

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS**  
**Orange County Local Transportation Authority**  
**Measure M2 Local Fair Share for the Year Ended June 30, 2016**

City	Result	City Management Response
Fountain Valley	One Maintenance of Effort (MOE) expenditure for \$1,629 was not properly classified as a local street and road expenditure. However, after removing the expenditure from total MOE expenditures, the City of Fountain Valley (Fountain Valley) continued to meet the MOE	Management indicated that expenditures will be closely reviewed to ensure proper classification in the future.
	Fountain Valley's expenditure report reflected \$0 in indirect costs charged as MOE expenditures; however, testing identified \$44,826 in indirect expenditures charged to the MOE. The charges were reviewed for appropriateness and adequate supporting documentation and no exceptions were noted.	Management indicated that, going forward, indirect costs will be properly reported on the expenditure report.
Fullerton	One MOE expenditure, for \$14,493 was not properly classified as a local street and road expenditure. However, after removing the expenditure from the total MOE expenditures, the City of Fullerton (Fullerton) continued to meet the MOE requirement.	These expenditures will no longer be considered as part of the MOE calculation.
	Fullerton's expenditure report reflected \$0 in indirect costs charged as MOE expenditures; however, testing identified \$380,219 in indirect expenditures charged to the MOE. The charges were reviewed for appropriateness and adequate supporting documentation and no exceptions were noted.	Management will report indirect costs on the expenditure report in the future.
Laguna Niguel	Twelve MOE expenditures, totaling \$89,440 were not properly classified as local street and road expenditures. In addition, one invoice for \$60,905 was overpaid by \$1,000. However, after removing these expenditures from total MOE expenditures, the City of Laguna Niguel continued to meet the minimum MOE requirement.	Management has implemented procedures to ensure expenditures reported as MOE are properly classified in the future.
Laguna Woods	The City of Laguna Woods' (Laguna Woods) Fund 111 had a deficit fund balance of (\$145,137), which included Local Fair Share and other M2 funds. Laguna Woods calculated a fund balance of \$29,883 in Local Fair Share (LFS) funds, which did not agree to Laguna Woods' expenditure report, which reflected a fund balance of \$133,266.	The variance is primarily due to \$103,361 in eligible expenses incurred and recorded in Fund 111 in fiscal year (FY) 2013-14 which were inadvertently excluded from the annual M2 report. Laguna Woods will correct the beginning fund balance as part of the FY 2016-17 reporting and has updated accounting controls and procedures for the reconciliation of fund balances. Also, a second reviewer will ensure the report reconciles to the general ledger.
	None of the LFS expenditures tested, totaling \$137,921, were related to projects on the City of Laguna Woods' approved Seven-Year Capital Improvement Plan (CIP), as required. In addition, one expenditure, for \$29, did not meet the criteria of a street and road expenditure.	Management acknowledged that expenditures related to the Laguna Woods' Pavement Management Plan (PMP) have not been reflected in the CIP, but agreed to include these expenditures going forward. As to the \$29 expenditure, Laguna Woods' management believes this expenditure to be an allowable cost; however, they agreed to defer to the judgement of the auditors and will repay the amount, with interest, to the fund.
Lake Forest	One MOE expenditure, for \$9,159 was not properly classified as a local street and road expenditure. However, after removing the expenditure from the total MOE expenditures, the City of Lake Forest continued to meet the MOE requirement.	Management stated they believe this to be an isolated incident and asserted that internal controls are in place to provide reasonable assurance that errors such as this will be detected.
Newport Beach	None	None
Placentia	Three MOE expenditures, totaling \$42,732, were not properly classified as a local street and road expenditures. However, after removing the expenditures from the total MOE expenditures, the City of Placentia (Placentia) continued to meet the MOE requirement.	Management will revise procedures for determining what is applicable to the MOE requirement going forward.

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<b>City</b>	<b>Result</b>	<b>City Management Response</b>
	Placentia's expenditure report reflected \$0 in indirect costs charged as MOE expenditures; however, testing identified \$3,883 in indirect expenditures charged to the MOE. The charges were reviewed for appropriateness and adequate supporting documentation and no exceptions were noted.	Management will amend its procedures to include indirect costs when determining MOE totals.
San Juan Capistrano	One MOE expenditure, for \$1,350 was not properly classified as a local street and road expenditure. Another expenditure of \$21,435 for street striping, appeared allowable; however, the invoice had been altered to reflect an invoice date of 7/1/15. Further review noted that the invoice was issued prior to that date. However, after removing amounts from total MOE expenditures, the City of San Juan Capistrano's continued to meet the MOE requirement.	Management will instruct personnel processing vendor invoices to watch for any apparent alterations to documents and immediately inform management of the same.
Yorba Linda	The City of Yorba Linda (Yorba Linda) reported budgeted MOE expenditures on the Expenditure Report, rather than actuals.	In the future, actual amounts will be reported on the Expenditure Report.
	Testing identified costs totalling \$80,118 claimed as MOE expenditures which were not properly classified as local street and road expenditures. However, after removing the amounts from total MOE expenditures, Yorba Linda continued to meet the MOE requirement.	The Finance Department will work with the Public Works Department to implement a methodology to segregate unallowable expenditures into easily-identifiable accounts so that they will be excluded from future MOE calculations.

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS**  
**Orange County Local Transportation Authority**  
**Measure M2 Senior Mobility Program for the Year Ended June 30, 2016**

City	Result	City Management Response
Fullerton	All interest earned during the fiscal year was tracked in the Measure M2 Fund as LFS interest income.	The Fullerton will allocate interest income between the Senior Mobility Program (SMP) and LFS going forward.
	Three expenditures totalling \$1,788, were for transportation services outside of the county. Destinations were to the Riverside Mission Inn, San Diego Harbor, and one taxicab trip to Rowland Heights.	Fullerton will change its policy and will not pay for trips outside of the county, and will reimburse the Orange County Transportation Authority (OCTA) for the cost of the two trips provided through the non-profit agency.
	Fullerton funded two trips outside the county through a non-profit organization. The trip provider was selected by the non-profit organization; therefore, a competitive process resulting in a Fullerton contract that included language related to wheelchair accessibility and insurance requirements was not available for review.	With the agreement being between the provider and the non-profit agency, Fullerton believed that the competitive procurement process was not applicable. Fullerton will reimburse the cost of these trips to OCTA.
	Evidence of Workers Compensation and Employers' Liability insurance coverage for California Yellow Cab, one of the SMP providers, could not be verified, as evidence was not provided.	Yellow Cab of California is in the process of obtaining insurance required and Fullerton will receive it soon. The Fullerton will follow-up every year with the contractor to ensure that the proper insurance is on file.
	Review of Fullerton's monthly summary reports noted that, in five of twelve reports, expenditures did not agree to supporting documentation. Total expenditures were underreported by \$14,197. In addition, revisions were made to the monthly report for June 2016, but were not submitted to the Orange County Local Transportation Authority.	Fullerton will reconcile all monthly reports with the general ledger prior to submitting to OCTA. Fullerton will notify OCTA of any changes and will submit a revised SMP report.
Mission Viejo	Fare revenues collected by the City of Mission Viejo (Mission Viejo) third party vendor were not recorded in the general ledger. Instead, fare revenues were used to offset amounts paid to the contractor.	Mission Viejo will request the third party provider to submit invoices reflecting total costs of the service, and fares collected. Mission Viejo will then enter both amounts when processing invoices so that it is visible in the general ledger.
	Required match expenditures were not reported in Mission Viejo's general ledger. California Yellow Cab collects \$5 per trip to offset trip costs as a match, while Age Well Senior Services holds back 20% of the invoice total as a match.	In the future, Mission Viejo will enter total expenditures and match figures in the general ledger.
	The two third party service providers, California Yellow Cab and Age Well Senior Services, were originally awarded contracts in 2006 and 2003, respectively, and have been extended ever since, without any additional competitive procurement activities.	Mission Viejo will not issue additional contract extensions, but will solicit competitive bids at the first opportunity.
Newport Beach	Review of the City of Newport Beach's (Newport Beach) monthly summary reports noted that, in nine of twelve reports, expenditures did not agree to supporting documentation. Total expenditures were underreported by \$29,810.	The differences between monthly reports and the general ledger are due to the timing of procssing the reports. Newport Beach will submit these reports timely and prepare a year-to-date report after the close of each fiscal year.
Yorba Linda	The Yorba Linda overallocated interest to the SMP fund due to a calculation error.	The formula error has since been corrected.
	Yorba Linda's program originally included participants 55 years old and over however, the Measure M2 ordinance dictates funding be provided for participants 60 years old and over As such, during the year, Yorba Linda revised the policy to ensure only participants 60 years old and over are enrolled in the program. Yorba Linda reviewed all registration forms on file in March 2016, and identified only four participants between the ages of 55 and 59. Subsequent to the review, staff was advised that only those participants 60 and over may participate.	As indicated, Yorba Linda has already implemented procedures to ensure only residents 60 years old and over are enrolled in the program.