

SUMMARY OF AGREED-UPON PROCEDURES REPORTS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2017

City	Result	City Management Response
Cypress	The City of Cypress (Cypress) reported \$1,010,550 in indirect costs; however, an additional \$167,320 in indirect costs were identified in the general ledger.	These costs are attributable to Cypress' street maintenance programs, such as allocations of office operating costs, information technology services, and equipment costs. In the future, these maintenance costs will be properly reported.
Irvine	Testing of Maintenance of Effort (MOE) expenditures identified three expenditures totaling \$112,469 that were not properly classified as local street and road expenditures. However, after removing the amount from total MOE expenditures, the City of Irvine (Irvine) continued to meet the minimum MOE requirement.	Irvine will update its accounting structure to provide staff a more accurate method to record vendor invoices that comingle non-street related expenditures with street expenditures associated with the MOE calculation. Staff members will be trained on the new structure.
	Irvine reported \$101,731 in indirect costs; however, an additional \$19,528 in indirect costs were identified in the general ledger.	A twenty percent overhead for constructions projects is recorded with direct salaries and benefits due to system limitations. Irvine staff will review the system to determine whether it can be modified to separate the twenty percent overhead from salaries and benefits.
Laguna Beach	Total MOE expenditures per the general ledger were \$5,616,628; however, were reported on the Expenditure Report as \$5,594,801. The difference related to accruals posted after the Expenditure Report was completed.	The City of Laguna Beach (Laguna Beach) finance staff has implemented additional procedures and will continue to work with departments to submit invoices within the 90-day period of fiscal year end.
	Laguna Beach recorded \$5,113 of interest to the Local Fair Share fund for the year however, Laguna Beach's Expenditure Report reflected a total of \$5,074.	Laguna Beach finance staff has implemented additional procedures, including having a finance employee outside of the reporting process review the entry.
Los Alamitos	Testing of MOE expenditures identified one for \$2,449 that was not properly classified as a street and road expenditures. However, after removing the amount from total MOE expenditures, the City of Los Alamitos continued to meet the minimum MOE requirement.	The expense was coded to MOE expenditures in error. This clerical error was an isolated error and staff confirms that all other MOE charges are valid and properly classified.
Rancho Santa Margarita	None.	
San Clemente	Testing of MOE expenditures identified one for \$397,250 that was not properly classified as a street and road expenditures. However, after removing the amount from total MOE expenditures, the City of San Clemente (San Clemente) continued to meet the minimum MOE requirement.	The project to which this expenditure related has now been moved to the appropriate program, so that these costs will be appropriately classified.
	Testing Local Fair Share expenditures identified two expenditures, totaling \$3,878, related to payroll overhead costs. San Clemente allocates 90 percent of direct payroll as overhead to account for administrative costs. The 90 percent rate was determined as part of an analysis conducted in 2008 and has not been recently updated. Total overhead for the year was \$5,886.	San Clemente will provide a detailed methodology and will update its cost allocation recovery percentages accordingly.
	San Clemente reported \$0 in indirect costs; however, auditors identified \$5,886 in indirect charges for the year.	San Clemente will implement procedures to ensure these costs are appropriately reported on the Expenditure Report.
	San Clemente reported \$0 in interest for the year; however, San Clemente recorded \$10,697 in interest per the general ledger.	San Clemente will implement procedures to ensure interest earned is appropriately reported on the Expenditure Report.

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City	Result	City Management Response
San Juan Capistrano	Testing of MOE expenditures identified three for \$3,990 that were not properly classified as street and road expenditures. In addition, \$102,447 in indirect charges were identified. The City of San Juan Capistrano (SJC) allocated sixty percent of general ledger expenditures for administration costs; however, SJC could not substantiate this allocation rate. After removing these amount from total MOE expenditures, SJC continued to meet the minimum MOE requirement.	The expenditures identified will be reclassified and, on a go forward basis, these costs and any other costs that are not street-related will be coded to divisions not involved in the MOE calculation. SJC will also remove overhead costs noted.
Villa Park	Testing of MOE expenditures identified one for \$1,350 that was not properly classified as a street and road expenditure. In addition, \$6,935 in charges were not supported. After removing \$8,285 from total MOE expenditures, the City of Villa Park (Villa Park) no longer met the minimum MOE requirement; however, Villa Park staff identified an additional \$7,000 in allowable costs that had not been claimed. After including these additional transactions, Villa Park met its MOE requirement.	Villa Park acknowledges that the \$1,350 expenditure was incorrectly classified. While the expenditures totaling \$6,935 relate to labor on an allowable street and road project, the hours were not detailed on timesheets, as they should be. Villa Park will work with staff to ensure work is identified and documented on timesheets.