



March 11, 2020

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
Maintenance of Effort, Agreed-Upon Procedures Report, City of
Santa Ana, Year Ended June 30, 2019

Overview

Eide Bailly LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Maintenance of Effort expenditures by the City of Santa Ana for the fiscal year ended June 30, 2019. Based on the audit, the City of Santa Ana spent sufficient funds to meet the required minimum expenditures as outlined in a settlement agreement between the City of Santa Ana and the Orange County Transportation Authority.

Recommendation

Direct staff to develop recommendation(s) for Board of Directors' action related to the status of the City of Santa Ana's Measure M2 eligibility.

Background

On May 13, 2019, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Santa Ana (City) ineligible to receive Measure M2 revenues after an audit found that the City had not met the minimum Maintenance of Effort (MOE) requirement of the Measure M2 Ordinance. In addition, the Board directed staff to conduct audits of the City for the fiscal years (FY) ending June 30, 2019 and June 30, 2020, to assess full (100 percent) compliance with MOE requirements and to increase the MOE requirement for FY 2018-19 by the shortfall amount identified in the FY 2017-18 audit.

A written settlement agreement, dated October 22, 2019, was executed between OCTA and the City which outlined requirements for the City to re-establish

eligibility. Among other items, the settlement agreement required the City to undergo, and pay for, audits for FY 2018-19 and 2019-20, to determine compliance with MOE requirements.

Discussion

Eide Bailly LLP (auditors), tested MOE expenditures representing 100 percent of the City's minimum required expenditures and found it met the minimum required expenditures per the settlement agreement with OCTA.

Minimum required MOE expenditures totaled \$8,018,429, per the settlement agreement. The City spent a total of approximately \$10.7 million per its expenditure report and detailed general ledger. Of the amount spent, the auditors tested \$8,761,215 and, after removing ineligible and questioned expenditures, found that the City met the minimum required expenditures.

The detailed audit report can be found at Attachment A.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 MOE expenditures for the City for FY ended June 30, 2019.

Attachment

- A. Measure M2 Maintenance of Effort Agreed-Upon Procedures Report
Year Ended June 30, 2019 Orange County Local Transportation
Authority – City of Santa Ana

Prepared by:



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