



Measure M2 Maintenance of Effort
Agreed-Upon Procedures Report
Year Ended June 30, 2020

Orange County
Local Transportation Authority –
City of Santa Ana, California

Orange County Local Transportation Authority
City of Santa Ana, California
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Year Ended June 30, 2020

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Independent Accountant's Report on Applying Agreed-Upon Procedures

The Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Santa Ana's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2020. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the OCLTA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

1. We obtained the Fiscal Year 2020 Expenditure Report for the City and identified the amount reported as spent on Maintenance of Effort (MOE) expenditures (Schedule 3, Line 18).

Findings: MOE expenditures for the fiscal year ended June 30, 2020 totaled \$14,518,020 per the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Findings: All MOE expenditures were tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund under the following accounting units: Roadway Markings/Signs (AU 01117625), Street Light Maintenance (AU 01117630), Street Trees (AU 01117643), Street Lights (AU 05117620), Traffic/Transportation Engineering (AU 01117620), and Graffiti Abatement Program (AU 01117642). No exceptions were found as a result of this procedure.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2020 and determined whether the City met the minimum MOE requirement. We agreed the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18), explaining any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2020 were \$14,518,020 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$14,518,020 to the amount reported on the City's Expenditure Report (Schedule 3, line 18) with no differences. No exceptions were found as a result of this procedure.

4. We tested a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation. For indirect charges, we reviewed supporting documentation for reasonableness and appropriate methodology.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and was allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$7,720,809, representing approximately 53% of the total MOE expenditures for the fiscal year ended June 30, 2020. Of the total tested, we identified the following exceptions:

- \$30,715 of expenditures were not allowable per the Ordinance, as they were not local street and road expenditures.
- \$346,807 of expenditures were questioned due to lack of support demonstrating that the expenditures were eligible local street and road expenditures.
- \$406,125 in graffiti removal expenditures were questioned after testing of the City's methodology for allocating these costs and identified a 25% error rate.

No other exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than those specified parties.


Laguna Hills, California
March 9, 2021

Orange County Local Transportation Authority
City of Santa Ana, California
Schedule of Measure M2 Maintenance of Effort Expenditures (Unaudited)
Year Ended June 30, 2020

Maintenance of Effort (MOE) Expenditures

Maintenance

Street Lights & Traffic Signals - Schedule 3, line 13 \$ 9,033,125

Other Street Purpose Maintenance - Schedule 3, line 15 4,049,090

Construction

Signals, Safety Devices & Street Lights - Schedule 3, line 4 21,960

Indirect and/or Overhead - Schedule 3, line 1 1,413,845

Total MOE expenditures 14,518,020

Direct MOE expenditures tested 6,387,996

Indirect MOE expenditures tested 1,332,813

Total MOE expenditures Tested 7,720,809

Ineligible costs identified 30,715

Questioned costs identified (non-graffiti removal) 346,807

Questioned costs identified (graffiti removal) 406,125

Total exceptions 783,647

Total allowable MOE expenditures tested \$ 6,937,162

Note:

The above amounts were taken directly from the financial records
of the City of Santa Ana and were not audited.

MAYOR
Vicente Sarmiento
MAYOR PRO TEM
David Penaloza
COUNCILMEMBERS
Phil Bacerra
Johnathan Ryan Hernandez
Jessie Lopez
Nelida Mendoza
Thai Viet Phan



CITY MANAGER
Kristine Ridge
CITY ATTORNEY
Sonia R. Carvalho
CLERK OF THE COUNCIL
Daisy Gomez

CITY OF SANTA ANA

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March 9, 2021

Board of Directors
Orange County Local Transportation Authority and Taxpayers Oversight Committee

The following response from City of Santa Ana Management addresses results of the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the year ended June 30, 2020.

Procedure #4

Auditor tested a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, Auditor performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation. For indirect charges, we reviewed supporting documentation for reasonableness and appropriate methodology.
- b. Verified that the expenditure was properly classified as a local street and road expenditure and was allowable per the Ordinance.

Findings: MOE expenditures tested totaled \$7,720,809, representing approximately 53% of the total MOE expenditures for the fiscal year ended June 30, 2020. Of the total tested, Auditor identified the following exceptions:

- \$30,715 of expenditures were not allowable per the Ordinance, as they were not local street and road expenditures.
- \$346,807 of expenditures were questioned due to lack of support demonstrating that the expenditures were eligible local street and road expenditures.

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- \$406,125 in graffiti removal expenditures were questioned after testing of the City's methodology for allocating these costs and identified a 25% error rate.

No other exceptions were found as a result of this procedure.

City's Response:

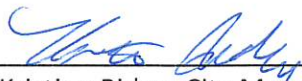
The City expended \$14,518,020 in MOE related expenditures during the fiscal year 2019-20, which exceeds prior year's requirements for MOE compliance.

The City's Public Works Agency (PWA) will continue to review and monitor department procedures to ensure proper identification and coding of Maintenance of Effort (MOE) expenditures.


- During the current and future fiscal years, PWA will ensure MOE-eligible expenditures are properly coded to account numbers assigned to the program, which will make future documentation processes more accurate.
- During the current and future fiscal years, PWA will adopt a budgeting methodology that limits the need for allocating labor costs. If allocation is necessary, the labor distributions will be based on a Cost Allocation Plan prepared by a consultant.

With the implementation of procedures noted above, the City will continue to meet its requirement for MOE compliance.

Sincerely,



Kristine Ridge, City Manager



Kathryn Downs, Executive Director
Finance and Management Services Agency



Nabil Saba, Executive Director
Public Works Agency

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