

**SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS**  
**Orange County Local Transportation Authority**  
**Measure M2 Local Fair Share for the Year Ended June 30, 2019**

City	Result	City Management Response
Anaheim	Testing of maintenance of effort (MOE) expenditures identified thirteen expenditures related to Anaheim Regional Transportation Intermodal Center (ARTIC) operations, totalling \$2,468,620, that were not properly classified as street and road expenditures.	Local Fair Share (LFS) funds were used for the land, construction, and some operating costs of ARTIC. Management believed that ARTIC operating costs were eligible for MOE. In fiscal year (FY) 2019, LFS funds were used to pay for approximately \$2 million in MOE-eligible, street and road expenditures. As such, the City of Anaheim (Anaheim) did meet the MOE requirement and is requesting that OCTA allow Anaheim to restate these expenditures. Alternatively, Anaheim has an additional \$2 million in eligible expenditures that were not reported.
Dana Point	The City of Dana Point (Dana Point) reported a LFS fund balance of \$718,967 on its expenditure report; the actual fund balance was \$717,853, a difference of \$1,114. The prior audit of Dana Point, for FY 2018, also noted a variance in the reported fund balance.	The difference represents an expenditure that was processed prior to closing the books for FY 2019, but was not deducted from the fund balance reported on the expenditure report. A revised expenditure report will be submitted.
Garden Grove	No exceptions were noted.	
Huntington Beach	The City of Huntington Beach (Huntington Beach) reported a fund balance of \$1,819,187 on its expenditure report; the actual fund balance was \$1,788,766, a difference of \$30,421.	Huntington Beach will review its closing and financial reporting process and implement procedures to ensure these variances do not occur in future reports.
	Huntington Beach reported \$1,065,100 in indirect salary charges to the LFS fund as direct costs on its expenditure report, rather than indirect costs.	Huntington Beach will review its closing and financial reporting process and implement procedures to ensure that LFS expenditures are correctly classified in future reports.
La Habra	Testing of MOE expenditures identified thirteen expenditures totalling \$1,951 that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of La Habra (La Habra) continued to meet the MOE requirement. The prior audit of La Habra for FY 2018, also identified two expenditures that were not properly classified.	Staff will ensure that these ineligible expenditures are excluded from future reporting.
	La Habra reported \$113,357 in indirect salary charges to the LFS fund as direct costs on its expenditure report, rather than indirect costs. The prior audit of La Habra for FY 2018 also identified indirect costs that were not properly reported.	La Habra will ensure these expenditures are properly reported in the future.
Mission Viejo	Testing of MOE expenditures identified six expenditures totalling \$589, that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of Mission Viejo (Mission Viejo) continued to meet the MOE requirement.	In the future, Mission Viejo will remove expenditures that are not in accordance with Gas Tax Guidelines from MOE.
	Mission Viejo reported a fund balance of \$874,713 on its expenditure report; the actual fund balance was \$934,676, a difference of \$59,963.	Mission Viejo has identified and corrected the discrepancies.
San Clemente	Testing of MOE expenditures identified two expenditures totalling \$429,089, that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of San Clemente ( San Clemente) continued to meet the MOE requirement.	San Clemente mistakenly included these expenditures against MOE, and is considering actions to better identify and remove ineligible costs.

**SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS**  
**Orange County Local Transportation Authority**  
**Measure M2 Local Fair Share for the Year Ended June 30, 2019**

<b>City</b>	<b>Result</b>	<b>City Management Response</b>
Seal Beach	The City of Seal Beach (Seal Beach) reported \$9,566 in MOE direct salary charges as indirect costs on its expenditure report. In addition, one expenditure of \$991 was not properly classified as an MOE indirect cost. However, after removing the amount, Seal Beach continued to meet the MOE requirement.	Seal Beach will ensure that indirect charges are properly reported in the future.
	Seal Beach reported a fund balance of \$1,545,089 on its expenditure report; the actual fund balance was \$841,764, a difference of \$703,325.	Seal Beach will ensure that all expenses will be taken into account in the future when reporting ending fund balance.
Westminster	The City of Westminster (Westminster) reported \$120,911 in MOE indirect salary charges as direct costs on its expenditure report, rather than indirect costs.	Westminster will move Public Works Administration salaries to the indirect cost line in the future.
County of Orange	No exceptions were noted.	