



March 24, 2021

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, 2020

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, 2020.

Recommendation

Direct staff to monitor implementation of corrective action by the City of Santa Ana.

Background

The Local Fair Share (LFS) program is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. Since the LFS program is intended to augment, not replace, existing transportation expenditures, each jurisdiction is typically required to maintain a minimum level of local street and road expenditures to conform to a defined maintenance of effort (MOE) requirement.

On May 13, 2019, the Orange County Transportation Authority (OCTA) Board of Directors (Board) directed staff to conduct audits of the City of Santa Ana (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 MOE shortfall amount identified in the FY 2017-18 audit.

The audit for FY 2018-19 found that the City spent sufficient funds to meet the required minimum MOE and the shortfall amount, from FY 2017-18.

On June 22, 2020, in direct response to impacts from the coronavirus, the Board approved an amendment to the Orange County Local Transportation Authority Measure M2 Ordinance to remove minimum MOE requirements for cities receiving Local Fair Share funds during FY 2019-20. As a result of the change, the Board also approved revisions to the audit procedures to be applied to the City for FY 2019-20 to remove the requirement for a 100 percent audit of MOE expenditures.

Discussion

Eide Bailly LLP (auditors), tested \$7,720,809 in MOE expenditures, representing 53 percent of the City's total expenditures of \$14,518,020. Testing identified \$30,715 in disallowed expenditures, and \$759,932 of questioned expenditures. The City responded that procedures will be improved to ensure proper identification and coding of MOE expenditures.

The detailed report, along with the City's response, can be found in Attachment A.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 MOE expenditures for the City, for FY ended June 30, 2020.

Attachment

- A. Measure M2 Maintenance of Effort Agreed-Upon Procedures Report Year Ended June 30, 2020 Orange County Local Transportation Authority - City of Santa Ana, California

Approved by:



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