



**July 8, 2020**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Amendment to Orange County Local Transportation Authority Measure M2 Ordinance, Agreed-Upon Procedures, City of Santa Ana, Year Ended June 30, 2020

### **Overview**

On June 22, 2020, the Board of Directors, in direct response to impacts from the novel coronavirus, approved an amendment to the Orange County Local Transportation Authority Measure M2 Ordinance, to remove minimum maintenance of effort requirements for agencies receiving Local Fair Share funds during fiscal year 2019-20. As a result of the change, agreed-upon procedures to be applied to the City of Santa Ana require revision.

### **Recommendation**

Direct the Internal Audit Department to amend agreed-upon procedures to be applied to the City of Santa Ana for fiscal year 2019-20.

### **Background**

On May 13, 2019, the Orange County Transportation Authority 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 Orange County Local Transportation Authority Measure M2 Ordinance (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 minimum requirements.

The Internal Audit Department (Internal Audit) engaged the firm Eide Bailly LLP (auditors) to conduct the audits. The auditors tested MOE expenditures

representing 100 percent of the City's minimum required expenditures for FY 2018-19, and found the City met the minimum required MOE.

Each year, the Audit Subcommittee of the Taxpayers Oversight Committee (Audit Subcommittee) selects cities for audit to determine compliance with the M2 Ordinance and guidelines. On June 9, 2020, the Audit Subcommittee directed staff to amend agreed-upon procedures (AUP) for cities selected for audit for FY 2019-20, following Board action to amend the M2 Ordinance. AUP were amended to remove comparison of reported expenditures against a minimum MOE benchmark. AUP will continue to include sample testing of MOE expenditures for compliance with the M2 Ordinance.

On June 22, 2020, following the required public process, the Board amended the M2 Ordinance to remove MOE minimum requirements for FY 2019-20.

### ***Discussion***

As a result of the Board-approved amendment to MOE benchmark requirements for FY 2019-20, AUP to be applied to the City require revision. The AUP will be revised to include sample testing of MOE expenditures reported by the City, rather than 100 percent testing of expenditures up to the MOE benchmark.

### ***Summary***

The AUP to be applied to the City for the FY 2019-20 will be revised to reflect amendment to the M2 Ordinance.

### ***Attachment***

None.

**Prepared by:**



Janet Sutter  
Executive Director, Internal Audit  
714-560-5591