



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 Stanton, 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 Stanton for the fiscal year ended June 30, 2019. Based on the audit, the City of Stanton spent sufficient funds to meet the required minimum expenditures as outlined in a settlement agreement between the City of Stanton 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 Stanton's Measure M2 eligibility.

Background

On May 13, 2019, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Stanton (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 (Ordinance). In addition, the Board directed staff to conduct an audit of the City for the fiscal year (FY) ending June 30, 2019, to assess 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 July 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, an audit of FY 2018-19 to determine compliance with MOE requirements.

Discussion

Eide Bailly LLP (auditors), tested a sample of MOE expenditures for FY 2018-19, and found the City met the minimum required expenditures per the settlement agreement with OCTA.

Per the settlement agreement, the City was required to spend \$252,775 in MOE. The City reported total MOE expenditures of \$303,195, and the auditors tested \$163,627, or 54 percent, for compliance with the Ordinance. After removing \$12,413 in ineligible expenditures, the City still met the minimum requirement.

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 Stanton

Prepared by:



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