours
- Potential Rider Study
 - Focus Group to Encourage Non-Commuters usage

Proposed Study

- Fuel Efficiency Study / Pilot Implementation Program

Revenue/Ridership Recovery Scenarios (KPMG/Sperry Dec 2022)



Proposed FY24 Operating Budget Overview

Operating Revenue - \$54.2M

- Decrease from FY23 of \$12.3M or 18.5%

Total Expenses - \$314.5M

- Increase from FY23 of \$18.2M or 6.1%

Member Agency Support - \$260.3M

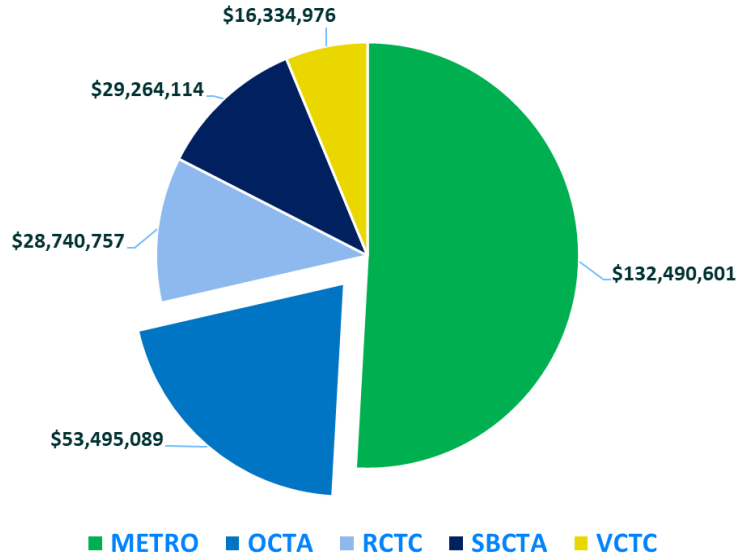
- Increase from FY23 of \$30.5M or 13.3%

Working Capital - \$50.0M

- New request to address Cashflow Challenges

FY24 Operating Budget – Summary of Support by Member Agency

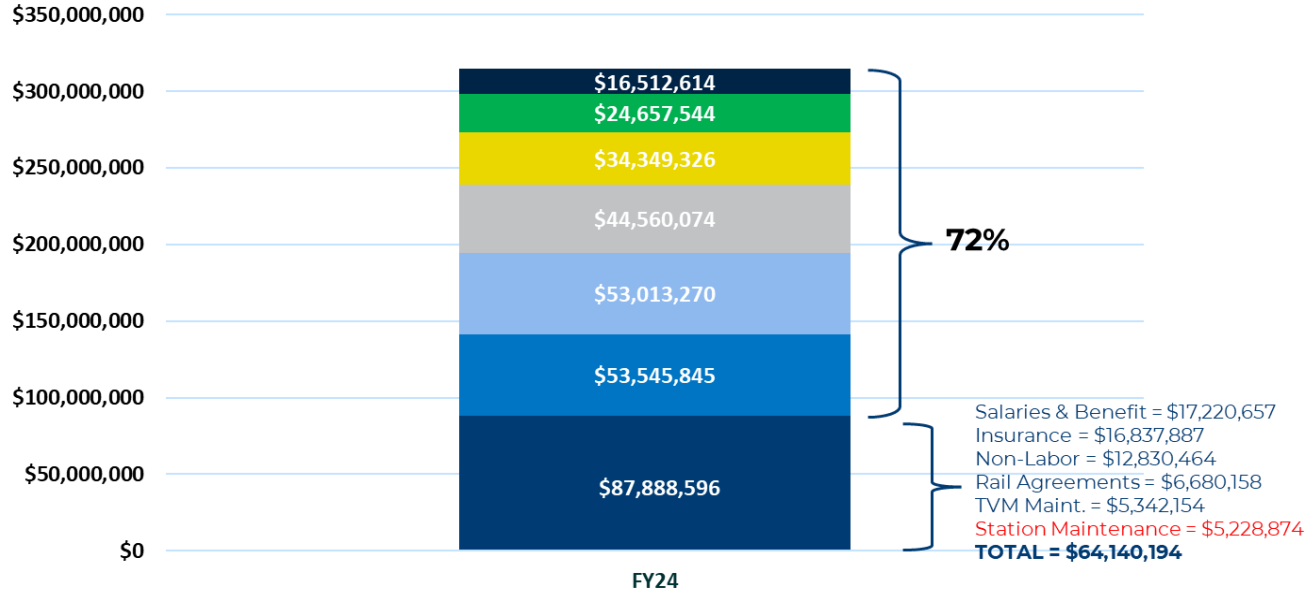
Support Required by Member Agency (\$260.3M)



Notes:

- Total does not include "Working Capital" request

FY24 Operating Budget Increase Drivers



■ Others ■ MoW - Line Segments ■ Train Operations ■ Equipment Maint. ■ Fuel ■ Overhead ■ Security

Note:

- MoW – Line Segments = Tracks & Signals and Structures
- Station Maintenance increase driven by CAM Union Station annual increase



Proposed FY24 Capital Budget

METROLINK

Proposed FY24 Capital Program Budget Overview

State of Good Repair - \$149.3M

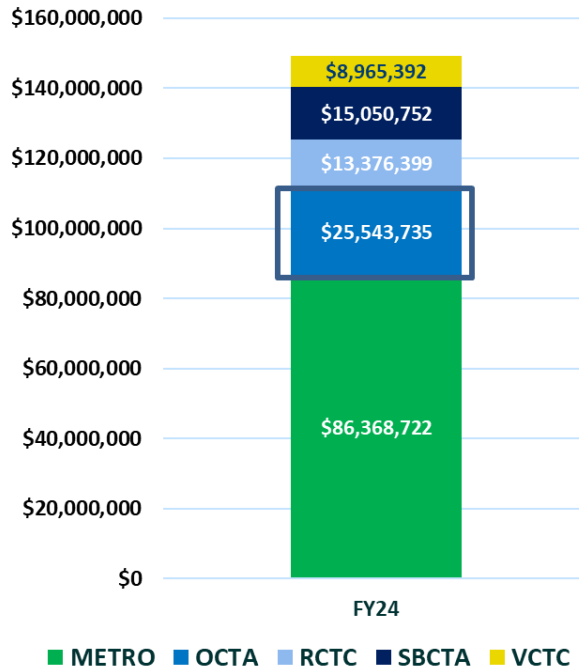
- Increase from FY23 of \$54.9M or 58.1%

New Capital - \$20.9M

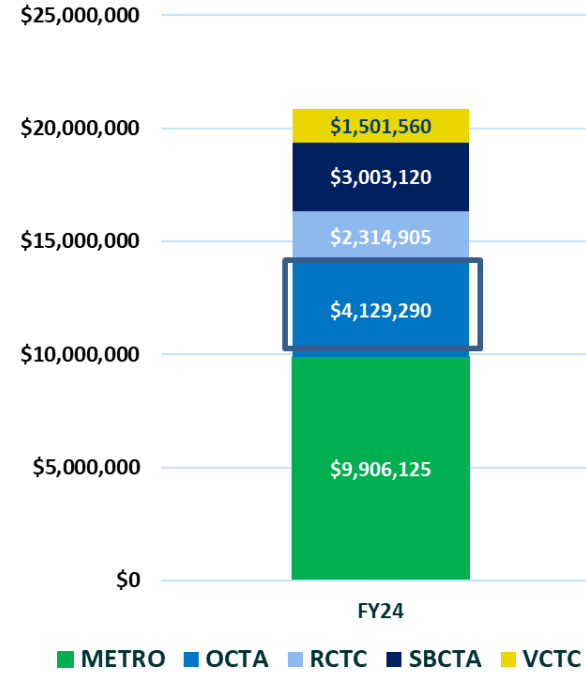
- Increase from FY23 of \$8.8M or 72.7%

FY24 Capital Program

State of Good Repair



New Capital



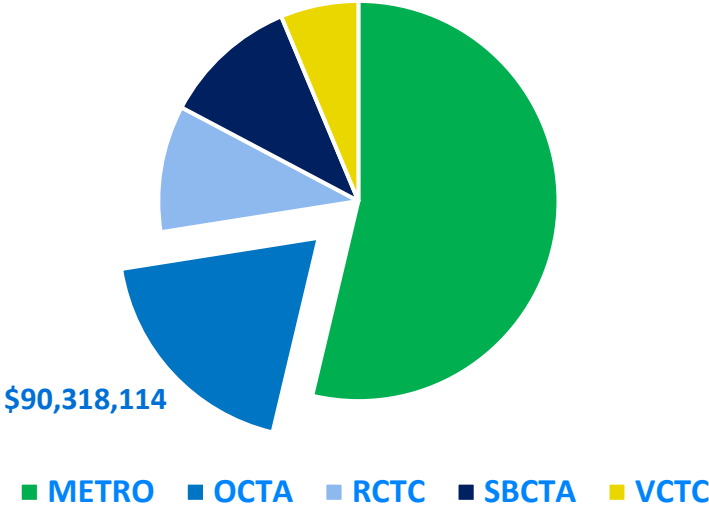
Proposed FY24 Budget Summary



METROLINK

Proposed FY24 Operating & Capital Support by Member Agency

Proposed FY24 Budget Summary (\$480.5M)



• Total Proposed FY24 Budget with Working Capital

Proposed FY24 Operating & Capital Program Support by Member Agency

FY24 Proposed Budget (100%)

	TOTAL	METRO	OCTA	RCTC	SBCTA	VCTC
Total Operating Support	\$ 260,325,537	\$ 132,490,601	\$ 53,495,089	\$ 28,740,757	\$ 29,264,114	\$ 16,334,976
Total Capital Support	\$ 170,160,000	\$ 96,274,847	\$ 29,673,025	\$ 15,691,304	\$ 18,053,872	\$ 10,466,952
SUB-TOTAL =	\$ 430,485,537	\$ 228,765,448	\$ 83,168,114	\$ 44,432,061	\$ 47,317,986	\$ 26,801,928
Working Capital Request	\$ 50,000,000	\$ 29,290,000	\$ 7,150,000	\$ 4,765,000	\$ 5,330,000	\$ 3,465,000
TOTAL =	\$ 480,485,537	\$ 258,055,448	\$ 90,318,114	\$ 49,197,061	\$ 52,647,986	\$ 30,266,928

FY23 Amended Budget

	TOTAL	METRO	OCTA	RCTC	SBCTA	VCTC
Total Operating Support	\$ 229,800,737	\$ 117,951,427	\$ 45,988,164	\$ 25,890,809	\$ 25,224,743	\$ 14,745,594
Total Capital Support	\$ 106,545,000	\$ 47,958,000	\$ 29,531,440	\$ 9,688,080	\$ 12,568,320	\$ 6,284,160
Working Capital Request	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL =	\$ 336,345,737	\$ 165,909,427	\$ 75,519,604	\$ 35,578,889	\$ 37,793,063	\$ 21,029,754

Variance

	TOTAL	METRO	OCTA	RCTC	SBCTA	VCTC
Total w/o Working Capital	\$ 94,139,800	\$ 62,856,021	\$ 7,648,510	\$ 8,853,172	\$ 9,524,923	\$ 5,772,174
variance	28.0%	37.9%	10.1%	24.9%	25.2%	27.4%
Total w/ Working Capital	\$ 144,139,800	\$ 92,146,021	\$ 14,798,510	\$ 13,618,172	\$ 14,854,923	\$ 9,237,174
variance	42.9%	55.5%	19.6%	38.3%	39.3%	43.9%



Thank you! Questions?



MINUTES

Finance and Administration Committee Meeting

Committee Members Present

Patrick Harper, Vice Chairman
Andrew Do
Jamey Federico
Brian Goodell
Vicente Sarmiento

Staff Present

Darrell E. Johnson, Chief Executive Officer
Sahara Meisenheimer, Clerk of the Board Specialist
Allison Cheshire, Clerk of the Board Specialist, Senior
James Donich, General Counsel
OCTA Staff

Committee Members Absent

Michael Hennessey, Chairman
Steve Jones

Call to Order

The April 12, 2023 regular Finance and Administration Committee meeting was called to order by Committee Vice Chairman Harper at 10:30 a.m.

Consent Calendar (Items 1 through 5)

1. Approval of Minutes

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to approve the minutes of the March 22, 2023 minutes Finance and Administration Committee meeting.

2. Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2022, Internal Audit Report No. 23-507

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to direct staff to implement four recommendations provided in Investments: Compliance, Controls, and Reporting, July 1 through December 31, 2022, Internal Audit Report No. 23-507.

3. OC ACCESS Service Eligibility, Internal Audit Report No. 23-510

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to direct staff to implement one recommendation provided in OC ACCESS Service Eligibility, Internal Audit Report No. 23-510.

4. Orange County Transportation Authority Investment and Debt Programs Report - February 2023

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to receive and file as an information item.



5. Fiscal Year 2022-23 Second Quarter Budget Status Report

Director Sarmiento requested clarification on the word “million” in the second paragraph of the Background section of the staff report. Victor Velasquez, Department Manager of Financial Planning and Analysis, confirmed that this was a typo and it will be corrected as follows:

“Sources of funds were comprised of 1.235 ~~million~~ billion in current FY revenues and \$415 million in use of prior year designations.”

A motion was made by Director Do, seconded by Director Federico, and declared passed by those present to receive and file as an information item.

Regular Calendar

6. Refunding of the 91 Express Lanes Bonds

Andrew Oftelie, Chief Financial Officer, provided a report on this item.

A discussion ensued among the Members and staff.

A motion was made by Director Goodell, seconded by Director Do, and declared passed by those present, to:

- A. Direct staff to pursue the refinancing of the outstanding \$71.42 million of 91 Express Lanes Bonds.
- B. Authorize the payment of all fees and expenses required to facilitate the refunding.
- C. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 3 to Agreement No. C-7-2137 between the Orange County Transportation Authority and Sperry Capital, Inc., in the amount of \$40,000, to provide ongoing financial advisory services. This will increase the maximum obligation of the agreement to a total contract value of \$1,105,000 and extend the term of the contract through August 31, 2023.
- D. Direct staff to return to the Board of Directors for approval of the financing documents required to execute the closing of the transaction.

Discussion Items

7. Fiscal Year 2023-24 Budget Assumptions

Victor Velasquez, Department Manager of Financial Planning and Analysis, provided a PowerPoint presentation on this item.



A discussion ensued regarding state funding and if the deficit affects the assumptions. Mr. Velasquez explained that the State Controller's Office provides the estimates and it is then utilized into the proposed budget.

No action was taken on this item.

8. Public Comments

No public comments were received.

9. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer, reported on the following:

- Metrolink and Amtrak Pacific Surfliner services will resume on Monday, April 17, 2023.
- Labor negotiations are underway between First Transit and Teamsters Local 952 which could impact OC ACCESS and OC Flex services.

10. Committee Members' Reports

There were no Committee Member's reports.

11. Closed Session

There were no Closed Session items scheduled.

12. Adjournment

The meeting adjourned at 11:02 a.m.

The next regularly scheduled meeting of this Committee will be held:

10:30 a.m. on Wednesday, April 26, 2023

OCTA Headquarters

550 South Main Street

Orange, California

ATTEST:


Sahara Meisenheimer
Clerk of the Board Specialist



April 26, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director 
Internal Audit Department

Subject: Fiscal Year 2022-23 Internal Audit Plan, Third Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan on July 25, 2022. This report provides an update of activities for the third quarter of the fiscal year.

Recommendation

Receive and file the third quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Department Fiscal Year (FY) 2022-23 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the third quarter of the FY, Internal Audit issued results of an audit of administrative employee mandatory training and employee educational reimbursements and offered two recommendations to improve controls. Management agreed and indicated actions are being taken to address weaknesses noted.

An audit of state and federal consulting contracts was also issued and concluded that invoices are paid in accordance with the contracts, and adequate controls are in place to monitor consultants and provide required reporting. One recommendation was offered to ensure compliance with policy for procuring consultants and to improve file documentation. Management agreed and confirmed that improvements will be made.

An audit of OC ACCESS eligibility concluded that oversight, contract compliance, and invoice review controls are generally adequate, but recommended improved monitoring and enforcement of contract staffing requirements, and timely notification and removal of contractor system access. Management agreed and indicated that contract staffing requirements will be reviewed and amended and controls implemented to ensure compliance.

Results of the required semi-annual investments audit for the period July 1 through December 31, 2022, were also issued. Based on the audit, OCTA generally complied with its debt, investment, and reporting policies and procedures; however, four recommendations were made to improve review of monthly reports, improve documentation of monitoring reviews, ensure bank accounts are reconciled in accordance with policy, and ensure that invoices comply with terms of the contract with OCTA's financial advisor. Management responded that all recommendations will be implemented.

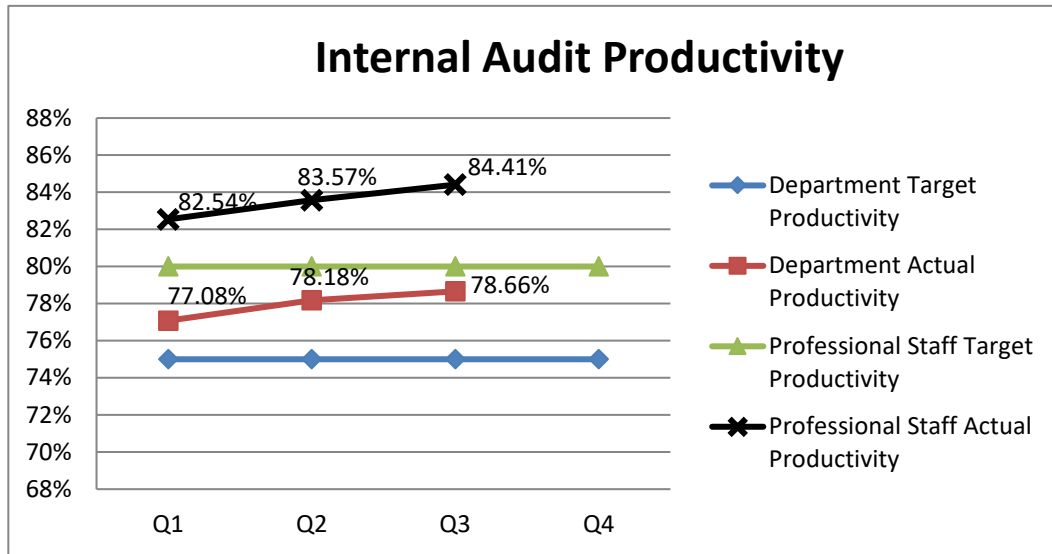
Another focus of Internal Audit during the quarter was to provide coordination and assistance related to agreed-upon procedure reviews of selected cities' compliance with Measure M2 Local Fair Share and Senior Mobility Programs. These audits are conducted by OCTA's independent financial statement auditor, Crowe LLP, and will be issued in the fourth quarter.

Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at

75 percent. The target for Internal Audit professional staff, not including the executive director, is 80 percent.

As of the third quarter ended March 31, 2023, Internal Audit has achieved cumulative productivity of 79 percent, and the professional staff has achieved cumulative productivity of 84 percent.



Agreed-Upon Procedures Applied to Procurements

At the request of the Contracts Administration and Materials Management (CAMM) Department, and consistent with OCTA’s procurement policy, Internal Audit applies agreed-upon procedures to single bid procurements, prices proposed by architectural and engineering (A&E) firms, and sole source proposals exceeding \$50,000. These reviews are conducted to assist CAMM in determining whether single bid procurements were handled in accordance with policies, and whether pricing proposed by A&E firms and sole source contractors are fair and reasonable. In addition, at the request of CAMM, Internal Audit conducts pre-award and post-delivery agreed-upon procedures reviews of bus procurements to determine whether procurements are in accordance with federal Buy America laws. During the third quarter, Internal Audit issued results of six price reviews.

Fraud Hotline

During the quarter ended March 31, 2023, Internal Audit received two reports through OCTA’s Fraud Hotline, www.ethicspoint.com. Based on the nature of the complaints, one report was referred to human resources management for review and disposition and the second complaint was reviewed by Internal Audit.

As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to initial response to all hotline complaints within eight business days. During the quarter ended March 31, 2023, Internal Audit made initial contact within two business days.

Findings and Recommendations Tracking

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan (Attachment B).

During the quarter ended March 31, 2022, Internal Audit completed follow-up reviews of 18 outstanding audit recommendations. Based on the follow-up reviews, ten recommendations have been adequately addressed and eight recommendations have not yet been fully implemented and will be reviewed again in six months. Twelve recommendations were added to the listing as a result of audits issued during the third quarter.

Summary

Internal Audit will continue to implement the Plan, report on performance metrics, follow up on outstanding audit recommendations, and report progress on a quarterly basis.

Attachments

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2022-23 Internal Audit Plan, Third Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through March 31, 2023
- C. Audit Recommendations Closed During Third Quarter, Fiscal Year 2022-23

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2022-23 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY23-001 through FY23-004	Coordinate and report on annual financial and AUP reviews for fiscal year (FY) 2021-22.	Financial	420	330	90	In Process
External Regulatory Audits	FY23-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60		60	
Internal Audit Department (Internal Audit) Projects							
Risk Assessment and Annual Audit Plan	FY23-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180	46	134	
Quality Assurance and Self-Assessment	FY23-101	Update of Internal Audit Policies & Procedures. Annual self assessment of Internal Audit's compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	180	244	(64)	
Fraud Hotline Activities	FY23-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	160	77	83	6 Reports Received
Automated Workpaper Solution	FY23-103	System updates/training related to automated workpaper solution.	Workpaper System	40	30.5	10	
Internal Audits							
Clerk of the Board							
Public Records Requests	FY22-510	Assess and test controls in place to ensure compliance with regulations, policies, and procedures for processing Public Records Act requests.	Compliance	180	138	43	Complete 8-10-22
Planning							
Comprehensive Transportation Funding Programs	FY23-508	Audit selected projects for compliance with Measure M2 Ordinance, policies, and procedures.	Compliance	320	557	(237)	In Process
People and Community Engagement							
Training and Educational Reimbursement	FY23-503	Assess and test the adequacy of controls related to employee training administration and educational reimbursements, and determine compliance with policies and procedures.	Operational	240	380.5	(141)	Complete 1-10-23

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2022-23 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Life Insurance Benefits	FY23-505	Assess and test policies, procedures, and controls over administration of employee life insurance benefits.	Operational	240	187	53	In Process
Workers' Compensation	FY23-501	Assess and test controls related to administration of Workers' Compensation claims, including contractor support.	Operational	300	439	(139)	Complete 2-28-23
Customer Information Center	FY23-514	Assess and test oversight, contract compliance, and invoice review controls related to the provision of services by the third-party provider.	Internal Control/ Compliance	240	67	173	In Process
Capital Programs							
OC Streetcar - Design and Construction	FY22-505	Assess and test oversight controls, contract compliance, and invoice review controls related to construction of the OC Streetcar project.	Internal Control / Compliance	24	18	6	Complete 7-13-22
On-Call Right-of-Way (ROW) and Appraisal Services	FY22-511	Assess and test oversight, contract compliance, and invoice review controls over the use of consultant services for ROW and appraisal services.	Internal Control / Compliance	80	180	(100)	Complete 11-16-22
Anaheim Canyon Station Improvements	FY23-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the Anaheim Canyon Station Improvements project.	Internal Control / Compliance	300		300	
OC 405 Partners	FY23-5XX	Assess and test oversight controls, contract compliance, and invoice review controls related to the OC 405 design-build project.	Internal Control / Compliance	400		400	
Operations							
OC ACCESS Eligibility	FY23-510	Review ACCESS eligibility process, assess and test oversight controls, contract compliance, and invoice review controls.	Operational / Compliance	280	251.5	29	Complete 3-20-23
Non-Revenue Vehicle Purchases and Assignment	FY22-512	Review non-revenue vehicle and accessory purchases and assignments to determine compliance with policies and procedures and evaluate activities to assess economy and efficiency.	Internal Control/ Operational	40	48	(8)	Complete 8-23-22

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2022-23 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Finance and Administration							
Treasury	FY23-502, FY23-507	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	300	433	(133)	Complete 2 Reports Issued
Accounts Payable	FY23-504	Assess and test controls over accounts payable operations.	Operational	320	31	289	
Lost and Found Operations	FY23-513	Assess and test controls and activities of lost and found operations.	Operational	220	58.5	162	In Process
Cybersecurity	FY23-509	Design a scope of work and procure an audit consultant to evaluate OCTA's Cybersecurity program.	Internal Control/ Operational	100	44	56	In Process
Independent Cost Estimates	FY22-513	Review and test controls to ensure independent cost estimates are properly prepared and in compliance with regulations, policy, and procedures.	Internal Control/ Compliance	160	315	(155)	Complete 10-25-22
Price Reviews	PR23-XXX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	900	453	447	13 Reports Issued
Buy America	FY23-506	As requested by CAMM, apply AUP to determine compliance with Buy America requirements.	Buy America	120	157	(37)	1 Report Issued
Government Relations							
State and Federal Consultant Contracts	FY23-512	Assess and test oversight, contract compliance, and invoice review controls related to state and federal consultant activities.	Internal Control/ Compliance	240	114	126	Complete 3-10-23

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2022-23 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY23-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240	21	219	
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY23-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	17	43	
Metrolink Audit Activities	FY23-602	Review/monitor audit results of Metrolink activities.	Non-Audit Service	20		20	
Bus Base Inspections	FY23-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	80	34	46	Complete
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY23-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	240	447	(207)	
Total Audit Project Planned Hours (A)				6,684	5,117		

**Orange County Transportation Authority
Internal Audit Department
Fiscal Year 2022-23 Internal Audit Plan
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	124	56	
Executive Steering and Agenda Setting Meetings				180	91.5	89	
Internal Audit Staff Meetings				140	125.5	15	
Other Administration				1,500	1,069	431	
Total Hours (B)				8,684	6,527		
Department Target Efficiency (A/B)				75%	79%		
Target Efficiency - Professional Staff				80%	84%		

Contingency: Internal Audit

Bus Advertising Revenue	FY23-5XX	Assess and test oversight and contract compliance controls related to the agreement for bus advertising.
-------------------------	----------	--

**Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
1/26/22	21-511	Executive Office	Physical Access Security	The Internal Audit Department (Internal Audit) recommends the Security and Emergency Preparedness (SEP) Department management develop, maintain, and test a comprehensive, appropriate, and up-to-date set of physical security plans, policies, and procedures based on evaluation of the organization using risk rating methodologies and assessments. A written Access Control Policy and related procedures should be developed and published, and management should address requirements included in the Physical Security Policy for implementing gate controls at all facilities. Finally, management should implement a regular training program to inform employees as to security policies, procedures, and protocols.	Jul-23	Management will work to document all processes and review assigned policies. SEP will make considerable updates to the Physical Security Policy to address gate controls and create an Orange County Transportation Authority (OCTA) Physical Access Control Policy. These updates will be completed by June 30, 2022. A "Record of Changes" section has been added to security plans to document reviews and updates. Management has hired a consultant to review OCTA policies, procedures, and security plans. The consultant will provide recommendations on program improvements, conduct a new Threat and Vulnerability Assessment, provide a new written security plan, and create a security training program to include curriculums for all employees. Management will implement a training program within 12 months.	<u>Update August 2022:</u> Updates to security plans, policies, and procedures have not yet been prepared and are expected to be completed between August and December 2022. <u>Update March 2023:</u> Certain policy updates are in process. Development of an updated Master Security Plan has been delayed and is now expected to be complete by the end of 2023.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management define and document responsibilities, policies, and procedures related to physical access security and incorporate appropriate language in the Contracted Transportation Service (CTS) provider contracts. Written procedures for coordination with OCTA should be provided to CTS. Management should consider permitting CTS providers with access to Lenel system reports and/or notifications of access breaches and events.	Jul-23	During the review process of current policies, management will include language and definitions to provide clear delineation of duties. In the interim, and starting immediately, management will provide copies to the CTS project manager outlining equipment inspections and current states of functionality of security equipment. Policy review and creation will be completed by June 30, 2022. Afterward, language changes to CTS contracts will be addressed through contract amendments. Contract language will also address OCTA's expectation of CTS providers for event or incident response. This shall be fully implemented by September 30, 2022, or by contract execution.	<u>Update August 2022:</u> Management proposed language for inclusion in the agreements with CTS providers. Some language related to request for access card issuance and termination was included in the agreement with First Transit for ACCESS service, executed in October 2021. Additional language will be included in an amendment to the ACCESS service agreement. For the contracted fixed-route service provider, management has included language in a recently released request for proposals. <u>Update March 2023:</u> Additional language will be included in an amendment to the OC ACCESS service agreement. The agreement with the new fixed-route provider should be completed by April 2023. Management is working with the Information Systems department to develop an online portal for access badge requests. Completion of the portal is expected by April 2023.
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management develop and implement written policies, procedures, and protocols that address the timely issuance, termination, and use of badges. These procedures should be referenced in contracts with CTS providers and be communicated to OCTA staff. Management should also ensure secondary controls are operating as intended.	Jul-23	Management is reviewing the issuance and termination of access badges in order to document processes. Management will work with other departments, including CTS, to advise of procedures for issuing and terminating access badges and encourage those departments to include procedures in their contracts, as appropriate. Additionally, management is currently reviewing and documenting procedures to ensure secondary controls are being utilized. Review and updating of procedures will conclude with the creation of a new Physical Access Policy to be completed by June 30, 2022.	<u>Update August 2022:</u> Management has not yet developed policies, procedures, and protocols to address timely issuance, termination, and use of access badges coordinated through OCTA. Management indicated that, while an Access Control Policy was originally expected to be completed by June 30, 2022, it has taken longer than expected due to the need to update the Physical Security Policy first. <u>Update March 2023:</u> Management expects an updated Access Control Policy to be completed soon, and updates to agreements with CTS providers are in process.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
2/9/22	21-507	Operations Division (Operations)	Facilities Maintenance (FM) Operations	Internal Audit recommends management implement a perpetual inventory system to track purchasing activity and maintain inventory of all parts and supplies. Purchasing, storage, issuance, and disposal activities should be centralized and include controls to ensure proper authorization for purchases, physical security of inventory items, and proper assignment of costs to work orders.	Aug-23	FM contracts for parts and supplies will be transferred to the Contracts Administration and Materials Management (CAMP) Department by July 2022. By February 2023, FM parts and supplies stored outside of CAMP's control will be brought into the inventory system for proper storage and issuance. The current Enterprise Asset Management (EAM) system is not capable of assigning all costs to FM work orders; however, a new EAM system is being implemented and should be capable of properly assigning costs to work orders. The new EAM system is estimated to be fully implemented in mid-2023.	<u>Update September 2022:</u> Management and CAMP have completed transferring contracts to CAMP, however, they are working to determine which items will be inventoried and which items will be ordered as needed. In terms of FM parts inventory, a process to bring these items into the CAMP inventory system for proper storage and issuance has been established and is on track to be completed by February 2023. As stated in the original response, the current asset management system is not capable of assigning all costs to work orders. A new system will be implemented in mid-2023. <u>Update March 2023:</u> Management is still in the process of implementing a centralized inventory system and expects that physical transfer of all inventory may take up to two years. Internal Audit will review status again in six months.
2/9/22	21-507	Operations and Finance and Administration (F&A) Division	FM	Management should enhance its invoice review process to ensure compliance with OCTA's Vendor Payment Policy and contract payment terms. Vendor mark-ups should be discontinued from time-and-expense contracts. For contracts related to the purchase of parts and materials only, any items not listed on the price summary sheet should include supporting cost documentation. If mark-ups are to be allowed on parts-and-materials contracts, the proposed mark-ups should be incorporated into the evaluation of costs during the vendor selection process.	Aug-23	Management will immediately begin working on enhancing the current invoice cover page to include a checklist that will require acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. To address the issue of providing sufficient detail and complying with contract terms, the checklist being developed will improve oversight. In terms of discontinuing vendor mark-ups in time-and-expense contracts, management will work with CAMP to develop a solution that will address the issue of vendor mark-ups as well as incorporating an evaluation of cost, if mark-ups are allowed, during the vendor selection process.	<u>Update September 2022:</u> Management is working to enhance the invoice checklist to include a requirement for acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. CAMP has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMP continue to explore options including discounts from price sheets and using fair market values to justify and validate price mark-ups. <u>Update March 2023:</u> FM has enhanced its invoice review; however, Materials Management staff needs to enhance its review of invoices for contracts that were transferred to their control. Materials Management should obtain supporting documentation for parts and materials not listed in the contracts.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
7/13/22	22-505	CAMM and Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should reconsider use of a schedule of values (SOV) in firm-fixed priced contracts and initiate amendments in a timely manner. Management should also recover identified overbillings and unallowable charges and disallow payments for services not allowed by the SOVs.	Jul-23	Management agreed to amend the contract to remove the use of SOVs and agreed to recover identified overbillings but indicated that unallowable charges for services by an engineering manager will not be recovered as these services were requested by management.	<u>Update February 2023</u> : Management removed the SOVs from the contract and withheld \$160,712 in overbillings; however, management should recover overbillings that occurred from January to April 2022, prior execution of the agreement to remove SOVs.
7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should enhance controls over escalation when adding new staff, and ensure that the pricing of amendment values is based on the original contract or proposal rates.	Jul-23	Management agreed to enhance controls over escalation when adding new staff and to ensure pricing of amendment values is based on contract rates.	<u>Update February 2023</u> : CAMM has developed procedures for adding named staff via offer letters; however, Internal Audit noted that controls to ensure accurate pricing of amendment values has not yet been adequately implemented.
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Management should recover overbillings and require all subconsultants to submit timesheets, and enforce advance approval requirements.	Jul-23	Management will recover overbillings and missing timesheets will be obtained, and the timesheet requirement will be enforced. Advance approval for overtime work will be obtained.	<u>Update February 2023</u> : Management deducted identified overbillings; however, recommendations to enforce advance approval requirements and obtain timesheets from all subconsultants has not yet been implemented.
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Invoice review procedures should be enhanced to include validation of all charges. In addition, Accounts Payable should recover the identified duplicate payment and updated policies to reflect whether a three-way match process is allowable for vehicle purchases. Accounts Payable should consistently confirm the three-way match prior to payment and individuals who receive vehicles in the system should physically verify their delivery.	Feb-23	Management will implement an invoice review checklist to ensure sufficient detail is provided and verified. The policy will be updated to allow for the three-way match process and Accounts Payable will consistently confirm the match prior to payment. Staff receiving vehicles in the system will be required to physically verify receipt going forward. Finally, Accounts Payable will recover the duplicate payment identified.	In process.

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
8/23/22	22-512	Operations and F&A	Non-Revenue Vehicle Purchases and Assignment	Management should enhance controls to ensure employees' eligibility to drive prior to granting a vehicle reservation. Management should re-evaluate whether employees should be allowed to reserve vehicles for weeks at a time. Finally, all relevant information should be reflected in the reservation system.	Feb-23	Management will work toward an automated solution for determining eligibility or develop an internal solution. Related policies will be updated as appropriate. Also, multi-day reservations will no longer be allowed and all reservation information will be entered into the system.	In process.
8/23/22	22-512	CAMM	Non-Revenue Vehicle Purchases and Assignment	CAMM should obtain all needed support and documentation for non-revenue vehicles purchased using state contracts. CAMM should also consider negotiating option pricing with the dealers.	Feb-23	CAMM will include all documentation in the contract file for future purchases using state contracts. Also, CAMM will negotiate option pricing prior to contract award, and will document these efforts.	In process.
10/25/22	23-513	CAMM	Independent Cost Estimates (ICEs)	CAMM should ensure ICEs include adequate detail support and are submitted in accordance with policies. CAMM should provide training to advise project managers that pricing should not be solicited directly from vendors and provide information on how and where to obtain pricing data for proper development of estimates.	Apr-23	Management will ensure all ICEs include adequate detail and will revise policies to address the appropriate timelines for submission of ICEs. Also, CAMM will conduct training, as recommended.	
10/25/22	23-513	F&A	ICEs	Management should develop tools to ensure proper oversight and management of the identified consulting services contract. This should include regular monitoring of contract burn rate and development of reasonable estimates to ensure funding is sufficient to achieve objectives.	Apr-23	Management agrees and will develop tools to ensure proper oversight of these services. Staff managing the contract will be required to attend procurement training to improve understanding of policies and to facilitate improved contract management in the future.	
11/16/22	22-511	CAMM	Right-of-Way (ROW) and Appraisal Services and Activities	Management should perform and document a price or cost analysis, as required, when contract pricing amendments are made. In addition, increases to rates already agreed-upon should be denied.	May-23	Management will ensure a cost or price analysis is performed and documented, as required, and will ensure there are no changes to rates already agreed-upon. Staff will also be provided a refresher training on how to conduct rate validation and document rate reasonableness.	

Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
11/16/22	22-511	Capital Programs	ROW and Appraisal Services and Activities	Management should update policies to clarify procedures for determining settlement authorities.	May-23	Management will work with legal counsel to incorporate language into policies to address the recommendation.	
1/10/23	23-503	People and Community Engagement (PACE)	Administrative Employee Mandatory Training and Employee Educational Reimbursements	Management should improve controls to avoid duplicate reimbursements and to ensure all required documentation is on file. The system should be updated to accurately reflect payments and carryover amounts, and management should improve organization of supporting documentation. Management should obtain reimbursement from employees that received duplicate payments and should address payments made to employees over the allowable educational reimbursement limit. Going forward, management should implement effective controls for monitoring employee educational reimbursement activities for compliance with policy.	Jul-23	Management will implement controls to address the recommendations by March 31, 2023. Management will also make arrangements to collect overpayments made to the two employees identified and will address payments to employees over the allowable reimbursement limit.	
1/10/23	23-503	PACE	Administrative Employee Mandatory Training and Employee Educational Reimbursements	Management should implement monitoring controls to ensure all administrative employees obtain mandatory training within required timeframes. Management should also ensure mandatory annual training is obtained and employee merit increases are withheld for non-compliance, as required by policy.	Jul-23	Management will implement monitoring controls to ensure all new administrative employees obtain mandatory training within required timeframes. Management will also implement monitoring controls to ensure mandatory annual training is completed by all administrative employees prior to merit increases and will meet with Human Resources Department staff to implement a process by March 31, 2023.	

**Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
2/28/23	23-501	PACE	Worker's Compensation Program	Management should add Intercare service providers to the contract as subconsultants and identify their rates and fees. Once rates are identified in the contract, management should implement controls to ensure rates invoiced by the subcontractors agree to the contract rates.	Aug-23	Management will work with Intercare and CMM to amend Intercare's contract, adding these providers and their rates / fees to it, and subsequently reviewing charges to ensure rates invoiced by them are consistent with the contract rates.	
2/28/23	23-501	PACE	Worker's Compensation Program	Management should implement a process to ensure adequate review and monitoring of monthly bank account details and reconciliations.	Aug-23	Management will work with Finance to ensure adequate review and monitoring of monthly bank account details and reconciliations.	
2/28/23	23-501	PACE	Worker's Compensation Program	Management should enhance monthly reviews of Intercare's check payments to include review of temporary benefit calculations and settlement calculations with supporting documentation. Management should also review paper transactions and reconcile Intercare's listing of checks sent to OCTA to what has been received and deposited. Checks received by OCTA should be deposited in a timely manner. Finally, management should request Intercare provide a detailed invoice from Express Scripts to support payments.	Aug-23	Management will enhance monthly reviews as recommended and will reconcile the listing of checks sent to what has been received and deposited. Management will also request Intercare provide detailed information for Express Scripts payments.	
2/28/23	23-501	PACE	Worker's Compensation Program	Management should request that Intercare standardize the calculation of temporary disability benefits. Intercare should instruct adjustors to use the first day of the beginning payroll period, instead of the pay period end date, in tallying the number of days of pay. Adjustors should also be instructed to consistently check for payment of light-duty and holidays before calculating temporary disability benefits. Finally, management should request Intercare recover the \$1,553.60 overpayment.	Aug-23	Management will request Intercare standardize calculations, instruct adjustors to affirm the pay period start and end dates and to consistently check for payment of light-duty and holidays before calculating benefits. Management will also request Intercare recover the overpayment.	

**Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
3/10/23	23-512	CAMM	State and Federal Consulting Contracts	CAMM should ensure that procurements of state and federal contracts comply with all policy requirements.	Sep-23	CAMM will ensure evaluators complete evaluation forms and confirm scores to summary final scores and ensure all forms are on file, as required. CAMM will also ensure compliance with policy related to the number of evaluators required.	
3/20/23	23-510	Operations and CAMM	OC ACCESS Service Eligibility	Management should implement controls to ensure Medical Transportation Management, Incorporated (MTM) is providing key staff and qualified staff, as outlined in the contract. The process for notification, review, and update to MTM contract staffing should be improved to ensure that required staff is being provided, contract amendments to reflect staffing changes are processed timely, and access to OCTA's Trapeze system is terminated promptly upon termination of contract staff.	Sep-23	CAMM has processed the requisitions for key staffing changes and management will work with CAMM to amend the contract to update staff qualification requirements. Following the amendment, management will implement controls to ensure compliance. In addition, management will require MTM to provide notice of staff changes within 24 hours.	
3/28/23	23-507	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2022	Management should consistently obtain secondary review of the monthly Investment and Debt Programs report and enhance review to include increased oversight over the presentation of individual securities.	Sep-23	Management has automated the process for creating the portfolio listing and will ensure this is not an issue going forward. Management will also enhance secondary review of monthly reports.	
3/29/23	23-508	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2023	Management should add notes to Clearwater Holdings reports to address potential violations and ensure all notes are prepared in a timely manner.	Sep-23	Management will ensure notes are reflected in Clearwater as required.	

**Outstanding Audit Recommendations
Audit Reports Issued Through
March 31, 2023**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response	Internal Audit Status
3/30/23	23-509	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2024	Management should reconcile all accounts, including zero-balance accounts and ensure timely approval of reconciliations.	Sep-23	Management has implemented a control to ensure all accounts are reconciled and the reconciliations are reviewed timely.	
3/31/23	23-510	F&A	Investments: Compliance, Controls, and Reporting July 1 through December 31, 2025	Internal Audit recommends management obtain detailed support for invoiced charges by the financial advisor and ensure that when a key personnel's classification is changed, and such change is acceptable to management, the contract is amended accordingly.	Sep-23	Management will amend contract for key personnel more timely going forward. Management also obtained detailed documentation to support charges identified.	

**Audit Recommendations Closed During
Third Quarter, Fiscal Year 2022-23**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
7/15/21	21-510	Executive Office	Administrative Controls Related to Conflict of Interest Code Form 700 Statement of Economic Interests	The Internal Audit Department (Internal Audit) recommends management establish and implement a procedure to identify contractors, including those identified by Internal Audit, serving in roles that would otherwise be performed by a designated Orange County Transportation Authority (OCTA) employee and require filing. Management should also identify Transit Police Services (TPS) and Real Property consultant staff that should be filing and include them in the eDisclosure system so that they may file, as required.	<u>Update March 2022:</u> Management has reviewed the suggestion to include Real Property and TPS with legal counsel. Based on that review, Real Property consultants will be removed and TPS officers with a rank of captain and above will be required to file. A process has been developed to review scopes of work for positions that should be required to file form 700s and will be implemented in the new fiscal year. <u>Update August 2022:</u> Management has implemented a process effective July 1, 2022, for identifying new contractors that should file a Form 700. Internal Audit will return in six months to test the process. <u>Update February 2023:</u> Procedures to request General Counsel review of contracts that may include consultants that would be required to file Form 700 have been implemented. Internal Audit noted that General Counsel has not identified any consultants that should be required to file, including Information Systems Technology technical staffing services and consultant program management services for Capital Programs.
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management implement invoice review controls and enforce contract requirements. Overpayment of overtime should be recovered, along with charges for support fees that are not covered by the contract. Costs incurred that are not on the contract price listing should be accompanied by receipts or other supporting documentation and should be reimbursed "at cost". Management should ensure contract requirements are met prior to authorizing payment.	<u>Update August 2022:</u> The audit identified overtime and annual support charges not allowed by the contract. Management obtained an invoice credit for the overtime charges and obtained a receipt for \$20,375, to support part of the \$29,146 in annual support billings. Management is working to obtain a receipt to substantiate the remaining charges and intends to execute an amendment with Climatec to address provision of other direct costs. <u>Update March 2023:</u> Management terminated its contract with this vendor and has executed a new agreement with a different vendor. Management has also implemented an invoice review checklist process.
2/9/22	21-507	Operations	Facility Maintenance (FM) Operations	Management should update the FM Plan (Plan) on a periodic basis and document the results of the annual assessments of OCTA building structures.	<u>Update September 2022:</u> The Plan is on a schedule to be reviewed every two years. The posted plan is currently under review to include the latest laws and regulations. Further, capital needs assessments are now formally documented. <u>Update March 2023:</u> Management has updated the Plan to reflect regulatory changes and has performed and documented the annual assessment of OCTA building structures.
6/29/22	22-508	Finance and Administration (F&A)	Revenue Vehicle Procurement Audit	Management should update and expand policies and procedures to fully address revenue vehicle cooperative procurements, including allowable methods of solicitation, approval thresholds, and basis of award. In addition, management should enhance documentation to reflect requirements for use of agency contracts.	<u>Update February 2023:</u> The Contracts Administration and Materials Management (CAMM) Department has updated cooperative procurement procedures to include a specific process and method for revenue vehicle procurements. CAMM also asserted that the contract files for future procurements will include enhanced documentation of the rationale, as well as validation that the contract was awarded on a competitive basis that did not restrict competition.
6/29/22	22-508	Operations	Revenue Vehicle Procurement Audit	Management should revise the scope of work (SOW) for in plant inspection service agreements to include a requirement for preparation of a Resident Inspector Report that complies with Federal Transit Administration Buy America requirements.	<u>Update February 2023:</u> Maintenance management revised the SOWs for two active in-plant inspection service agreements to include a requirement for a formal resident inspector's report.
7/13/22	22-505	Capital Programs	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	Project Controls should resume preparing its monthly status summary reports, in accordance with procedures.	<u>Update February 2023:</u> Project Controls has resumed its monthly status summary reports.

**Audit Recommendations Closed During
Third Quarter, Fiscal Year 2022-23**

7/13/22	22-505	CAMM	Oversight Controls and Contract Compliance related to the OC Streetcar Design and Construction Management	CAMM should develop procedures to ensure adequate insurance coverage by consultants throughout the contract term. If CAMM continues to use a third party as part of the monitoring process, then the contract should outline appropriate standards and timelines for follow-up activities.	<u>Update February 2023</u> : CAMM has developed new procedures for insurance tracking.
8/10/22	22-510	Clerk of the Board	Administration of Public Records Act Requests	Management should update the website and written procedures to outline all available methods of requesting documents and times for in-person viewing of records.	<u>Update March 2023</u> : Management has updated the website and procedures to outline methods for requesting documents and times available to view records.
9/30/22	23-502	F&A	Investments: Compliance, Controls and Reporting January 1 through June 30, 2022	Management should enhance secondary review of monthly reports to ensure accuracy of security classifications listed in the bond proceeds and debt service reserve fund portfolios.	<u>Update March 2023</u> : Security classifications in the schedule are now accurately reflected.
9/30/22	23-502	F&A	Investments: Compliance, Controls and Reporting January 1 through June 30, 2022	Management should maintain documentat&ion addressing all potential violations flagged by the system and consider updating the module to flag only violations of OCTA's policy.	<u>Update March 2023</u> : Management has customized the compliance module and creates notes in the compliance module to address any potential violations.



April 26, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Laguna Beach Public Transportation Services

Overview

The Laguna Beach Municipal Transit Lines, a department within the City of Laguna Beach, is eligible to receive funding from the Local Transportation Fund in Orange County for providing public transportation services throughout the city. To receive the funds, the Laguna Beach Municipal Transit Lines must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

Recommendations

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services, in the amount of \$1,531,335.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

Background

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to public transit and non-transit-related projects. The TDA created a Local Transportation Fund (LTF) for transportation purposes specified in the TDA in each county in California. Revenues are derived from 1/4 cent of the current retail sales tax. The LTF revenues are collected by the California Department of Tax and Fee Administration and returned to the local jurisdictions based on the volume of sales during each month.

**Approval of the Fiscal Year 2023-24 Local Transportation Fund Page 2
Claim for Laguna Beach Public Transportation Services**

As required by the TDA, in Orange County, the LTF receipts are deposited in the Orange County LTF account (Fund 182) in the Orange County Treasury and are administered by the Orange County Auditor-Controller (OCAC).

In Orange County, the Orange County Transportation Authority (OCTA) is the Transportation Planning Agency (TPA) responsible for the allocation of the LTF within its jurisdiction. Upon instructions from OCTA, LTF receipts are distributed by the OCAC among the various administrative, planning, and public transportation apportionments as specified in the TDA.

The Orange County Transit District and the Laguna Beach Municipal Transit Lines (LBMTL) are the only public transit operators in Orange County eligible to receive allocations from the LTF. Article 4 of TDA Section 6630 of the California Code of Regulations requires the City of Laguna Beach (City) to file a claim with OCTA to receive an allocation from the LTF for providing public transportation throughout the City.

Discussion

On February 27, 2023, the OCTA Board of Directors approved the LTF fiscal year (FY) 2023-24 apportionments. The total apportionment approved for LBMTL equaled \$1,531,335.

On March 21, 2023, the Laguna Beach City Council adopted a resolution authorizing the filing of an LTF claim with OCTA for public transportation services. The City submitted its FY 2023-24 LTF claim in the amount of \$1,531,335, that will be used by LBMTL to meet FY 2023-24 operating expenses. OCTA, as the TPA for Orange County, is authorized to approve LTF claims and make payments from the LTF through written instructions to the OCAC.

Summary

OCTA's approval of the City claim against the Orange County LTF in the amount of \$1,531,335, will enable the LBMTL to continue providing public transportation services throughout the City during FY 2023-24.

Attachment

None.

Prepared by:



Sam Kaur
Department Manager,
Revenue and Grants Administration
(714) 560-5889

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



April 26, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Approval of the Fiscal Year 2023-24 Local Transportation Fund Claim for Public Transportation and Community Transit Services

Overview

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation and community transit services throughout Orange County. To receive the funds, the Orange County Transit District must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

Recommendations

- A. Approve the Orange County Transit District Fiscal Year 2023-24 Local Transportation Fund Claim for public transportation services in the amount of \$211,736,396, and for community transit services in the amount of \$11,224,618 for a total claim amount of \$222,961,014.
- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

Background

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to public transit and non-transit related projects. The TDA created a Local Transportation Fund (LTF) in each county for transportation purposes specified in the TDA. Revenues are derived from 1/4 cent of the current retail sales tax.

The LTF revenues are collected by the California Department of Tax and Fee Administration and returned to local jurisdictions based on the volume of sales during each month. As required by the TDA, LTF receipts are deposited with the

Orange County Treasury (Fund 182) and are administered by the Orange County Auditor-Controller (OCAC). The Orange County Transportation Authority (OCTA) is the Transportation Planning Agency (TPA) responsible for the allocation of the LTF. Upon instructions from OCTA, LTF receipts are disbursed by the OCAC among the various administrative, planning, and public transportation apportionments as specified in the TDA.

In Orange County, OCTA has designated the Orange County Transit District (OCTD) as the public transportation services operator and the Consolidated Transportation Services Agency. Therefore, OCTD is the claimant for Article 4 and 4.5 funds. Section 6630 of the California Code of Regulations requires OCTD to file a claim with OCTA to receive an allocation from the LTF for providing public transportation and community transit services under Articles 4 and 4.5 of the TDA.

Discussion

On February 27, 2023, the OCTA Board of Directors (Board) approved the LTF fiscal year (FY) 2023-24 apportionments. A total of \$222,961,014 was approved for OCTD, consisting of \$211,736,396 for Article 4 public transit services and \$11,224,618 for Article 4.5 community transit services. Public transit services provide support to the public transportation system and aid to public transportation research and demonstration projects, while community transit services are services for those, such as the disabled, who cannot use conventional transit services.

On March 13, 2023, the OCTD Board adopted a resolution authorizing the filing of the LTF claim for a total of \$222,961,014 for funding public transportation and community transit services for FY 2023-24. OCTA, as the TPA for Orange County, is authorized to approve LTF claims and make payments from the LTF to OCTD as the consolidation transportation service agency for Orange County.

Summary

OCTA's approval of the OCTD claim against the LTF in the amount of \$222,961,014, will enable the OCTD to continue providing public transportation and community transit services throughout Orange County in FY 2023-24.

Attachment

None.

Prepared by:



Sam Kaur
Department Manager
Revenue and Grants Administration
(714) 560-5889

Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
(714) 560-5649



April 26, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Amendment to Agreement for Health Insurance Brokerage Services

Overview

On May 22, 2020, the Orange County Transportation Authority Board of Directors approved an agreement with Alliant Insurance Services, Inc., for health insurance brokerage services for a three-year initial term with a two-year option term. Board of Directors' approval is requested to exercise the option term effective June 1, 2023 through May 31, 2025.

Recommendation

Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-0-2078 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., to exercise the two-year option term effective June 1, 2023 through May 31, 2025, in the amount of \$238,000, to continue providing health insurance brokerage services. This will increase the maximum obligation of the agreement to a total contract value of \$580,000.

Discussion

The Orange County Transportation Authority (OCTA) uses a broker of record to assist the Benefits section of the Human Resources Department to implement and maintain OCTA's benefit programs for its employees. The broker of record provides marketing and placing of coverage, assists OCTA in developing comprehensive, cost-effective health and welfare programs, and supports and assists OCTA in resolving any health insurance carrier problems. Additionally, the broker of record informs OCTA of new legislation that may affect the agency, performs research and analysis as requested, develops benefit communication pieces, and assists with open enrollment.

OCTA entered into a Joint Powers Agreement with Public Risk Innovation, Solutions, and Management (PRISM) in 2016 to participate in a purchasing insurance pool with other California counties and public entities for employee health and welfare insurance benefits. Alliant Insurance Services, Inc. (Alliant) is the exclusive broker of record for all PRISM programs, with exclusive rights to consult, underwrite, distribute, and service all PRISM programs and its members. The delivery of the PRISM programs is contractually provided based on the knowledge and expertise of the Alliant program and service teams. PRISM requires that OCTA and other pool members utilize Alliant as the primary broker of record. This is a normal rule of engagement for entry into risk sharing pools/programs.

As a member of the PRISM pool, staff recommends that the Board of Directors (Board) approve an amendment to exercise the option term to continue to contract with Alliant as its primary broker of record in accordance with the PRISM Joint Powers Agreement.

Procurement Approach

The original procurement was handled in accordance with OCTA's Board-approved policies and procedures for a sole source procurement. The original agreement included a three-year initial term for \$342,000 and a two-year option term.

The proposed Amendment No.1 is to exercise the option term of the agreement through May 31, 2025. The budget for this amendment in the amount of \$238,000 is based on the current and anticipated use of the services, and will increase the maximum obligation by \$238,000, bringing the total contract value to \$580,000. The option term pricing will remain as originally negotiated for the agreement. Exercising the option term will allow Alliant to continue providing health insurance brokerage services for an additional two years effective June 1, 2023 through May 31, 2025.

Fiscal Impact

Funds are included in OCTA's Fiscal Year 2022-23 Budget, People and Community Engagement Division, Human Resources Department, Account No. 1340-7519-A2307-FBE, and is funded through the Local Transportation Fund.

Summary

Staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-0-2078 between the Orange County Transportation Authority and Alliant Insurance Services, Inc., to exercise the two-year option term in the amount of \$238,000, to continue providing health insurance brokerage services, effective June 1, 2023 through May 31, 2025. This amendment increases the maximum obligation of the agreement to a total contract value of \$580,000.

Attachment

- A. Alliant Insurance Services, Inc., Agreement C-0-2078 Fact Sheet

Prepared by:



Karen DeCrescenzo
Department Manager, Human Resources
714-560-5547

Approved by:



Maggie McJilton
Executive Director, People and
Community Engagement
714-560-5824



Pia Veerapen
Director, Contracts Administration and
Materials Management
714-560-5619

**Alliant Insurance Services, Inc.
Agreement No. C-0-2078 Fact Sheet**

1. May 22, 2020, Agreement No. C-0-2078, \$342,000, approved by the Board of Directors (Board).
 - Agreement to provide health insurance brokerage services for a three-year initial term effective June 1, 2020, through May 31, 2023, with a two-year option term.
2. May 8, 2023, Amendment No. 1 to Agreement No. C-0-2078, \$238,000, pending approval by the Board.
 - Exercise the option term of the agreement effective June 1, 2023, through May 31, 2025.


The total amount committed to Alliant Insurance Services, Inc., under Agreement No. C-0-2078: \$580,000.



April 26, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department 

Subject: Orange County Local Transportation Authority Measure M2
Agreed-Upon Procedures Reports, Year Ended June 30, 2022

Overview

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Local Fair Share funds provided to seven cities, and Senior Mobility Program funds provided to four cities, for the fiscal year ended June 30, 2022. Local Fair Share program reports include observations of ineligible maintenance of effort expenditures, indirect charges lacking a reasonable methodology, reporting errors, and funded projects not reflected in Seven-Year Capital Improvement Program plans. Senior Mobility Program audits include observations relating to late submission of monthly reports, reporting errors, failure to allocate interest, and verification of participant eligibility.

Recommendations

- A. Direct staff to monitor implementation of recommendations by cities.
- B. Direct staff to review observations with legal counsel and develop recommendations for Board of Directors' consideration related to the City of Cypress' compliance with the Measure M2 Ordinance and Eligibility Guidelines.

Background

Annually, the Audit Subcommittee (Subcommittee) of the Taxpayers Oversight Committee selects a sample of local jurisdictions receiving Measure M2 (M2) funding for audit to determine the local jurisdictions' level of compliance with provisions of the M2 Ordinance. For the fiscal year (FY) ended June 30, 2022, the Subcommittee selected the seven cities for review of Local Fair Share (LFS)

program funding, and four cities for review of Senior Mobility Program (SMP) funding. The agreed-upon procedures (AUP) applied for these reviews were approved by the Subcommittee.

The LFS program is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. Since the LFS program is intended to augment, not replace, existing transportation expenditures, each jurisdiction is required to maintain a minimum level of local street and roads expenditures to conform to a defined maintenance of effort (MOE) requirement. MOE expenditures are required to conform to State Controller's Office Gas Tax Guidelines (Guidelines). Cities are required to submit copies of their Seven-Year Capital Improvement Plan (CIP), reflecting projects that will be funded with LFS.

The SMP funds local community transportation services for seniors. This program provides 80 percent of the funding allocation, and participating local jurisdictions provide a 20 percent match. Seniors must be age 60 or older to be eligible to participate in the program. A cooperative agreement, along with a written Service Plan, is executed between the local jurisdiction and the Orange County Local Transportation Authority (OCLTA) to outline requirements of the program and to describe services to be provided. Cities are required to submit monthly SMP activity reports within 30 days of month end.

All M2 revenues, interest earned on net revenues, expenditures, and expenditures of earned interest are required to be reflected on an annual Expenditure Report. The Expenditure Report requires certification by the respective city's finance director and must be adopted by the city council and filed with OCLTA within six months of FY end.

Discussion

Crowe LLP (auditors), made site visits to each of the selected cities, conducted interviews of city finance and program-related staff, and applied the AUPs, including testing of expenditures for compliance with program requirements, review of indirect costs for adequate support and reasonableness, testing to ensure allocation of interest, and testing of annual Expenditure Reports for accuracy.

Agreed-Upon Procedures: LFS Program Funds

The auditors examined the cities of Cypress, Irvine, Laguna Beach, Los Alamitos, Rancho Santa Margarita, San Juan Capistrano, and Villa Park. No observations resulted from the audits of Rancho Santa Margarita and San Juan Capistrano.

Auditors identified reporting errors on the Expenditure Reports submitted by five cities and identified projects not listed in the Seven-Year CIP of one city. At two cities, the auditors identified expenditures that were not properly classified as MOE expenditures; however, after removal of the ineligible amounts, the cities continued to meet the minimum MOE requirement.

Four cities lacked adequate documentation to support indirect costs allocated to MOE. Without sufficient documentation to support how allocation methodologies were derived, auditors are unable to determine that the allocation of these costs is fair and equitable, as required. At three cities, if indirect costs were removed from total MOE expenditures, the cities continue to meet the minimum MOE requirement. However, if indirect charges by the City of Cypress (Cypress) are removed from total MOE expenditures, Cypress no longer meets the minimum MOE requirement of \$3,607,878. The shortfall would amount to \$1,381,048.

Cypress responded to the finding and indicated that management believes the current process for allocating internal service charges is documented and represents a fair and reasonable allocation of costs. Auditors, and the Internal Audit Department (Internal Audit), disagree with this statement. Cypress only provided excel spreadsheets indicating allocation of budgeted costs from various internal service funds and could not produce, after multiple requests, support for how the allocation percentages were derived or demonstrate that the allocations represented actual costs (rather than budgeted amounts).

Cypress also asserted that the methodology for allocating indirect costs has been used for 30 years and has been accepted and audited by OCLTA. Internal Audit has reviewed three prior audits from FY 2007-08, FY 2012-13, and FY 2016-17. In FY 2007-08, auditors did not identify indirect costs charged to MOE and city staff confirmed indirect costs were not charged. During the FY 2012-13 audit, auditors identified indirect costs charged to MOE and tested a sample of \$35,861 of those charges and reported no exceptions. In the FY 2016-17 audit, auditors also identified indirect costs charged to MOE and tested a sample of \$171,324 of those charges and reported no exceptions.

Cypress acknowledged that its documentation and method of allocating costs can be improved and pointed out that its indirect costs represent more than 45 percent of its MOE benchmark. Cypress stated that the documentation standard for determining if indirect costs are fair and reasonable "does not appear clear and obvious". In response, it should be noted that OCLTA provides regular guidance to cities, both in writing and through annual workshops. After two cities were found ineligible following audits of their MOE for FY 2017-18, OCLTA took additional steps to notify cities by sending a letter to all city managers and a detailed email to all city finance directors. Cities were reminded

that MOE expenditures must conform to Guidelines and were urged to thoroughly review MOE expenditures against Guidelines before closing their books each year.

A summary of all findings and city management responses can be found at Attachment A, and the detailed reports, along with written management letters, can be found at Attachment B.

Agreed-Upon Procedures: SMP Funds

The auditors examined the cities of Anaheim, Garden Grove, Huntington Beach, and Santa Ana.

Auditors identified errors in reporting of direct and indirect expenditures in Expenditure Reports submitted by two cities and another city did not allocate interest to the SMP fund, as required. Two cities were found to have submitted one or more monthly reports beyond the required timeframe of 30 days after month-end. Auditors also noted that participant age is not being verified at one city.

A summary of all findings and city management responses can be found at Attachment C, and the detailed reports, along with written management letters, can be found at Attachment D.

Summary

The auditors have completed agreed-upon procedures related to M2 LFS and SMP funds provided to 11 cities for the FY ended June 30, 2022.

Attachments

- A. Summary of Results of Agreed-Upon Procedures Reports Orange County Local Transportation Authority Measure M2 Local Fair Share for the Year Ended June 30, 2022
- B. Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2022
- C. Summary of Results of Agreed-Upon Procedures Audits Orange County Local Transportation Authority Measure M2 Senior Mobility Program for the Year Ended June 30, 2022
- D. Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Reports Year Ended June 30, 2022

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2022**

City	Result	City Management Response
City of Cypress (Cypress)	Testing of direct maintenance of effort (MOE) expenditures identified five expenditures totaling \$632, that were not properly classified as street and road expenditures. Expenditures included costs of a retirement lunch for a public works employee, a grilling tools set, a phone case, a renewal fee to South Coast Air Quality Management District and membership dues to the American Public Works Association. However, after removing the amounts from total MOE expenditures, the Cypress continued to meet the minimum MOE requirement.	Management accepts the determination that these expenditures are not eligible to be classified as direct street and road expenditures.
	Cypress reported \$20,201 of indirect expenditures as direct expenditures.	Management accepts the determination that these expenditures are not eligible to be classified as direct street and road expenditures.
	Testing of indirect MOE expenditures found that Cypress applied internal service allocations based on fiscal year 2022 budget amounts for various indirect/overhead expenditures. These expenses included payroll and benefits, liability insurance, monthly print shop/mail/phone charges, monthly office rental charges, monthly tools and equipment replacement charges, monthly computer website maintenance charges, monthly vehicle replacement charges, and various other charges. For indirect costs, the methodology used to allocate the actual costs should be documented and represent a fair and reasonable allocation of costs. Cypress was unable to provide a documented methodology used to support the allocation of costs. As such, the auditors lack information necessary to confirm these costs as fair and reasonable. If unsupported indirect costs were removed from MOE, Cypress would no longer meet the benchmark requirement of \$3,607,878. The shortfall would amount to \$1,381,048.	Management acknowledges the finding and indicated it has been standard practice to allocate a variety of service costs to departments that utilize the services. Management asserts that the methodology is documented and represents a fair and reasonable allocation of costs that has been accepted by the Orange County Transportation Authority (OCTA) in the past. Despite this, management agrees that an update to its methodology is appropriate. Management requests OCTA allow the current methodology to be used until the city can complete a cost allocation study in the next 12 months.
City of Irvine (Irvine)	Irvine reported four indirect Local Fair Share (LFS) expenditures, totaling \$49,624, as direct expenditures.	Management will implement reporting of these types of expenditures in the indirect LFS costs section in future expenditure reports.
City of Laguna Beach (Laguna Beach)	Laguna Beach reported total MOE expenditures of \$7,555,442 on its expenditure report. Actual expenditures, per the general ledger, totaled \$8,269,834, a variance of \$714,392. The variance was due to an indirect cost charge that was counted twice and a prior period audit adjustment that was not accounted for.	Management has identified this discrepancy and will correct it in future reporting. In addition, management could refile the expenditure report with the adjustments.
	Laguna Beach was unable to provide a documented methodology used to support indirect allocations to the MOE totaling \$343,485. However, if these unsupported costs are removed from total MOE expenditures, Laguna Beach continues to meet its MOE benchmark.	Management will refile the expenditure report and remove overhead costs. Management will document the indirect cost allocation methodology for future submittals or exclude it from expenditure reporting.
City of Los Alamitos (Los Alamitos)	Los Alamitos reported total MOE expenditures of \$694,824 on its expenditure report. Actual expenditures, per the general ledger, totaled \$655,511, a variance of \$39,313. The variance was primarily due to an indirect cost charge that was counted twice and a prior year audit adjustment that was not accounted for.	Management will record direct and indirect expenditures separately going forward so there is a clear delineation of MOE expenditures.
	Los Alamitos reported \$47,880 in indirect costs as direct costs on its expenditure report. Los Alamitos was unable to provide a documented methodology used to support these indirect allocations to the MOE. However, after removing these costs from total MOE expenditures, Los Alamitos continues to meet its MOE benchmark.	Management has engaged a consultant to conduct a cost recovery study, including review of internal service fund cost allocation methodology. Once the study is complete, management will draft procedures to support the internal cost allocation.
	Two LFS expenditures, totaling \$72,058, related to two projects that were not listed on Los Alamitos' Seven Year Capital Improvement Program (CIP).	Management agreed and will ensure that partially completed projects, appearing on prior CIP plans will be noted as such and carried forward for inclusion in subsequent CIP plans.
City of Rancho Santa Margarita	None	None
City of San Juan Capistrano	None	None

SUMMARY OF AGREED-UPON PROCEDURES REPORTS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2022

City	Result	City Management Response
City of Villa Park (Villa Park)	One direct expenditure for city-wide electricity of \$1,535 for the civic center was charged to Villa Park's direct MOE expenditures. However, after removing this transaction from total MOE expenditures, Villa Park continued to meet its MOE benchmark.	Management has implemented procedures to ensure that transactions are entered and posted correctly to general ledger accounts.
	Testing of indirect MOE expenditures found that Villa Park applied 50 percent of contractor expenditures, totaling \$55,286, to indirect MOE expenditures. Villa Park could not provide a written methodology to support this allocation of costs. After removing these costs from total MOE expenditures, Villa Park continued to meet its MOE benchmark.	Management will develop a a written methodology for allocation purposes.

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2022

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2022

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2022. Please refer to the individual divider tab for our report on each Agency.

Cypress

Irvine

Laguna Beach

Los Alamitos

Rancho Santa Margarita

San Juan Capistrano

Villa Park

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF CYPRESS

Board of Directors
Orange County Local Transportation Authority and
the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Cypress's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies Maintenance of Effort (MOE) expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund and account number. The City recorded its MOE expenditures in its General Fund (111), Storm Drainage Fund (261), Capital Projects Fund (415) and various account numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

(Continued)

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022, were \$3,892,903 (see Schedule A) which originally exceeded the MOE benchmark requirement of \$3,607,878. We agreed the total expenditures of \$3,892,903 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. However, after removal of indirect costs, outlined at Procedure #4, the City no longer met the minimum MOE benchmark requirement. No other exceptions were found as a result of this procedure.

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$949,195, which represented approximately 42% of direct MOE expenditures of \$2,247,663 for the fiscal year ended June 30, 2022. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation, and through discussion with the City's accounting personnel, we identified one expenditure related to a retirement lunch for a public works maintenance employee in the amount of \$97, which was not properly classified as a local street and road expenditure and is not allowable per the Ordinance. We selected an additional five direct MOE expenditures totaling \$535, which were comprised of \$48 for a grilling tools set, \$53 for reimbursement of a phone case and a screen protector, \$143 for an annual renewal fee to South Coast Air Quality Management District, \$269 for membership dues to American Public Works Association, and \$22 for picture frames. We found these expenditures were also not properly classified as local street and road expenditures, nor are they allowable per the Ordinance. We also identified \$20,201 of direct charges that should have been reported as indirect costs. They represented charges for pump station support, National Pollutant Discharge Elimination System (NPDES) annual license fee, data acquisition service, water quality permit fees, and other water quality contract services that were allocated 5% as direct charges. After removing the transactions above from total direct MOE expenditures, the City continued to meet the MOE benchmark requirement; however, if indirect costs were removed as outlined at Procedure #4 the City would no longer met the minimum MOE benchmark requirement. No other exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We agreed the total indirect expenditures of \$1,645,240 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. We selected 25 indirect MOE costs for inspection totaling \$223,883, representing 14% of the total indirect MOE costs of \$1,645,240. During testing of direct expenditures, we also identified \$20,201 of direct costs that should have been reported as indirect costs. Refer to Procedure #3 above. The City applied internal service allocations based on fiscal year 2022 budget amounts for various indirect/overhead expenses. These expenses included payroll and benefits, liability insurance, monthly print shop/mail/phone charges, monthly office rental charges, monthly tools and equipment maintenance/replacement charges, monthly computer website maintenance charges, monthly vehicle replacement charges and various other charges. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology used to support the allocation of charges for the samples selected, including the \$20,201, identified in Procedure #3, that should have been reported as indirect costs.

(Continued)

We then requested the City to provide a documented methodology used to support the allocation of the remaining indirect costs and the City was unable to provide documentation to support these allocations. As such, we lack information necessary to confirm these costs as fair and reasonable. After removing ineligible direct costs at Procedure #3, if unsupported indirect costs were removed from MOE, the City would no longer meet the benchmark requirement. The shortfall would amount to \$1,381,048.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$3,002,853 for the past three fiscal years ended June 30, 2020, 2021 and 2022. We agreed the fund balance of \$1,553,813 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and account number. The City recorded its LFS expenditures in its Measure M Fund and in various account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the Fiscal Year ended June 30, 2022 were \$693,309 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected five direct Measure M2 Local Fair Share expenditures for inspection totaling \$489,656 representing approximately 71% of total direct Measure M2 Local Fair Share expenditures of \$693,309 for the Fiscal Year ended June 30, 2022. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

(Continued)

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the Fiscal Year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$6,864 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
April 13, 2023

CITY OF CYPRESS, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,645,240
Construction & Right-of-Way	
Street Reconstruction	736,174
Pedestrian Ways & Bikepaths	193,933
Maintenance	
Overlay & Sealing	58,627
Street Lights & Traffic Signals	93,371
Other Street Purpose Maintenance	<u>1,165,558</u>
Total MOE Expenditures	<u>\$ 3,892,903</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Residential Street Resurfacing	\$ 600,000
Traffic Signal Improvements	<u>93,309</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 693,309</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 4,586,212</u></u>

Note: The above amounts were taken directly from the financial records of the City of Cypress and were not audited.



CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 www.cypressca.org

April 13, 2023

Exhibit 1

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Cypress as of and for the fiscal year ended June 30, 2022.

Procedure #3

Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$949,195, which represented approximately 42% of direct MOE expenditures of \$2,247,663 for the fiscal year ended June 30, 2022. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation, and through discussion with the City's accounting personnel, we identified one expenditure related to a retirement lunch for a public works maintenance employee in the amount of \$97, which was not properly classified as a local street and road expenditure and is not allowable per the Ordinance. We selected an additional five direct MOE expenditures totaling \$535, which were comprised of \$48 for a grilling tools set, \$53 for reimbursement of a phone case and a screen protector, \$143 for an annual renewal fee to South Coast Air Quality Management District, \$269 for membership dues to American Public Works Association, and \$22 for picture frames. We found these expenditures were also not properly classified as local street and road expenditures, nor are they allowable per the Ordinance. We also identified \$20,201 of direct charges that should have been reported as indirect costs. They represented charges for pump station support, National Pollutant Discharge Elimination System (NPDES) annual license fee, data acquisition service, water quality permit fees, and other water quality contract services that were allocated 5% as direct charges. After removing the transactions above from total direct MOE expenditures, the City continued to meet the MOE benchmark requirement; however, if indirect costs were removed as outlined at Procedure #4 the City

Anne Hertz-Mallari, Mayor

Scott Minikus, Mayor Pro Tem

David Burke, Council Member

Frances Marquez, Ph.D., Council Member

Bonnie Peat, Council Member

would no longer met the minimum MOE benchmark requirement. No other exceptions were found as a result of this procedure.

City's Response:

We accept the determination these expenditures are not eligible to be classified as direct local street and road expenditures.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We agreed the total indirect expenditures of \$1,645,240 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. We selected 25 indirect MOE costs for inspection totaling \$223,883, representing 14% of the total indirect MOE costs of \$1,645,240. During testing of direct expenditures, we also identified \$20,201 of direct costs that should have been reported as indirect costs. Refer to Procedure #3 above. The City applied internal service allocations based on fiscal year 2022 budget amounts for various indirect/overhead expenses. These expenses included payroll and benefits, liability insurance, monthly print shop/mail/phone charges, monthly office rental charges, monthly tools and equipment maintenance/replacement charges, monthly computer website maintenance charges, monthly vehicle replacement charges and various other charges. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology used to support the allocation of charges for the samples selected, including the \$20,201, identified in Procedure #3, that should have been reported as indirect costs. We then requested the City to provide a documented methodology used to support the allocation of the remaining indirect costs and the City was unable to provide documentation to support these allocations. As such, we lack information necessary to confirm these costs as fair and reasonable. After removing ineligible direct costs at Procedure #3, if unsupported indirect costs were removed from MOE, the City would no longer meet the benchmark requirement. The shortfall would amount to \$1,381,048.

City's Response:

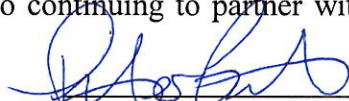
We acknowledge the above finding. The City uses internal service funds to allocate a variety of service costs to those departments/programs that utilize the services. This is a standard practice in municipal government and we assert the allocation methodology is documented and represents a fair and reasonable allocation of costs. Despite using this allocation methodology since Measure M was passed in 1990, it appears the City's documentation (which is largely based on the annual budget and historical trends) is no longer sufficient for OCTA. OCTA audit representatives have indicated documentation, such as a formal cost allocation plan and/or time and motion studies, would meet its needs. However, this was not previously requested of the City and the City has not had the need for such a plan to be prepared, nor is there sufficient time to prepare such a plan during the timeline for this audit. Further, the City calculates its MOE expenditures annually using

the same methodology that OCTA has repeatedly audited without any findings. In fact, during the FY 2017 audit, the costs that OCTA now identifies as undocumented, were specifically reviewed and reclassified (for reporting purposes) to the indirect cost line item at the suggestion of OCTA's auditor. No other suggestions or concerns were raised as part of the 2017 audit or during any previous audit review process. However, despite these facts we agree an update to our allocation methodology is appropriate to ensure the documentation is sufficient to meet OCTA standards.


Even though the City's documentation of its method of allocating indirect costs can be improved upon, a determination to potentially remove all indirect costs is not reasonable. For more than 30 years, the current indirect cost allocation documentation has been accepted. These indirect costs (\$1.6 million) represents more than 45% of Cypress' Maintenance of Effort (MOE) benchmark. Many of these costs are considered indirect because of how they are recorded in the City's general ledger (in separate internal service funds). For example, all fleet costs associated with street and right-of-way maintenance (including fuel, repairs, and vehicle replacement) are recorded as indirect costs and excluding these costs from the MOE calculation would not be appropriate. These costs are directly related to MOE activities and should be included for MOE purposes.

The City recognizes auditing standards and processes have evolved since the MOE benchmark was established; however, the documentation standard for determining if indirect costs are fair and reasonable does not appear clear and obvious. As Cypress' situation demonstrates, this determination may have significant impacts and requires a reasonable, common sense-based response and implementation. The City requests OCTA allow the current methodology for indirect costs until the City can complete a cost allocation study in the next 12 months. This study would provide the basis for an updated methodology for determining MOE eligible costs.

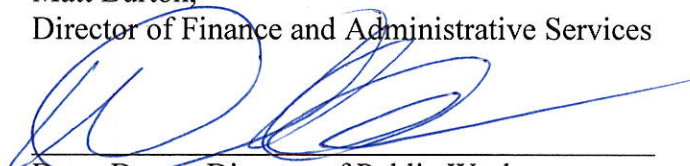
Cypress is one of the most financially stable cities in Orange County and takes great pride in the quality of its streets and roads. The City has not changed its cost allocation methodology in attempts to meet its MOE and it has always been a forthright, enthusiastic partner to OCTA. We appreciate and value the audit process and simply ask OCTA to provide the City the opportunity and necessary time to update past practices that have been consistently applied, reviewed and audited over the years. We look forward to continuing to partner with OCTA to address these concerns.



Peter Grant, City Manager



Matt Burton,
Director of Finance and Administrative Services



Doug Dancs, Director of Public Works

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF IRVINE

Board of Directors
Orange County Local Transportation Authority and
the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Irvine's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies (Maintenance of Effort) MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department codes, section codes, and object codes. The City records its MOE expenditures in its General Fund (001) and is identified by a 14-digit account number composed of a 2-digit fund code, 3-digit section code, 3-digit service code, and a 4-digit object code. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022 were \$20,295,487 (see Schedule A), which exceeded the MOE benchmark requirement of \$8,001,915. We agreed the total expenditures of \$20,295,487 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$2,770,758, which represented approximately 21% of direct MOE expenditures of \$13,386,551 for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2022. We agreed \$6,908,936 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$1,211,831 representing 18% of the total MOE indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included salaries for accountants for LFS related projects. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were properly classified as indirect expenditures and based upon a reasonable and appropriate methodology. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$16,588,159 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$6,076,723 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, organization codes, and object codes. The City recorded LFS expenditures in its Measure M2 Fund (154) and is identified by 10-digit organization codes, and 4-digit object codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022, were \$5,493,136 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2, line 17, and detail listed on Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We selected eight direct Measure M2 Local Fair Share expenditures for inspection totaling \$5,279,788 representing approximately 96% of total direct Measure M2 Local Fair Share expenditures of \$5,460,527 for the fiscal year ended June 30, 2022. We agreed the dollar amount to supporting documentation. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP and per discussion with the City's accounting personnel and the Public Works and Transportation department, Crowe was unable to trace four expenditures to specific projects included in the City's 7-year CIP. After further inspection, Crowe identified these four expenditures should have been reported as indirect costs. They relate to contracted services of \$39,385, wages for transportation analysts of \$7,238, and Public Works and Transportation employees benefits of \$3,001. No other exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2022. We agreed \$32,609 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 samples for inspection with a total amount of \$22,733 representing 70% of the total indirect Local Fair Share costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. Upon inspection of the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect Local Fair Share costs and were allowable per the Ordinance. In addition, the indirect LFS costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling (\$239,869) listed on the City's Expenditure Report (Schedule 2, line 4). The interest earned and the market value loss was \$93,427 and (\$333,296), respectively. We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. Crowe found that the interest was negative due to the unrealized loss of investment market value at year end, as required by government accounting standards. We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

(Continued)

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
March 28, 2023

CITY OF IRVINE, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 6,908,936
Maintenance	
Overlay & Sealing	\$ 5,955,937
Street Lights & Traffic Signals	965,635
Other Street Purpose Maintenance	<u>6,464,979</u>
Total MOE Expenditures	<u>\$ 20,295,487</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
M2 Fairshare Administrative	\$ 82,233
M2 Fairshare Operation And Maintenance	120,316
FY21 Slurry Seal/Local Streets	4,092,137
FY22 Slurry Seal/Local Streets Rehab	1,171,932
Walnut Pavement Rehabilitation (Harvard Culver)	<u>26,518</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 5,493,136</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 25,788,623</u>

Note: The above amounts were taken directly from the financial records of the City of Irvine and were not audited.



March 28, 2023

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Irvine as of and for the fiscal year ended June 30, 2022.

Procedure #7

Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:

- a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected eight direct Measure M2 Local Fair Share expenditures for inspection totaling \$5,279,788 representing approximately 93% of total direct Measure M2 Local Fair Share expenditures of \$5,700,395 for the fiscal year ended June 30, 2022. We agreed the dollar amount to supporting documentation. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP and per discussion with the City's accounting personnel and the Public Works and Transportation department, Crowe was unable to trace four expenditures to specific projects included in the City's 7-year CIP. After further inspection, Crowe identified these four expenditures should have been reported as indirect costs. They relate to contracted services of \$39,385, wages for transportation analysts of \$7,238, and Public Works and Transportation employees benefits of \$3,001.

No other exceptions were found as a result of this procedure.

City's Response:

The above finding is merely a reporting observation and no impact to MOE benchmark. The City will immediately implement the reporting of any direct expenditures to Local Fair Share (LFS) funding besides the Capital Improvement Program (CIP) in the upcoming Seven-Year report that will be submitted to Orange County Transportation Authority (OCTA) in June 2023. In addition, staff will report these types of expenditures in the indirect LFS costs section in future Measure M2 expenditure report (Schedule 3). Public Works and Transportation and Finance staff will incorporate these updates to OCTA procedural and methodological reporting for the Seven-Year CIP and Measure M2 expenditure reports.

Signed:  _____

Name: Oliver C. Chi

Title: City Manager

Signed:  _____

Name: Dahle Bulosan

Title: Director of Administrative Services

Signed:  _____

Name: Jaimee Bourgeois

Title: Director of Public Works & Transportation

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF LAGUNA BEACH

Board of Directors
Orange County Local Transportation Authority and
the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Laguna Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies Maintenance of Effort (MOE) expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department codes, and object codes. The City records its MOE expenditures in its General Fund (110), Capital Improvement Fund (116), Gas Tax Fund (132), and Street Lighting Fund (134) and identified by a 4-digit department code, and a 4-digit object codes. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

(Continued)

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022 were \$7,555,442 (see Schedule A), which exceeded the MOE benchmark requirement of \$1,806,353. Actual MOE expenditures per the general ledger expenditure detail totaled \$8,269,834, a variance of \$714,392. The variance was due to an indirect cost charge of \$330,597 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of \$383,795 that was not accounted for in the Expenditure Report. No other exceptions were found as a result of this procedure.

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$3,594,052, which represented approximately 50% of direct MOE expenditures of \$7,211,957 for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We selected 25 indirect MOE costs for inspection totaling \$142,485, representing 41% of the total indirect MOE costs of \$343,485. These charges include payroll and benefits, monthly group insurance, copier charges, and others. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology used to support the allocations mentioned above. As a result, the entire amount of indirect costs were removed from MOE expenditures. After removing these costs from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$1,432,868 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$0 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

(Continued)

Findings: The LFS expenditures were tracked in the City's general ledger by fund number, department Number, program Number, and various object codes. The City recorded its LFS expenditures in its Gas Tax Fund (132). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022 were \$536,756, which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected seven direct Measure M2 Local Fair Share expenditures for inspection totaling \$275,623 representing approximately 51% of total direct Measure M2 Local Fair Share expenditures of \$536,756 for the Fiscal Year ended June 30, 2022. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$6,824 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted as a result of this procedure.

(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in cursive script that reads "Crowe LLP".

Crowe LLP

Costa Mesa, California
March 31, 2023

CITY OF LAGUNA BEACH, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 343,485
Construction & Right-of-Way	
New Street Reconstruction	\$ 824,098
Signals, Safety Devices & Street Lights	101,055
Pedestrian Ways & Bikepaths	223,302
Storm Drains	2,074,045
Maintenance	
Patching	\$ 2,774,593
Overlay & Sealing	964,174
Street Lights & Traffic Signals	41,817
Other Street Purpose Maintenance	<u>208,874</u>
Total MOE Expenditures	<u>\$ 7,555,442</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Slurry Seal & Rehab Zone 2,3,5	\$ 536,756
Total Measure M2 Local Fair Share Expenditures	<u>\$ 536,756</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 8,092,198</u></u>

Note: The above amounts were taken directly from the financial records of the City of Laguna Beach and were not audited.



March 31, 2023

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Laguna Beach as of and for the fiscal year ended June 30, 2022.

Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022 were \$7,555,442 (see Schedule A), which exceeded the MOE benchmark requirement of \$1,806,353. Actual MOE expenditures per the general ledger expenditure detail totaled \$8,269,834, a variance of \$714,392. The variance was due to an indirect cost charge of \$330,597 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of \$383,795 that was not accounted for in the Expenditure Report. No other exceptions were found as a result of this procedure.

City's Response:

The City inadvertently included the indirect costs of \$330,597 as both MOE undistributed engineering and administration and maintenance costs in the report. The City has identified this discrepancy, which will be corrected in future reporting related to the Measure M2 Local Fair Share Program. In addition, the City can refile the Measure M2 report with the adjustments to correct the current year report.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule

3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We selected 25 indirect MOE costs for inspection totaling \$142,485, representing 41% of the total indirect MOE costs of \$343,485. These charges include payroll and benefits, monthly group insurance, copier charges, and others. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology used to support the allocations mentioned above. As a result, the entire amount of indirect costs were removed from MOE expenditures. After removing these costs from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City believes the methodology used to calculate the indirect Maintenance of Effort costs as submitted is fair and reasonable. However, since the indirect cost rate allocation methodology was not approved by a third-party and documented in writing, the City can refile the Measure M2 report, excluding the administrative overhead expenditures. The City plans to document the indirect cost allocation methodology for future submittals or exclude it from the reporting. After removing indirect MOE costs, City's MOE expenditures for the fiscal year ended June 30, 2022, far exceeded the Maintenance of Effort benchmark requirement of approximately \$1.8 million.



Gavin Curran, Acting City Manager



Gavin Curran, Assistant City Manager/CFO



Mark McAvoy, Public Works Director

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF LOS ALAMITOS

Board of Directors
Orange County Local Transportation Authority and
the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Los Alamitos's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies Maintenance of Effort (MOE) expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund and account numbers. The City records its MOE expenditures in its General Fund (10) and is identified by account number. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City reported total MOE expenditures of \$694,824 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2022, which exceeded the MOE benchmark requirement of \$182,250. Actual MOE expenditures per the general ledger expenditure detail totaled \$655,511, a variance of \$39,313. The variance was primarily due to an indirect cost charge of \$47,880 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of (\$8,567) that was not accounted for in the Expenditure Report. No other exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$330,719, which represented approximately 54% of direct MOE expenditures of \$607,631 for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the City's Expenditure Report, we noted that no indirect costs were reflected on Schedule 3, Line 1. After further investigating the direct expenditure detail from the City's general ledger and through discussion with City personnel, we noted that a \$47,880 of indirect costs were included in total direct costs on Schedule 3, line 15 of the City's M2 Expenditure Report for the fiscal year ended June 30, 2022. Crowe selected 8 MOE indirect expenditures with a total amount of \$47,880 representing 100% of the total indirect costs. Upon inspection of supporting documentation, we determined that the entirety of the indirect costs were not developed using a reasonable methodology. However, after removing these expenditures from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$759,956 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$593,413 from the general ledger detail to the City's Expenditure Report (Schedule 1, Line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger in its Measure M2 Fund (26). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022 were \$201,146 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We selected 10 Measure M2 Local Fair Share direct expenditures for inspection totaling \$148,681 representing approximately 74% of total Measure M2 direct Local Fair Share expenditures of \$201,146 for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation. When comparing the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, we noted that two expenditures in the amount of \$72,058, relating to the Suburbia Rehab and Cerritos Guardrail projects, were not listed on the City's Seven-Year CIP. Although projects related to the expenditure samples are not shown on the current year Seven-Year CIP, Crowe notes that the projects were shown in prior year's Seven-Year CIPs' but not rolled forward to the current year. No other exceptions were noted as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$4,052 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted as a result of this procedure.

(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
March 22, 2023

CITY OF LOS ALAMITOS, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 47,880
Maintenance	
Other Street Purpose Maintenance	<u>607,631</u>
Total MOE Expenditures	<u>\$ 655,511</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
ADA Access Ramps	\$ 39,533
Surbrbia Rehab	49,978
Cerritos Ave Guardrail	55,540
St Signs at Intersections	950
Strret Marking/Striping	12,067
Tree Palnting Citywide	42,149
Speed Survey	540
Catch Basin CPS Project	<u>389</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 201,146</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 856,657</u></u>

Note: The above amounts were taken directly from the financial records of the City of Los Alamitos and were not audited.



Exhibit 1

March 22, 2023

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Los Alamitos as of and for the fiscal year ended June 30, 2022.

Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City reported total MOE expenditures of \$694,824 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2022. Actual MOE expenditures per the general ledger expenditure detail totaled \$655,511, a variance of \$39,313. The variance was primarily due to an indirect cost charge of \$47,880 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of (\$8,567) that was not accounted for in the Expenditure Report. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the auditor's finding. City management maintains that the number represented in Schedule 3, Line 18 is for the purpose of reference to verify that expenditures exceed the MOE benchmark. Since expenditures after the noted adjustment exceed the established MOE benchmark by \$464,694 (254%), the error is of little consequence. For future reporting, the City will record indirect and direct costs separately so that OCTA has a clear delineation of the City's MOE expenditures.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the City's Expenditure Report, we noted that no indirect costs were reflected on Schedule 3, Line 1. After further investigating the direct expenditure detail from the City's general ledger and through discussion with City personnel, we noted that a \$47,880 of indirect costs were included in total direct costs on Schedule 3, line 15 of the City's M2 Expenditure Report for the fiscal year ended June 30, 2022. Crowe selected 8 MOE indirect expenditures with a total amount of \$47,880 representing 100% of the total indirect costs. Upon inspection of supporting documentation, we determined

that the entirety of the indirect costs were not developed using a reasonable methodology. However, after removing these expenditures from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the auditors finding. City management is not aware of any written cost allocation methodology for calculating indirect cost allocation. Further, City management believes the methodology that is being used is sound based on best practices. The City has engaged a consultant to conduct a cost recovery study, including review of internal service fund cost allocation methodology. Once the study has been completed, City management will request that the consultant also draft written procedures to support internal cost allocation that will be compliant with SCO and OCTA.

Procedure #7

Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:

- a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 10 Measure M2 Local Fair Share direct expenditures for inspection totaling \$148,681 representing approximately 74% of total Measure M2 direct Local Fair Share expenditures of \$201,146 for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation. When comparing the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, we noted that two expenditures in the amount of \$72,058, relating to the Suburbia Rehab and Cerritos Guardrail projects, were not listed on the City's Seven-Year CIP. Although projects related to the expenditure samples are not shown on the current year Seven-Year CIP, Crowe notes that the projects were shown in prior year's Seven-Year CIPs' but not rolled forward to the current year. No other exceptions were noted as a result of this procedure.

City's Response:

The City agrees with the auditor's finding. City management has discussed this process with the City's Engineer. Partially completed projects appearing on the prior year's Seven-Year CIP list will be noted as such and carried forward for inclusion in the subsequent year's Seven-Year CIP list, as well as inclusion for the Measure M2 Local Fair Share direct expenditures accordingly.

 3/22/23
Craig Koehler, Finance Director Dated

R. Noda 03/22/2023
Ron Noda, Development Services Director Dated

 3-22-23
Chet Simmons, City Manager Dated

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF RANCHO SANTA MARGARITA

Board of Directors
Orange County Local Transportation Authority and
the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Rancho Santa Margarita's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies Maintenance of Effort (MOE) expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department codes, and various other codes. The City records its MOE expenditures in its General Fund (100) and CIP Fund (410) and is identified by a 3-digit department number, and various other codes. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022, were \$688,337 which exceeded the MOE benchmark requirement of \$428,337. We agreed the total expenditures of \$688,337 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: The City does not separately account for MOE and LFS expenditures, rather, the City accumulates all expenditures in one account and then allocates expense amounts to LFS and MOE at the end of each year. City staff advised that all expenditures are both MOE and LFS eligible expenditures. Crowe selected 15 direct expenditures from the total population of expenditures for inspection. Expenditures inspected totaled \$662,388, representing 52% of the total population of LFS and MOE direct expenditures of \$1,265,098. We agreed the dollar amount to supporting documentation and the expenditures tested were allowable under both the MOE and LFS guidelines. No exceptions were found.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, no indirect costs were identified as MOE expenditures for the Fiscal Year ended June 30, 2022. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$2,440,211 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$698,914 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The City tracks its LFS expenditures in its Measure M2 Fund (212). Total Measure M2 Local Fair Share expenditures per the general ledger during the Fiscal Year ended June 30, 2022 was \$576,761 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven Year CIP, without any exception. The City does not separately account for MOE and LFS expenditures, rather, the City accumulates all expenditures in one account and then allocates expense amounts to LFS and MOE at the end of each year. City staff advised that all expenditures are both MOE and LFS eligible expenditures. Crowe selected 15 direct expenditures from the total population of expenditures for inspection. Expenditures inspected totaled \$662,388, representing 52% of the total population of LFS and MOE direct expenditures of \$1,265,098. The expenditures tested were allowable under both the MOE and LFS guidelines. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Local Fair Share expenditures for the Fiscal Year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling (\$4,135) listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. Crowe found that the interest was negative due to unrealized losses of investment market value at year end, as required by government accounting standards. We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted as a result of this procedure.

(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, professional style.

Crowe LLP

Costa Mesa, California
March 28, 2023

CITY OF RANCHO SANTA MARGARITA, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:

Maintenance

Street Lights & Traffic Signals	\$ 260,000
Other Street Purpose Maintenance	<u>428,337</u>

Total MOE Expenditures \$ 688,337

Measure M2 Local Fair Share Expenditures (Schedule 4):

Antonio Parkway Gateway Improvements 410-900-916.003	\$ 20,130
Traffic Signal Enhancements 410-900-921.005	107,155
Traffic Signal System Maintenance 410-900-921.009	10,203
Street Maintenance	326,746
Traffic Signal Maintenance	<u>112,527</u>

Total Measure M2 Local Fair Share Expenditures \$ 576,761

Total MOE and Measure M2 Local Fair Share Expenditures \$ 1,265,098

Note: The above amounts were taken directly from the financial records of the City of Rancho Santa Margarita and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF SAN JUAN CAPISTRANO

Board of Directors
Orange County Local Transportation Authority and
the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of San Juan Capistrano's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies Maintenance of Effort (MOE) expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, division codes, account codes, and department codes. MOE expenditures are identified in the General Fund (01) followed by a 5-digit division code, 5-digit account code, and a 3-digit department code. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022, were \$2,577,297 (see Schedule A), which exceeded the MOE benchmark requirement of \$492,518. We agreed the total expenditures of \$2,577,297 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$490,015, which represented approximately 37% of direct MOE expenditures of \$1,335,394 for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2022. We agreed \$1,241,903 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 18 charges for inspection with a total amount of \$268,206 representing 22% of the total MOE indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included maintenance labor charges for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were properly classified as indirect expenditures and based upon a reasonable and appropriate methodology. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$2,080,345 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$1,057,844 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and Account Number. The City recorded its LFS expenditures in its Capital Projects Fund (50) and various account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022 were \$229,913 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven Year CIP, without any exception. We selected 20 Measure M2 Local Fair Share direct expenditures for inspection totaling \$134,914 representing approximately 64% of total Measure M2 direct Local Fair Share expenditures of \$211,756 for the fiscal year ended June 30, 2022. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2022. We agreed \$18,157 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 15 charges for inspection with a total amount of \$9,415 representing 52% of the total indirect Local Fair Share costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included allocated general city and department/divisional overhead. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect Local Fair Share costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. In addition, the indirect LFS costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling (\$17,192) listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. Crowe found that the interest was negative due to the unrealized loss of investment market value at year end, as required by government accounting standards. We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

(Continued)

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
March 23, 2023

CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,241,903
Maintenance	
Patching	\$ 188,544
Street Lights & Traffic Signals	487,945
Storm Damage	69,719
Other Street Purpose Maintenance	<u>589,186</u>
Total MOE Expenditures	<u>\$ 2,577,297</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Camino Capistrano Pavement Rehabilitation	\$ 181,104
Indirect Cost Administration Overhead	18,157
Pavement Management Program	<u>30,652</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 229,913</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 2,807,210</u>

Note: The above amounts were taken directly from the financial records of the City of San Juan Capistrano and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF VILLA PARK

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Villa Park's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies Maintenance of Effort (MOE) expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department codes, division codes, and object codes. The City records its MOE expenditures in its General Fund (001) and is identified by an 8-digit account number composed of a 2-digit department code, 2-digit division code, and 4-digit object code. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022, were \$480,163 (see Schedule A, which exceeded the MOE benchmark requirement of \$373,104. We agreed the total expenditures of \$480,163 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 21 direct MOE expenditures totaling \$298,050, which represented approximately 70% of direct MOE expenditures of \$424,877 for fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation and through discussion with the City's accounting personnel, Crowe found that one expenditure related to the City-wide electricity bill in the amount of \$1,535 was mistakenly inputted into the MOE expenditure detail under traffic and street lights. Per our discussion with the City, this expenditure does not relate to the traffic and street lights as it only relates to the Civic Center. As a result, this amount is considered disallowed, and should be removed from the total MOE expenditures. However, after removing this transaction from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We selected 15 indirect MOE costs for inspection totaling \$36,042, representing 65% of the total indirect MOE costs of \$55,286. The City contracts with a vendor to provide staff augmentation for various engineering services and allocated 50% of the contract costs to MOE; however, the City did not provide supporting documentation for a reasonable methodology used to support this allocation. As a result, the total amount of indirect costs was removed from MOE expenditures. However, after removing these costs, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2022 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$300,380 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$135,608 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

(Continued)

Findings: The LFS expenditures were tracked in the City's general ledger by fund, department codes, division codes, and object codes. The City records its LFS expenditures in its Measure M2 Fund (05) and is identified by an 8-digit account number composed of a 2-digit department code, 2-digit division code, and 4-digit object code. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022, were \$51,878, which agreed to the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected three direct Measure M2 Local Fair Share expenditures for inspection totaling \$51,878 and representing 100% of total direct Measure M2 Local Fair Share expenditures of \$51,878 for the fiscal year ended June 30, 2022. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects listed on the Seven-Year CIP and were properly classified. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling (\$1,135) listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. Crowe found that the interest was negative due to the unrealized loss of investment market value at year end, as required by government accounting standards. We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
March 22, 2023

CITY OF VILLA PARK, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 55,286
Construction & Right-of-Way	
Street Reconstruction	34,457
Maintenance	
Overlay & Sealing	\$ 90,945
Street Lights & Traffic Signals	24,802
Other Street Purpose Maintenance	<u>274,673</u>
Total MOE Expenditures	<u>\$ 480,163</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
FY 21-22 Street Slurry Seal Project	\$ 51,878
Total Measure M2 Local Fair Share Expenditures	<u>\$ 51,878</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 532,041</u>

Note: The above amounts were taken directly from the financial records of the City of Villa Park and were not audited.



City of Villa Park

17855 Santiago Boulevard, Villa Park, California 92861-4187
(714) 998-1500 • Fax: (714) 998-1508

www.villapark.org

March 22, 2023

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Villa Park as of and for the fiscal year ended June 30, 2022.

Procedure #3

Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 21 direct MOE expenditures totaling \$298,050, which represented approximately 70% of direct MOE expenditures of \$424,877 for fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation and through discussion with the City's accounting personnel, Crowe found that one expenditure related to the City-wide electricity bill in the amount of \$1,535 was mistakenly inputted into the MOE expenditure detail under traffic and street lights. Per our discussion with the City, this expenditure does not relate to the traffic and street lights as it only relates to the Civic Center. As a result, this amount is considered disallowed, and should be removed from the total MOE expenditures. However, after removing this transaction from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure

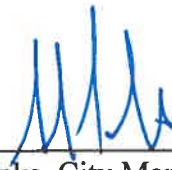
City's Response: The City agrees with the finding. The City has implemented procedures to ensure that transactions are entered and posted to general ledger accounts accurately.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We selected 15 indirect MOE costs for inspection totaling \$36,042, representing 65% of the total indirect MOE costs of \$55,286. The City contracts with a vendor to provide staff augmentation for various engineering services and allocated 50% of the contract costs to MOE; however, the City did not provide a written methodology used to support this allocation. As a result, the total amount of indirect costs were removed from MOE expenditures. However, after removing these costs, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

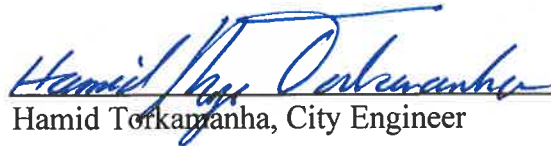
City's Response: The City has an on-going contract with consulting firm for engineering professional services to act in a staff capacity as City Engineer and Assistant Engineer in the areas of project management, construction inspections, surveying, grant management, pavement management, and any other engineering related matters for City's streets, storm drains, and other infrastructures. The City agrees with the finding. The City will develop a written methodology for allocation purposes.



Steve Franks, City Manager



Lee Siow, Finance Director



Hamid Torkamanha, City Engineer

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS
Orange County Local Transportation Authority
Measure M2 Senior Mobility Program for the Year Ended June 30, 2022**

City	Result	City Management Response
City of Anaheim (Anaheim)	Anaheim did not allocate interest to Senior Mobility Program (SMP) funds. Anaheim should have allocated \$12,202 of interest revenues to the program.	Management will submit an amended expenditure report to include the interest revenue. Management will also implement procedures to ensure interest revenue is reported.
City of Garden Grove	Three of four monthly reports tested were not submitted within 30 days of month end, as required.	Management asserted that this issue has been addressed and that cross-training has been implemented to ensure timely filing moving forward.
The City of Huntington Beach (Huntington Beach)	Huntington Beach reported \$266,154 of direct SMP expenditures as indirect expenditures on its expenditure report.	Management will review reporting processes and implement procedures to ensure accurate reporting of expenditures.
	Based on inquiry, Huntington Beach does not verify participant age as part of the process for determining eligibility. Participants call and provide a birthdate to certify their age and sign up for services.	Management will update its intake procedure to include verification of age and residency.
The City of Santa Ana (Santa Ana)	Santa Ana reported \$12,711 in indirect SMP expenditures as direct expenditures on its expenditure report.	Management responded that future expenditure reports will be completed as indicated.
	One of four monthly reports tested were not submitted within 30 days of month end, as required.	Management responded that staff will ensure that reports are submitted timely going forward.

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 SENIOR MOBILITY PROGRAM

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2022

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**MEASURE M2 SENIOR MOBILITY
PROGRAM**

AGREED-UPON PROCEDURES REPORT

Year Ended June 30, 2022

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2022. Please refer to the individual divider tab for our report on each Agency.

Anaheim

Garden Grove

Huntington Beach

Santa Ana

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF ANAHEIM

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Anaheim's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by fund, department codes, and object code. The City recorded its Senior Mobility Program expenditures in its General Fund (101), department code (213), and object code (7278). The City did not report any program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U) which agreed to the M2 funded portion of total expenditures. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Senior Mobility Program as of June 30, 2022, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2022, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$900,882 for the past three years fiscal years ended June 30, 2020, 2021, and 2022. We compared the fund balance of \$657,466 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$657,466; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$310,663 during the fiscal year ended June 30, 2022, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: Based on the Expenditure Report (Schedule 2, line 8 – Project U), the City reported \$0 in interest revenue. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, there should have been \$12,202 of interest revenues allocated to the fiscal year ended June 30, 2022. We inspected the interest allocation methodology. The City of Anaheim methodology for interest calculation was to calculate the average monthly cash balance, then using the City Treasurer's investment portfolio interest rates. Additionally, we inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. Eligible participants of the Senior Mobility Program must purchase travel vouchers from the City prior to their trip. No other exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2022.

Findings: The City did not have any expenditures during the year that were related to the Senior Mobility Program; therefore, the matching requirement was not applicable for the City. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected the Expenditure report and also the general ledger detail and found that there were no expenditures related to the Senior Mobility Program recorded. In addition, we obtained the expenditure detail support related to the Senior Mobility Program and found no expenditures using SMP funding occurred. As a result, we did not select any expenditures for inspection. No exceptions were found as a result of this procedure.

(Continued)

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or Department of Motor Vehicles issued identification card for age verification. The City then verifies that the applicant is a resident of the City of Anaheim, and 60 years or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether Contractor was selected using a competitive procurement process.
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on discussion with City personnel and inspection of the general ledger detail of expenditures, the City was not currently in an engagement with a contractor that was determined using a competitive procurement process. Due to the COVID-19 Pandemic, their original service provider (Keolis Transit) was no longer able to provide services for the City. Since the contract between the City and Keolis was terminated early, the City was unable to conduct a competitive procurement process as required by the SMP Guidelines under section 6.0. The City did not claim SMP funding for FY22 because the City was aware that they were not in compliance with the competitive procurement requirements. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Determine whether the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: Based on interview with City personnel and inspection of the general ledger detail of expenditures, the City used a contracted provider that was not competitively procured and, therefore, did not claim any funding under the Senior Mobility Program. As a result, we did not perform the procedures listed above.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: The City did not submit monthly summary operations reports to OCLTA because they did not claim Senior Mobility Program funding for operations. No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.


Crowe LLP

Costa Mesa, California
March 29, 2023

CITY OF ANAHEIM, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Measure M2 Senior Mobility Program Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
Other Senior Mobility Project U	-
Total Measure M2 Senior Mobility Program Expenditures	<u><u>\$ -</u></u>

Note: The above amounts were taken directly from the financial records of the City of Anaheim and were not audited.



City of Anaheim
FINANCE DEPARTMENT

Exhibit 1

March 29, 2023

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility program for the City of Anaheim as of and for the fiscal year ended June 30, 2022.


Procedure #4


Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.


Findings: Based on the Expenditure Report (Schedule 2, line 8 – Project U), the City reported \$0 in interest revenue. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, there should have been \$12,202 of interest revenues allocated to the fiscal year ended June 30, 2022. We inspected the interest allocation methodology. The City of Anaheim methodology for interest calculation was to calculate the average monthly cash balance, then using the City Treasurer's investment portfolio interest rates. Additionally, we inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. Eligible participants of the Senior Mobility Program must purchase travel vouchers from the City prior to their trip. No other exceptions were found as a result of this procedure.

City's Response:

The City will submit amended fiscal year 2022 M2 Expenditure Report to include the interest revenue to OCTA for consideration. The City will also implement procedures going forward to ensure interest revenue for the Senior Mobility Program is reported in the M2 Expenditure Report.


Jim Vanderpool
City Manager


Deborah A. Moreno
Finance Director/City Treasurer


Sjanya Larson-Cash
Community Services Director

200 S. Anaheim Boulevard
Anaheim, California 92805

TEL (714) 765-5195
FAX (714) 765-5260

www.anaheim.net

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF GARDEN GROVE

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Garden Grove's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked and recorded in the general ledger by general fund (111), Federal Grants (242), and Measure M2-CTFP (248), followed by a 7-digit number. The City reported \$84,745 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Senior Mobility Program as of June 30, 2022, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2022, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$550,723 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We compared the fund balance of \$361,727 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 21) of \$361,727; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$210,100 during the fiscal year ended June 30, 2022, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$1,324, which was calculated by determining the percentage of Senior Mobility Program (SMP) quarterly cash balance in the Measure M2 CTFP Fund. The Senior Mobility Program cash balance percentage was then applied to the quarterly interest income generated by all funds. The City reported \$1,324 of interest income for the year ended June 30, 2022 which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). Additionally, we inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. The City did not charge fares for senior transportation services to the City's senior center, however they charged \$4 for all other one-way trips. We deemed that the fare collection methodology was adequate to ensure the program revenue was credited to the Measure M2 Senior Mobility Program Fund. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2022.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$43,720 which was approximately 34% of the total expenditures of \$128,465 (M2 funded portion of \$84,745 and City's matching portion of \$43,720) which agreed to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

(Continued)

Findings: We selected 25 Measure M2 Senior Mobility Program expenditures for inspection totaling \$52,129 representing approximately 62% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a form of state ID. The City then verifies that the applicant is a resident of the City of Garden Grove, and 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether Contractor was selected using a competitive procurement process.
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with CABCO Yellow, Inc. to provide senior transportation services under the Senior Mobility Program. From inspecting the CABCO Yellow, Inc. procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Determine whether the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: Based on interview with City personnel and inspection of general ledger detail of expenditures, the City did not contract with a third-party provider to provide senior transportation services under the Senior Mobility Program. As a result, we did not perform the procedures listed above.

(Continued)

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2021, December 2021, February 2022, and June 2022). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2021	December 30, 2022	January 24, 2022	25
December 2021	January 30, 2022	January 24, 2022	-
February 2022	March 30, 2022	April 1, 2022	2
June 2022	July 30, 2022	August 3, 2022	4

Through inspection, we determined that three of the four reports were not submitted within 30 days of month end to OCLTA. No other exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City’s management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City’s responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City’s responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
March 28, 2023

CITY OF GARDEN GROVE, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Measure M2 Senior Mobility Program Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
Other Senior Mobility Project U	<u>84,745</u>
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 84,745</u>

Note: The above amounts were taken directly from the financial records of the City of Garden Grove and were not audited.

Exhibit 1

March 28, 2023

Board of Directors
 Orange County Local Transportation Authority
 and the Taxpayers Oversight Committee of the
 Orange County Local Transportation Authority
 Orange, California

- Steve Jones**
Mayor
- George S. Brietigam**
Mayor Pro Tem - District 1
- John R. O'Neill**
Council Member - District 2
- Cindy Ngoc Tran**
Council Member - District 3
- Joe DoVinh**
Council Member - District 4
- Stephanie Klopfenstein**
Council Member - District 5
- Kim Bernice Nguyen**
Council Member - District 6

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility program for the City of Garden Grove as of and for the fiscal year ended June 30, 2022.

Procedure #11

Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2021, December 2021, February 2022, and June 2022). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:


<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2021	December 30, 2022	January 24, 2022	25
December 2021	January 30, 2022	January 24, 2022	-
February 2022	March 30, 2022	April 1, 2022	2
June 2022	July 30, 2022	August 3, 2022	4

Through inspection, we determined that three of the four reports were not submitted within 30 days of month end to OCLTA. No other exceptions were found as a result of this procedure.

City's Response:


The delay in filing the monthly reports cited above was primarily due to internal staff changes and the gap created accordingly. The City's program coordinator resigned from her position in late 2021. Timely report filing was adversely impacted for several months until a new employee was hired to oversee the program. This issue has been addressed and corrected. Additionally, cross training has been

completed to ensure coverage and program administrative task list was developed to address timely filing moving forward.



City Manager

3/28/23
Date



Director of Finance

3/28/2023
Date



Director of Community Services

3/28/23
Date

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF HUNTINGTON BEACH

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Huntington Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by account number. The City recorded its expenditures in Senior Mobility Program Fund (963) and various account numbers. The City reported \$266,154 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U), which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Senior Mobility Program as of June 30, 2022, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2022, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$815,108 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We compared the fund balance of \$115,543 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 21) of \$115,543; no differences were identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$310,963 during the fiscal year ended June 30, 2022, to the general ledger detail and to the amount listed of \$310,963, as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$622, which was calculated by determining the City's total interest for the month, which is then compared to the total cash balance for all funds to create a monthly interest rate to be used for all funds. The interest percentage is then applied to the monthly cash balance of the Senior Mobility Program (SMP). We recalculated each month's interest rate, which was then applied to the SMP cash balance. The City reported \$622 of interest income for the year ended June 30, 2022, which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). Additionally, we inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. The City did not charge fares for senior transportation services during the year. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2022.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching, and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$70,164, which was approximately 21% of the total expenditures of \$336,318 (M2 funded portion of \$266,154 and City's matching portion of \$70,164), which agreed to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

(Continued)

Findings: We identified that the City reported Senior Mobility Program indirect costs totaling \$266,154 on (Schedule 3, line 1) of the Expenditure Report. However, per our discussion with the City, inspection of the general ledger expenditure detail, and testing of the expenditure detail, these costs were improperly reported, and should have been reported as SMP direct charges under (Other) charges on the City's Expenditure Report (Schedule 3, line 17). We then selected 25 Measure M2 Senior Mobility Program expenditures for inspection totaling \$30,823 representing approximately 12% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to invoices provided by the City and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No other exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided to eligible participants. To use the transportation program, they must be residents of the City and 60 years or older. To register, they must make a phone call and provide their birthdate and Huntington Beach residency to self-certify their age. The information is recorded by dispatchers in the transportation program's software. Only individuals on the eligibility list can book a ride and detailed statistics are kept, including miles driven, hours per vehicle, passenger count, and driver identification. However, the current procedures do not include verification of age and proof of residency. No other exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether Contractor was selected using a competitive procurement process.
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel and inspection of the general ledger detail of expenditures, the City did not contract with a third-party provider to provide senior transportation services under the Senior Mobility Program. As a result, we did not perform the procedures listed above.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Determine whether the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

(Continued)

Findings: We obtained and inspected the insurance coverage for the City of Huntington Beach. Crowe notes that the City used in-house staff to provide services for the Senior Mobility Program and determined that the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2021, December 2021, February 2022, and June 2022). Through inspection, we determined all four reports were timely submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2021	December 30, 2022	December 7, 2021	-
December 2021	January 30, 2022	January 4, 2022	-
February 2022	March 30, 2022	March 9, 2022	-
June 2022	July 30, 2022	June 11, 2022	-

No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
March 28, 2023

CITY OF HUNTINGTON BEACH, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2022
(Unaudited)

SCHEDULE A

Measure M2 Senior Mobility Program Expenditures:

Indirect and/ or Overhead - Schedule 3, line 1	\$ -
Other Senior Mobility Project U	<u>266,154</u>

Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 266,154</u>
--	--------------------------

Note: The above amounts were taken directly from the financial records of the City of Huntington Beach and were not audited.



CITY OF HUNTINGTON BEACH

Finance Department

March 28, 2023

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility program for the City of Huntington Beach as of and for the fiscal year ended June 30, 2022.

Procedure #6

Select a sample of Measure M2 Senior Mobility Program expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:

a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and

b. Determine whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We identified that the City reported Senior Mobility Program indirect costs totaling \$266,154 on (Schedule 3, line 1) of the Expenditure Report. However, per our discussion with the City, inspection of the general ledger expenditure detail, and testing of the expenditure detail, these costs were improperly reported, and should have been reported as SMP direct charges under (Other) charges on the City's Expenditure Report (Schedule 3, line 17). We then selected 25 Measure M2 Senior Mobility Program expenditures for inspection totaling \$30,823 representing approximately 12% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to invoices provided by the City and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No other exceptions were found as a result of this procedure.

City's Response:

They City will review its current financial reporting processes and implement procedures to ensure total expenditures are reported accurately and in the proper category.


Procedure #7

Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided to eligible participants. To use the transportation program, they must be residents of the City and 60 years or older. To register, they must make a phone call and provide their birthdate and Huntington Beach residency to self-certify their age. The information is recorded by dispatchers in the transportation program's software. Only individuals on the eligibility list can book a ride and detailed statistics are kept, including miles driven, hours per vehicle, passenger count, and driver identification. However, the current procedures do not include verification of age and proof of residency. No other exceptions were found as a result of this procedure.

City's Response:

The City of Huntington Beach will update its intake procedure to include the verification of age and residency requirements for existing and new riders.



Al Zelinka, City Manager 3/27/23
Date



Sunny Han, Acting Chief Financial Officer 3/28/2023
Date



Ashley Wysocki 3/28/23
Date
Acting Community and Library Services Director

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF SANTA ANA

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Santa Ana's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by accounting unit, account, and activity number. The City reported \$126,781 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U), which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Senior Mobility Program as of June 30, 2022, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2022, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$744,466 for the past three fiscal years ended June 30, 2020, 2021 and 2022. We compared the fund balance of \$492,678 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$492,678; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$262,539 during the fiscal year ended June 30, 2022, to the general ledger detail and to the amount listed of \$262,539 as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$3,497, which was calculated by taking the monthly unspent cash balance for the Senior Mobility Program and dividing it by the total adjusted monthly cash balance for all funds. This percentage of allocation is then multiplied by the total amount of interest to be allocated for all funds leaving the final interest allocated to the Senior Mobility Program. The City reported \$3,497 of interest income for the year ended June 30, 2022 which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). Additionally, we inquired of City personnel and inspected the City's General Ledger detail regarding fare collections methodologies. The City did not charge fares for senior transportation services during the year. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2022.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$31,695 which was 20% of the total expenditures of \$158,476 (M2 funded portion of \$126,781 and City's matching portion of \$31,695) which agrees to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
 - b. Determine whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

(Continued)

Findings: We selected 25 Measure M2 Senior Mobility Program expenditures for inspection totaling \$63,416 representing approximately 56% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to invoices provided by the City and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. However, Crowe identified \$12,711 of direct costs that should have been reported as indirect costs for Measure M2 Senior Mobility Program for the fiscal year ended June 30, 2022. No other exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Anyone who wants to join the Senior Transportation Program is required to complete a Registration Application, specifying DOB, place of residence, along with a photo ID. All applicants must be SA residents and 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether Contractor was selected using a competitive procurement process.
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with American Transportation, Inc. to provide senior transportation services under the Senior Mobility Program. From inspecting the American Transportation, Inc. procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Determine whether the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

(Continued)

Findings: We obtained and inspected the insurance coverage for the contractor, and determined that the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2021, December 2021, February 2022, and June 2022). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2021	December 30, 2022	December 28, 2021	-
December 2021	January 30, 2022	February 28, 2022	-
February 2022	March 30, 2022	April 2, 2022	3
June 2022	July 30, 2022	September 28, 2022	-

Through inspection, we determined that one out of four reports were not submitted within 30 days of month end to OCLTA. No other exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.



Crowe LLP

Costa Mesa, California
March 29, 2023

CITY OF SANTA ANA, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2022
(Unaudited)

SCHEDULE A

Measure M2 Senior Mobility Program Expenditures:

Indirect and/ or Overhead - Schedule 3, line 1	\$ 12,771
Other Senior Mobility Project U	<u>114,010</u>

Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 126,781</u>
--	--------------------------

Note: The above amounts were taken directly from the financial records of the City of Santa Ana and were not audited.

MAYOR
Valerie Amezcua
MAYOR PRO TEM
Jessie Lopez
COUNCILMEMBERS
Phil Bacerra
Johnathan Ryan Hernandez
David Penaloza
Thai Viet Phan
Benjamin Vazquez



CITY MANAGER
Kristine Ridge
CITY ATTORNEY
Sonia R. Carvalho
CITY CLERK
Jennifer L. Hall

CITY OF SANTA ANA
20 Civic Center Plaza • P.O. Box 1988
Santa Ana, California 92702
www.santa-ana.org

Exhibit 1

March 29, 2023

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority
Orange, California

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility program for the City of Santa Ana as of and for the fiscal year ended June 30, 2022.

Procedure #6

Select a sample of Measure M2 Senior Mobility Program expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:

- a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation; and
- b. Determine whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We selected 25 Measure M2 Senior Mobility Program expenditures for inspection totaling \$63,416 representing approximately 56% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to invoices provided by the City and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. However, Crowe identified \$12,711 of direct costs that should have been reported as indirect costs for Measure M2 Senior Mobility Program for the fiscal year ended June 30, 2022. No other exceptions were found as a result of this procedure.

SANTA ANA CITY COUNCIL

Valerie Amezcua
Mayor
vamezcua@santa-ana.org

Jessie Lopez
Mayor Pro Tem, Ward 3
jessielopez@santa-ana.org

Thai Viet Phan
Ward 1
tphan@santa-ana.org

Benjamin Vazquez
Ward 2
bvazquez@santa-ana.org

Phil Bacerra
Ward 4
pbacerra@santa-ana.org

Johnathan Ryan Hernandez
Ward 5
jryanhernandez@santa-ana.org

David Penaloza
Ward 6
dpenaloza@santa-ana.org

City's Response:

The City has been informed that indirect costs need to be specifically identified on line 1 of the M2 Expenditure Report. All future reports will be completed accordingly.

Procedure #11

Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.


Findings: We sampled four monthly summary reports (November 2021, December 2021, February 2022, and June 2022). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2021	December 30, 2022	December 28, 2021	-
December 2021	January 30, 2022	February 28, 2022	-
February 2022	March 30, 2022	April 2, 2022	3
June 2022	July 30, 2022	September 28, 2022	-

Through inspection, we determined that three out of four reports were submitted within 30 days of month end to OCLTA. No other exceptions were found as a result of this procedure.

City's Response:


Due to an oversight, the City missed the due date of March 30, 2022 by 3 days. Moving forward, city staff will work with its team to make sure that the reports are submitted on time. City staff will take into consideration any staff planned and unplanned time off when gathering the data, make sure to complete the report by the 3rd Friday of the month, giving sufficient time to review, finalize and submit by the 30th of the month. This new process and timeline will be implemented effective immediately.



Kristine Ridge
City Manager



Kathryn Downs
Executive Director-Finance & Management Services



Hawk Scott
Executive Director-Parks, Recreation & Community Services

SANTA ANA CITY COUNCIL



April 26, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer 

Subject: Orange County Transportation Authority Fiscal Year 2023-24 Budget Workshop Preview

Overview

The Orange County Transportation Authority is developing the fiscal year 2023-24 budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The proposed budget will be reviewed in detail during an informal workshop following the May 8, 2023, Orange County Transportation Authority Board of Directors meeting.

Recommendation

Review the fiscal year 2023-24 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 8, 2023.

Discussion

The preparation of the Orange County Transportation Authority's (OCTA) annual budget began in December 2022 with the development of revenue and expense projections as well as goals for each of OCTA's programs and services. The goals for each of the programs and services included in the budget are consistent with OCTA's Strategic Plan, Comprehensive Business Plan, Next 10 Delivery Plan and the Board of Directors (Board) and Chief Executive Officer (CEO) 2023 Initiatives.

Each of OCTA's divisions submitted their budget requests in January, which were then subject to internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of People and Community Engagement, to ensure a balanced and fiscally responsible budget is delivered

Orange County Transportation Authority Fiscal Year 2023-24 Page 2 Budget Workshop Preview

consistent with the Board's goals, CEO's goals, OCTA Strategic Plan, Comprehensive Business Plan, and the Next 10 Delivery Plan.

The development of the FY 2023-24 proposed budget was based on a series of programmatic assumptions that were presented to the Finance and Administration Committee on April 12, 2023. The presentation covered the guiding principles and assumptions used to develop the budget for OCTA's major programs, including Measure M2 (M2), bus, commuter rail, local rail, motorist services, and express lanes.

In FY 2023-24, the growth rate for the M2 Program half-cent Local Transportation Authority sales tax revenue is forecasted to be 2.6 percent. The growth rate for the quarter-cent Local Transportation Fund sales tax revenue, which is used primarily to support the bus program, is forecasted to be 1.9 percent. These growth rates were provided by MuniServices, LLC based on the Board-approved sales tax forecasting methodology.

The FY 2023-24 proposed budget represents a balanced plan of sources and uses of funds. Sources of funds include new revenues received within the year, as well as planned uses of prior year designations. Planned uses of prior year designations are funds set aside (designated) in prior FYs to be utilized in the current FY. The uses of these funds are planned and do not represent a utilization of funds as a result of deficit spending. Expenditures include current year expenditures, as well as funds designated in the current FY to be used in a future FY.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$1,698.5 million, while proposed expenditures and designations yield a total use of funds of \$1,698.5 million. On a year-over-year comparison to the approved FY 2022-23 budget, the FY 2023-24 proposed budget is 2.93 percent, or \$48.3 million, more than the FY 2022-23 approved budget.

Under the M2 Program, sales tax revenue growth is anticipated to grow, and the program will continue to improve freeways and streets and roads throughout Orange County, as well as fund transit programs. Included in the proposed budget are freeway improvement projects on State Route 55, Interstate 5, Interstate 405, and State Route 91. Streets and Roads improvements include the Local Fair Share Program, the Regional Capacity Program, and the Regional Traffic Signal Synchronization Program. In addition, the budget also includes funding for multiple M2 transit programs, including Metrolink and the OC Streetcar.

Orange County Transportation Authority Fiscal Year 2023-24 Page 3 Budget Workshop Preview

For the bus program, the FY 2023-24 budget assumes 1.47 million service hours with approximately 60 percent of the hours directly operated by OCTA and approximately 40 percent of the hours provided by OCTA's contractor. Paratransit service trips are anticipated to increase from current levels of 1.21 million to 1.48 million. In addition, OC Flex service will continue to maintain current service levels.

For regional rail, the budget assumes Metrolink will return to 90 percent of pre-pandemic service levels and for local rail, the budget assumes funding to support ongoing construction of the OC Streetcar.

The FY 2023-24 budget for the 91 Express Lanes anticipates traffic volumes will decrease slightly by 0.2 million trips to 19.5 million trips due to a potential economic slowdown, high inflation, and high gas prices.

The 405 Express Lanes is anticipated to open for use in October 2023, after the completion of construction, and assumes 56.3 million trips for the nine months of operation.

Staff will present the FY 2023-24 budget in detail in an informal workshop setting on May 8, 2023. The presentation will include a discussion of program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 12, 2023, Board meeting, after which staff anticipates seeking Board approval of the budget.

Summary

Staff will conduct a budget workshop for the Board at the May 8, 2023, OCTA Board meeting. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the budget at the meeting. A public hearing for the budget is scheduled to occur at the June 12, 2023, Board meeting, after which staff anticipates seeking Board approval of the budget.

Attachment

- A. Fiscal Year 2023-24 Budget Workshop Preview

Prepared by:



Victor Velasquez
Department Manager,
Financial Planning and Analysis
(714) 560-5592

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649

Orange County Transportation
Authority
Fiscal Year 2023-24
Budget Workshop Preview

OCTA

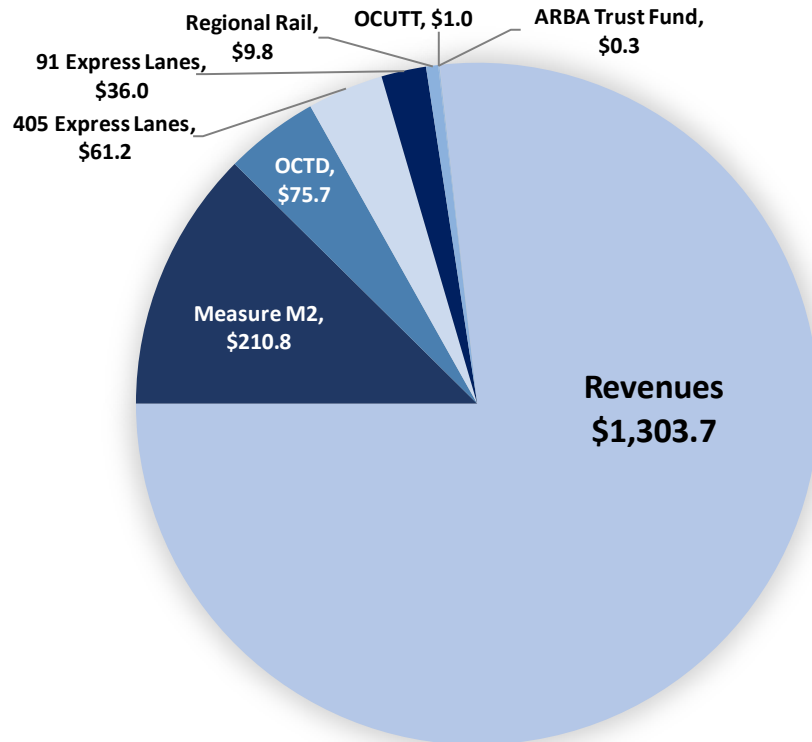
Budget Themes

- Anticipate moderate increase in sales tax receipts
- Sustaining bus operations despite exhausting federal relief funds
- Ongoing investment in zero-emission buses and infrastructure
- 91 Express Lanes continues to meet commitments
- Opening of 405 Express Lanes in late 2023 with I-405 Improvement Project completion
- Delivering Measure M2 Next 10 Plan as promised
- Metrolink service at 90% of pre-pandemic service levels
- Advancing coastal rail resiliency planning
- OC Streetcar project construction continues

Budget Overview

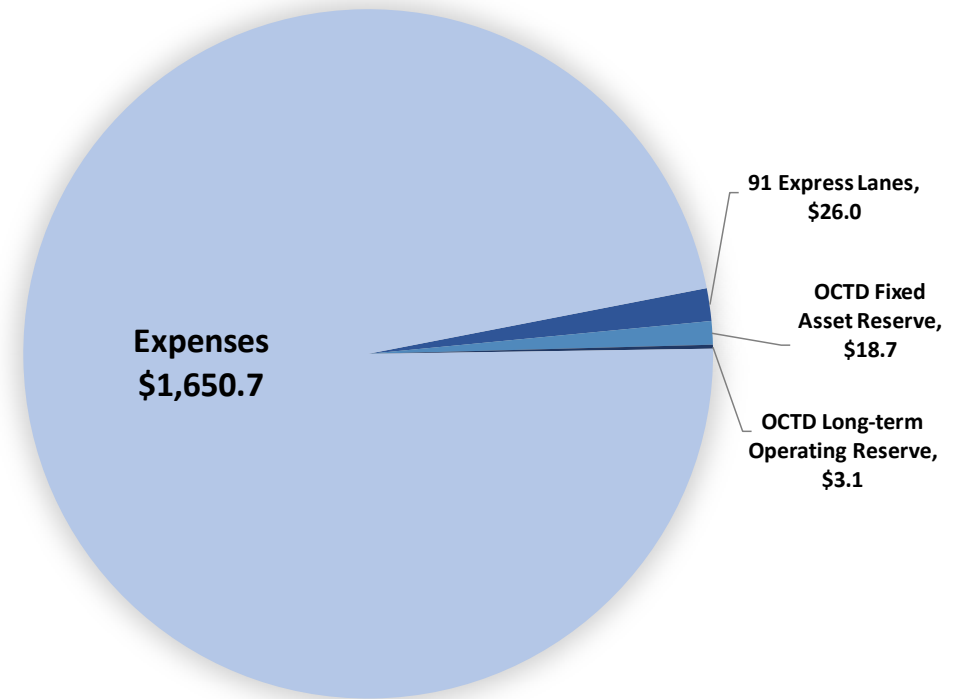
Use of Prior Year Designations
\$394.8 million

Source of Funds \$1,698.5 million



Use of Funds \$1,698.5 million

Designations
\$47.8 million



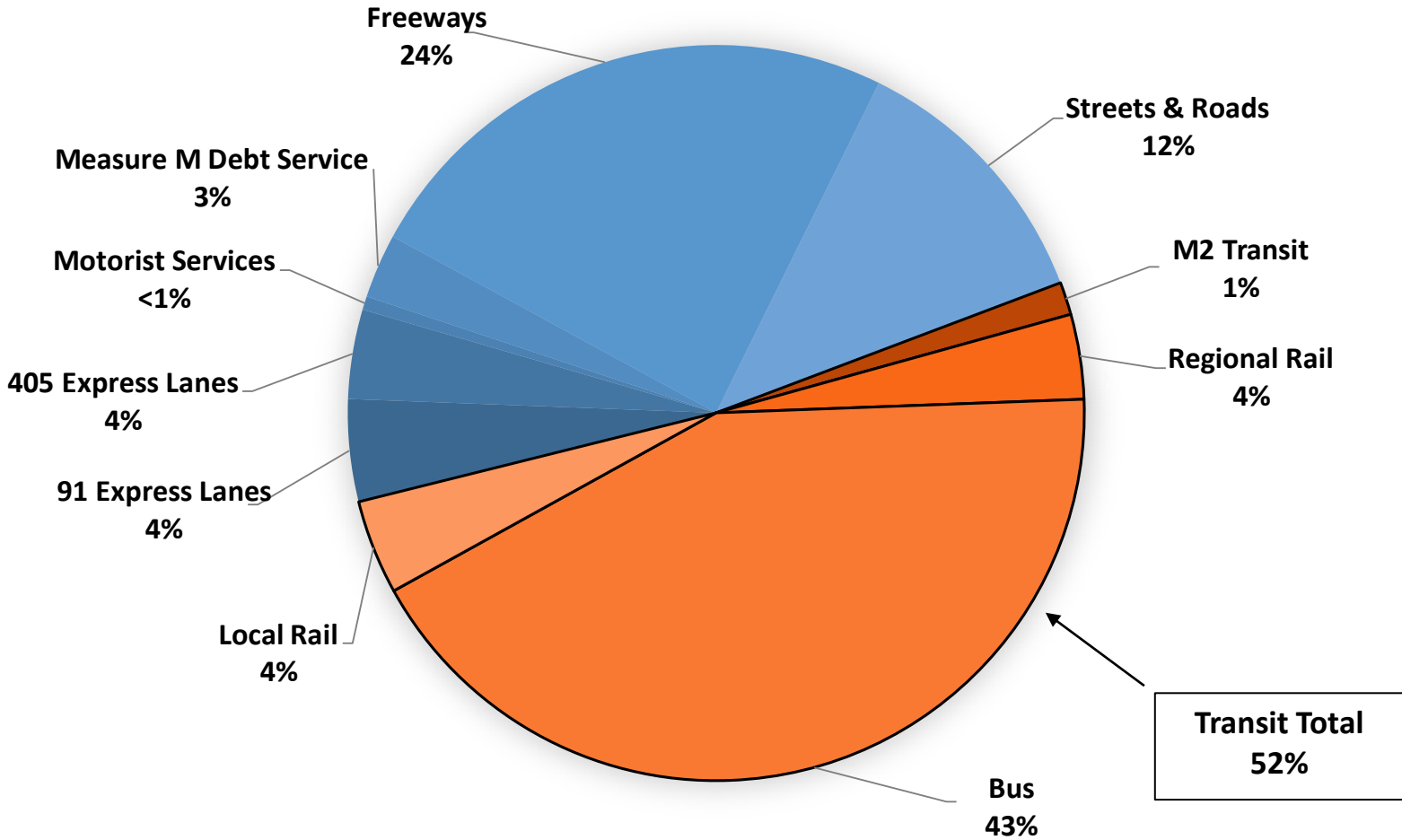
ARBA - Additional Retiree Benefit Account
OCUTT - Orange County Unified Transportation Trust
OCTD - Orange County Transit District

Budget Sources and Uses

In Millions	FY 2022-23	FY 2023-24	Change
	Approved Budget	Proposed Budget	
Sources			\$
Revenues	\$ 1,234.7	\$ 1,303.7	\$ 69.0
Use of Prior Year Designations	415.5	394.8	(20.7)
Total Revenue / Use of Designations	\$ 1,650.2	\$ 1,698.5	\$ 48.3
Uses			
Salaries and Benefits	\$ 187.3	\$ 200.5	\$ 13.2
Deferred Compensation Payment	-	8.0	8.0
LOSSAN Funded Salaries and Benefits	3.9	4.1	0.2
Services and Supplies	339.6	475.6	136.0
Contributions to Other Agencies	181.3	211.7	30.4
Interest/Debt Service	97.8	77.8	(20.0)
Capital	635.2	673.0	37.8
Designations	205.1	47.8	(157.3)
Total Expenditures / Designations	\$ 1,650.2	\$ 1,698.5	\$ 48.3

FY – Fiscal Year
LOSSAN - Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency

Total Budget by Program



Staffing Levels

OCTA Staffing	FY 2022-23 Full-time Equivalent	FY 2023-24 Full-time Equivalent	FY 2023-24 New Hires	FY 2023-24 Reductions	Difference
Administrative	520.5	532.5	13.0	(1.0)	12.0
Union	823.0	819.0	4.0	(8.0)	(4.0)
Coach Operators	631.0	623.0	-	(8.0)	(8.0)
Maintenance	153.0	155.0	2.0	-	2.0
Facility Technicians and Parts Clerks	39.0	41.0	2.0	-	2.0
OCTA Positions	1,343.5	1,351.5	17.0	(9.0)	8.0
LOSSAN Funded OCTA Positions	18.0	18.0	-	-	-
Total Authority Positions	1,361.5	1,369.5	17.0	(9.0)	8.0

Next Steps

- Budget Workshop May 8
- Committee meetings and one-on-one meetings with Board Members May 9-June 9
- Public Hearing Preview – Finance and Administration Committee May 24
- Public Hearing – Board (public hearing and approval) June 12
- Back-up Public Hearing – Board (public hearing and approval) June 26