

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2020

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2020

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2020. Please refer to the individual divider tab for our report on each Agency.

City of Brea

City of Costa Mesa

City of Laguna Hills

City of Lake Forest

City of La Palma

City of Placentia

City of Tustin

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF BREA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Brea'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 Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2020. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund and budget unit. The City recorded its MOE expenditures in its General Fund (110), Gas Tax Fund (220), and various budget units. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2020 were \$1,355,110 (see Schedule A). We agreed the total expenditures of \$1,355,110 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.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 direct MOE expenditures totaling \$446,590 for testing, which represented approximately 33% of direct MOE expenditures of \$1,355,110 for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, based on inspection of the general ledger expenditure detail and per inspection of MOE costs samples selected, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2020. As a result, Crowe selected 25 indirect MOE expenditures from the general ledger expenditures detail totaling \$173,399 for inspection. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect MOE costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2020 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$3,006,428 for the past three fiscal years ended June 30, 2018, 2019 and 2020. We agreed the fund balance of \$2,876,550 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2020. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and budget unit. The City recorded its LFS expenditures in its Measure M Transport Tax Fund (260), and various budget units. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2020 were \$936,508 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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 vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected five Measure M2 direct Local Fair Share expenditures for inspection totaling \$892,781 representing approximately 97% of total Measure M2 direct Local Fair Share expenditures of \$915,832 for the fiscal year ended June 30, 2020. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2020. We agreed \$20,676 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$1,998 representing 10% of the total indirect Local Fair Share costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included allocated engineer salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect Local Fair Share costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. In addition, the indirect LFS costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No exceptions were found as a result of this procedure.

9. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$38,171 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Eligible Jurisdiction was found eligible by the Board of Directors for the applicable year (FY20) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose 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 and is not intended to be, and should not be, used by anyone other than the specified party.


Crowe LLP

Costa Mesa, California
March 11, 2021

CITY OF BREA, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2020
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:

Maintenance

Other Street Purpose Maintenance	\$ 1,355,110
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Total MOE Expenditures	\$ 1,355,110
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Measure M2 Local Fair Share Expenditures (Schedule 4):

Administrative	\$ 20,676
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Traffic Control Upgrade - 7218	577
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Citywide Slurry Seal Program - 7312	200,000
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Alley Rehab E. of Redwood Avenue - 7315	161,640
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Alley Rehab - Puente/ Joyce - 7316	207,915
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Cliffwood Park Pavement - 7317	316,895
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Alley Rehab W. of Flower Avenue - 7319	16,616
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Country Lane Street Rehabilitation - 7323	11,440
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Street Name Sign Replacement - 7703	<u>749</u>
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Total Measure M2 Local Fair Share Expenditures	\$ 936,508
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Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 2,291,618</u>
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Note: The above amounts were taken directly from the financial records of the City of Brea and were not audited.



City of Brea

March 11, 2021

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

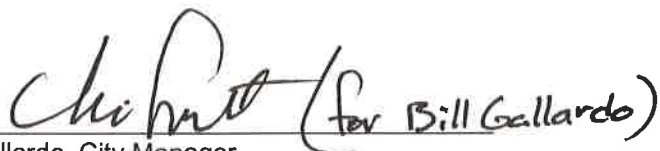
The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Brea as of and for the fiscal year ended June 30, 2020.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, based on inspection of the general ledger expenditure detail and per inspection of MOE costs samples selected, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2020. As a result, Crowe selected 25 indirect MOE expenditures from the general ledger expenditures detail totaling \$173,399 for inspection. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect MOE costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

City's Response: The City of Brea learned as part of this review that certain allowable staff costs for the street program are considered indirect/overhead costs due to the manner in which the costs are charged through the City's payroll system. The staff costs charged were mostly related to employees directly participating on street and road purpose projects, as well as first level supervision. However, these costs are allocated as opposed to direct charged to the program on the employee timecards. All of Brea's MOE costs were deemed allowable, and Brea staff now has clarification on which costs should be reported as indirect/overhead costs and which costs should be listed as direct for future reporting purposes.

 (for Bill Gallardo)

William Gallardo, City Manager



Cindy Russell, Administrative Services Director



Tony Olmos, Public Works Director

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF COSTA MESA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Costa Mesa'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 Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2020. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department number, and program number. The City recorded its MOE expenditures in its General Fund (101), Capital Improvement Fund (401), Measure M2 Fund (416), various department numbers, and program numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City of Costa Mesa reported total MOE expenditures of \$9,713,495 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2020. The actual MOE expenditures per expenditures detail totaled \$9,413,495, a variance of \$300,000. This variance was a result of clerical error in reporting expenditures in Program 30243 Signs & Markings. No other exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$2,943,813 which represented approximately 35% of total direct MOE expenditures of \$8,288,079 for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2020. We agreed \$1,125,416 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$250,765 representing 22% of the total indirect MOE costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included allocated management salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect MOE costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2020 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$7,812,493 for the past three fiscal years ended June 30, 2018, 2019 and 2020. We agreed the fund balance of \$5,307,592 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2020. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, department number, and program number. The City recorded its LFS expenditures in its Measure M2 Fair Share Fund (416), various department numbers, and program numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2020 were \$1,932,955 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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 vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 24 Measure M2 Local Fair Share direct expenditures for inspection totaling \$1,449,882 representing approximately 75% of total Measure M2 direct Local Fair Share expenditures of \$1,932,955 for the fiscal year ended June 30, 2020. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

9. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$181,561 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Eligible Jurisdiction was found eligible by the Board of Directors for the applicable year (FY20) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose 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 and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
March 15, 2021

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2020
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,125,416
Construction & Right-of-Way	
Street Reconstruction	526,884
Signals, Safety Devices, & Street Lights	110,999
Pedestrian Ways & Bikepaths	160,904
Storm Drains	640,237
Maintenance	
Street Lights & Traffic Signals	1,907,973
Other Street Purpose Maintenance	<u>4,941,082</u>
 Total MOE Expenditures	 <u>\$ 9,413,495</u>
 Measure M2 Local Fair Share Expenditures (Schedule 4):	
Harbor Blvd. Median and Parkway Improvements #350017	\$ 174,325
Street Maintenance City-wide #400015	1,758,630
 Total Measure M2 Local Fair Share Expenditures	 <u>\$ 1,932,955</u>
 Total MOE and Measure M2 Local Fair Share Expenditures	 <u>\$ 11,346,450</u>

Note: The above amounts were taken directly from the financial records of the City of Costa Mesa and were not audited.



CITY OF COSTA MESA

77 FAIR DRIVE, P.O. BOX 1200, COSTA MESA, CA 92628-1200

FROM THE OFFICE OF THE FINANCE DIRECTOR/CITY TREASURER

Exhibit 1

March 11, 2021

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Costa Mesa as of and for the fiscal year ended June 30, 2020.

Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City of Costa Mesa reported total MOE expenditures of \$9,713,495 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2020. The actual MOE expenditures per expenditures detail totaled \$9,413,495, a variance of \$300,000. This variance was a result of clerical error in reporting expenditures in Program 30243 Signs & Markings. No other exceptions were found as a result of this procedure.

City's Response:

The MOE program total expenditure entry had an administrative error that resulted in the amount being over-stated by \$300,000. The City has implemented an additional layer of review with the onboarding of a permanent Accounting Supervisor.

It is important to note that even after the correction of this error, the City's fiscal year 2020 MOE spending was approximately 6.9% of its General Fund revenues.

Lori Ann Farrell Harrison, City Manager

Carol Molina, Finance Director

Raja Sethuraman, Public Services Director

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF LAGUNA HILLS

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Laguna Hills' (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 Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2020. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department number, and account number. The City recorded its MOE expenditures in its General Fund (100), Public Services Fund (355), various department, and various account numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City of Laguna Hills reported total MOE expenditures of \$1,516,648 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2020. The actual MOE expenditures per the general ledger expenditure detail totaled \$1,407,967, a variance of \$108,681. The variance was due to incorrect amounts reported in Line 15 of the Expenditure Report. No other exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 direct MOE expenditures totaling \$243,690 for testing which represented approximately 26% of total direct MOE expenditures of \$929,027 for the fiscal year ended June 30, 2020. We identified one expenditure relating to membership dues, totaling \$80 that was not allowable per the Ordinance. No other exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We selected 49 indirect MOE costs for inspection with a total amount of \$366,425 representing 77% of the total indirect MOE costs of \$478,940. We agreed \$478,940 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We recomputed the selected indirect costs charges using the City's allocation methodology and identified \$341,205 of indirect costs that should have been reported as direct costs. The costs were related to direct contracted engineering services. In addition, upon inspecting the supporting documentation for the indirect cost samples selected, we identified two expenditures, totaling \$6,533 that were not allowable per the Ordinance. These two expenditures consisted of various office supplies and park features. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2020 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,610,086 for the past three fiscal years ended June 30, 2018, 2019 and 2020. We agreed the fund balance of \$0 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2020. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, department number, and account number. The City recorded its LFS expenditures in its Measure M Fund (212), various department numbers, and account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2020 were \$615,719 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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 vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: M2 Local Fair Share expenditures selected for inspection totaled \$497,607 representing approximately 81% of total Measure M2 Local Fair Share expenditures of \$615,719 for the fiscal year ended June 30, 2020. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, which consisted of one project, the project (Street and Roadway Maintenance \$615,719) was not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

9. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$5,456 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Eligible Jurisdiction was found eligible by the Board of Directors for the applicable year (FY20) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

(Continued)

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose 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 and is not intended to be, and should not be, used by anyone other than the specified party.


Crowe LLP

Costa Mesa, California
March 12, 2021

CITY OF LAGUNA HILLS, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2020
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 478,940
Construction & Right-of-Way	
Signals, Safety Devices, & Street Lights	9,250
Storm Drains	189,389
Maintenance	
Street Lights & Traffic Signals	689,013
Other Street Purpose Maintenance	<u>41,375</u>
 Total MOE Expenditures	 <u>\$ 1,407,967</u>
 Measure M2 Local Fair Share Expenditures (Schedule 4):	
Street Maintenance Contract	\$ 615,719
 Total Measure M2 Local Fair Share Expenditures	 <u>\$ 615,719</u>
 Total MOE and Measure M2 Local Fair Share Expenditures	 <u><u>\$ 2,023,686</u></u>

Note: The above amounts were taken directly from the financial records of the City of Laguna Hills and were not audited.



Exhibit 1

CITY OF LAGUNA HILLS

March 12, 2021

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Laguna Hills as of and for the fiscal year ended June 30, 2020.

Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City of Laguna Hills reported total MOE expenditures of \$1,516,648 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2020. The actual MOE expenditures totaled \$1,407,967, a variance of \$108,681. The variance was due to incorrect amounts reported in Line 15 of the Expenditure Report. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the Finding and is in the process of revising its M2 Expenditure Report accordingly for the fiscal year ended June 30, 2020. The revised Expenditure Report will be resubmitted to OCTA.

Procedure #3

Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 direct MOE expenditures totaling \$243,690 which represented approximately 26% of total direct MOE expenditures of \$929,027 for the fiscal year ended June 30, 2020. We identified one expenditure relating to membership dues, totaling \$80 that was not allowable per the Ordinance. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the Finding and will enhance its review procedures to ensure only eligible costs will be allocated to MOE expenditures.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: We selected 49 indirect MOE costs for inspection with a total amount of \$366,425 representing 77% of the total indirect MOE costs of \$478,940. We agreed \$478,940 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We recomputed the selected indirect costs charges using the City's allocation methodology and identified \$341,205 of indirect costs that should have been reported as direct costs. The costs were related to direct contracted engineering services. In addition, upon inspecting the supporting documentation for the indirect cost samples selected, we identified two expenditures, totaling \$6,533 that were not allowable per the Ordinance. These two expenditures consisted of various office supplies and park features. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the Finding. Moving forward, the City will classify contract engineering services as direct cost and will enhance its review procedures to ensure only allowable expenditures are allocated as MOE.

Procedure #7

Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:

- a. Agree 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 vouchers or other appropriate supporting documentation; and
- b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: M2 Local Fair Share expenditures selected for inspection totaled \$497,607 representing approximately 81% of total Measure M2 Local Fair Share expenditures of \$615,719 for the fiscal year ended June 30, 2020. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, which consisted of one project, the project (Street and Roadway Maintenance \$615,719) was not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the Finding. Moving forward, the City's Street and Roadway Maintenance program will be listed as a Measure M2 Local Fair Share project on the Seven-Year Capital Improvement Program (CIP).



Kenneth H. Rosenfield
Interim City Manager



Janice Reyes
Finance Director

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF LAKE FOREST

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Lake Forest'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 Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2020. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department number, and account number. The City recorded its MOE expenditures in its General Fund (100), various department numbers, and account numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2020 were \$793,583 (see Schedule A). We agreed the total expenditures of \$793,583 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.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$403,437 for testing, which represented approximately 51% of total direct MOE expenditures of \$793,583 for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2020 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,277,021 for the past three fiscal years ended June 30, 2018, 2019 and 2020. We agreed the fund balance of \$1,911,408 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2020. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, department number, and account number. The City recorded its LFS expenditures in its Measure M Fund (220), various department numbers, and account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2020 were \$770 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:

- a. Agree 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 vouchers or other appropriate supporting documentation; and
- b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without exception. We selected two direct Measure M2 Local Fair Share expenditures for inspection totaling \$770 representing 100% of total direct Measure M2 Local Fair Share expenditures of \$770 for the fiscal year ended June 30, 2020. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

9. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$16,116 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Eligible Jurisdiction was found eligible by the Board of Directors for the applicable year (FY20) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
March 11, 2021

CITY OF LAKE FOREST, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2020
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:

Maintenance

Other Street Purpose Maintenance	\$ 793,583
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Total MOE Expenditures	\$ 793,583
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Measure M2 Local Fair Share Expenditures (Schedule 4):

950.100 Repaving and Slurry Seal	\$ 770
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Total Measure M2 Local Fair Share Expenditures	\$ 770
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Total MOE and Measure M2 Local Fair Share Expenditures	\$ 794,353
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Note: The above amounts were taken directly from the financial records of the City of Lake Forest and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF LA PALMA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of La Palma'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 Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2020. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department number, and account number. The City recorded its MOE expenditures in its General Fund (001), Road Maintenance and Rehabilitation Fund (010), Street Fund (011), various department numbers, and account numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2020 were \$517,482 (see Schedule A). We agreed the total expenditures of \$517,482 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.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 35 direct MOE expenditures totaling \$395,204 for testing, which represented approximately 76% of direct MOE expenditures of \$517,482 for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, based on inspection of the general ledger expenditure detail and per inspection of MOE costs samples selected, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2020. As a result, Crowe selected 25 indirect MOE expenditures from the general ledger expenditures detail totaling \$23,808 for inspection. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were properly classified as indirect expenditures and allowable per the Ordinance. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2020 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$796,578 for the past three fiscal years ended June 30, 2018, 2019 and 2020. We agreed the fund balance of \$373,906 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2020. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, department number, and account number. The City recorded its LFS expenditures in its Measure M Fund (012), various department numbers, and account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2020 were \$301,928 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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 vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected five direct Measure M2 Local Fair Share expenditures for inspection totaling \$273,325 representing approximately 91% of total direct Measure M2 Local Fair Share expenditures of 301,928 for the fiscal year ended June 30, 2020. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

9. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$18,325 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Eligible Jurisdiction was found eligible by the Board of Directors for the applicable year (FY20) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

(Continued)

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose 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 and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
March 15, 2021

CITY OF LA PALMA, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2020
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:

Maintenance

Patching	\$ 12,135
Overlay & Sealing	179,538
Street Lights & Traffic Signals	142,690
Other Street Purpose Maintenance	<u>183,119</u>

Total MOE Expenditures	<u>\$ 517,482</u>
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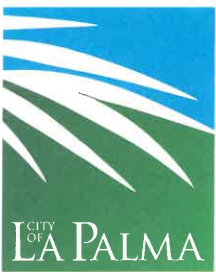
Measure M2 Local Fair Share Expenditures (Schedule 4):

Orangethorpe Ave Rehabilitation (Walker to Valley View) (ST-353)	\$ 23,273
Median Island Reconstruction Design	38,655
Orangethorpe Ave Rehabilitation (Moody to Walker) (ST-346)	240,000

Total Measure M2 Local Fair Share Expenditures	<u>\$ 301,928</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 819,410</u></u>
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Note: The above amounts were taken directly from the financial records of the City of La Palma and were not audited.



March 15, 2021

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of La Palma as of and for the fiscal year ended June 30, 2020.


Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.


Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, based on inspection of the general ledger expenditure detail and per inspection of MOE costs samples selected, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2020. As a result, Crowe selected indirect 25 MOE expenditures from the general ledger expenditures detail totaling \$23,808 for inspection. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were allowable per the Ordinance. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

City's Response:

The City has been preparing the annual report consistently, and the City is pleased that the expenditures are allowable. The City sees that the auditor used account 001-405-5010-xxxxx to calculate the \$23,808, and for future reports, the City will report those expenditures as indirect costs.


CITY MANAGER

Name and Title of Responsible Party


COMMUNITY SERVICES DIRECTOR

Name and Title of Responsible Party


ACCOUNTING SUPERVISOR

Name and Title of Responsible Party

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF PLACENTIA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Placentia'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 Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2020. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, and package. The City recorded its MOE expenditures in its Measure M Fund (210), various packages. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City of Placentia reported total MOE expenditures of \$1,125,411 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2020. The actual MOE expenditures totaled \$848,930, a variance of \$276,481. The variance was due to a clerical error when reporting the expenditures for Department Contracted Services. No other exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 direct MOE expenditures totaling \$228,492 for testing, which represented approximately 27% of total direct MOE expenditures of \$848,930 for the fiscal year ended June 30, 2020. We identified one expenditure related to a rental car, totaling \$910 that was not allowable per the Ordinance. No other exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, based on inspection of the general ledger expenditure detail and per inspection of MOE direct cost samples selected, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2020. As a result, Crowe selected 25 indirect MOE expenditures from the general ledger expenditure detail totaling \$96,455 for inspection. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect MOE costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2020 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$2,762,624 for the past three fiscal years ended June 30, 2018, 2019 and 2020. We agreed the fund balance of \$623,228 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2020. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, package. The City recorded its LFS expenditures in its Measure M Fund (210), various packages. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2020 were \$527,707 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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 vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected five direct Measure M2 Local Fair Share expenditures for inspection totaling \$413,141 representing approximately 78% of total direct Measure M2 Local Fair Share expenditures of \$527,707 for the fiscal year ended June 30, 2020. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

9. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$12,814 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Eligible Jurisdiction was found eligible by the Board of Directors for the applicable year (FY20) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

(Continued)

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose 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 and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
March 11, 2021

CITY OF PLACENTIA, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2020
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:

Maintenance

Street Lights & Traffic Signals	\$ 123,116
Other Street Purpose Maintenance	<u>725,814</u>

Total MOE Expenditures	<u>\$ 848,930</u>
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Measure M2 Local Fair Share Expenditures (Schedule 4):

1001 - FY 19-20 Residentail Slurry Seal Project	\$ 464,177
1905 - Design for ADA Ramp Reconstruction Project	200
5801 - Metrolink Stations and Parking Structure Project	34,690
183551-6015 Pavement Management plan update	<u>28,640</u>

Total Measure M2 Local Fair Share Expenditures	<u>\$ 527,707</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 1,376,637</u></u>
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Note: The above amounts were taken directly from the financial records of the City of Placentia and were not audited.

The People are the City



Mayor
CRAIG S. GREEN

Mayor Pro Tem
CHAD P. WANKE

Councilmembers:
RHONDA SHADER
WARD L. SMITH
JEREMY B. YAMAGUCHI

City Clerk:
ROBERT S. MCKINNELL

City Treasurer
KEVIN A. LARSON

City Administrator
DAMIEN R. ARRULA

401 East Chapman Avenue – Placentia, California 92870

Exhibit 1

March 11, 2021

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Placentia as of and for the fiscal year ended June 30, 2020.

Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City of Placentia reported total MOE expenditures of \$1,125,411 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2020. The actual MOE expenditures totaled \$848,930, a variance of \$276,481. The variance was due to a clerical error when reporting the expenditures for Department Contracted Services. No other exceptions were found as a result of this procedure.

City's Response: The City agrees that on the initial submission for MOE expenditure report there was a clerical error. The City corrected and submitted the report to OCLTA when the error was found prior to discovery from the auditors. The city will verify the report before submission.

Procedure #3

Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 direct MOE expenditures totaling \$228,492, which represented approximately 27% of total direct MOE expenditures of \$848,930 for the fiscal year ended June 30, 2020. We identified

one expenditure relating to a rental car, totaling \$910 that was not allowable per the ordinance. No other exceptions were found as a result of this procedure.

City's Response: The City agrees that the \$910 was not an allowable expense per the ordinance. Placentia's finance department will complete a thorough analysis of the expenditures prior to submission.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 as indirect costs. However, based on inspection of the general ledger expenditure detail and per inspection of MOE costs samples selected, we identified indirect costs charged as MOE expenditures for the fiscal year ended June 30, 2020. As a result, Crowe selected 25 indirect MOE expenditures from the general ledger expenditures detail totaling \$96,455 for inspection. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were allowable per the Ordinance. In addition, the indirect MOE costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No other exceptions were found as a result of this procedure.

City's Response: The City agrees that based on the Ordinance the 25 MOE expenditures are indirect expenditures. The City will review the Ordinance and Gas Tax guidelines to ensure proper classification of expenditures in future reports.



Damien Arrula, City Administrator

Luis Estevez, Deputy City Administrator

Jessica Brown, Finance Director

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF TUSTIN

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Tustin'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 Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2020. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

1. Describe which funds the Eligible Jurisdiction used to track all street and road expenditures and inquire how the Eligible Jurisdiction identifies MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department number, and division number. The City recorded its MOE expenditures in its Capital Projects Fund (200), Proceeds Land Held for Resale Fund (189), various department numbers, and division numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2020. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2020 were \$4,120,774 (see Schedule A). We agreed the total expenditures of \$4,120,774 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.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 20 direct MOE expenditures totaling \$2,987,179 for testing, which represented approximately 76% of total direct MOE expenditures of \$3,932,149 for the fiscal year ended June 30, 2020. No exceptions were found as a result of this procedure.

4. Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$188,625 in indirect costs for MOE for the fiscal year ended June 30, 2020. We selected 25 indirect costs for inspection with a total amount of \$51,184 representing 27% of the total MOE indirect costs, we identified these costs represented labor charges directly charged to the program. As a result, all indirect costs of \$188,625 should have been reported as direct costs. Upon inspecting the supporting documentation for the samples selected, we determined that the MOE direct costs were allowable per the Ordinance. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2020 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,772,858 for the past three fiscal years ended June 30, 2018, 2019 and 2020. We agreed the fund balance of \$4,089,124 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2020. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, department number, and division number. The City recorded its LFS expenditures in its Measure M2 Fair Share Fund (139), various department numbers, and division numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2020 were \$530,129 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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 vouchers or other appropriate supporting documentation; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected ten Measure M2 direct Local Fair Share expenditures for inspection totaling \$280,116 representing approximately 56% of total Measure M2 Local Fair Share direct expenditures of \$502,900 for the fiscal year ended June 30, 2020. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$27,229 in indirect costs for LFS for the fiscal year ended June 30, 2020. We selected 25 indirect costs for inspection with a total amount of \$7,389 representing 27% of the total LFS indirect costs, we identified these costs represented labor charges directly charged to the program. As a result, all indirect costs of \$27,229 should have been reported as direct costs. Upon inspecting the supporting documentation for the samples selected, we determined that the LFS direct costs were allowable per the Ordinance. No other exceptions were found as a result of this procedure.

9. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$134,487 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Eligible Jurisdiction was found eligible by the Board of Directors for the applicable year (FY20) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were found as a result of this procedure.

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose 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 and is not intended to be, and should not be, used by anyone other than the specified party.


Crowe LLP

Costa Mesa, California
March 11, 2021

CITY OF TUSTIN, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2020
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 188,625
Construction & Right-of-Way	
New Street Construction	1,096,948
Signals, Safety Devices, & Street Lights	10,074
Pedestrian Ways & Bikepaths	173,250
Maintenance	
Patching	67,984
Overlay & Sealing	1,698,700
Other Street Purpose Maintenance	<u>885,193</u>
 Total MOE Expenditures	 <u>\$ 4,120,774</u>
 Measure M2 Local Fair Share Expenditures (Schedule 4):	
Traffic Signal Controller Upgrade/Replacement	\$ 93,370
17th Street Signal Synchronization	250
Edinger Ave/ Irvine Center Drive Traffic Signal Synchronization	9,569
Tustin Ranch Road/ Von Karmen Traffic Signal Synchronization	25,372
Lansdowne/Valencia Traffic Signal Improvement	19
FY18/19 Major Pavement Maintenance	250,168
FY19/20 Major Pavement Maintenance	121,367
Bank Service Charges	2,785
Direct Charge for Labor Associated With These Projects	<u>27,229</u>
 Total Measure M2 Local Fair Share Expenditures	 <u>\$ 530,129</u>
 Total MOE and Measure M2 Local Fair Share Expenditures	 <u><u>\$ 4,650,903</u></u>

Note: The above amounts were taken directly from the financial records of the City of Tustin and were not audited.

Finance Department

March 11, 2021

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



The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Tustin as of and for the fiscal year ended June 30, 2020.

Procedure #4

Identify whether indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$188,625 in indirect costs for MOE for the fiscal year ended June 30, 2020. We selected 25 indirect costs for inspection with a total amount of \$51,184 representing 27% of the total MOE indirect costs, we identified these costs represented labor charges directly charged to the program. As a result, all indirect costs of \$188,625 should have been reported as direct costs. Upon inspecting the supporting documentation for the samples selected, we determined that the MOE direct costs were allowable per the Ordinance. No other exceptions were found as a result of this procedure.

City's Response:

Previously, the City Staff had the understanding that the direct labor costs for the Engineering staff's time to manage the various projects were considered to be overhead and should be included on line 1 of Schedule 3 of the Expenditure Report. Going forward, the City staff will ensure that these costs be categorized with the project costs in line 2 through 15 of Schedule 3 of the Expenditure Report.

Procedure #8

Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$27,229 in indirect costs for LFS for the fiscal year ended June 30, 2020. We selected 25 indirect costs for inspection with a total amount of \$7,389 representing 27% of the total LFS indirect costs, we identified these costs represented labor charges directly charged to the program. As a result, all indirect costs of \$27,229 should have been reported as direct costs. Upon inspecting the supporting documentation for the

samples selected, we determined that the LFS direct costs were allowable per the Ordinance. No other exceptions were found as a result of this procedure.

City's Response:

Previously, the City Staff had the understanding that the direct labor costs for the Engineering staff's time to manage the various projects were considered to be overhead and should be included on line 1 of Schedule 3 of the Expenditure Report. Going forward, the City staff will ensure that these costs be categorized with the project costs in line 2 through 15 of Schedule 3 of the Expenditure Report.

DocuSigned by:

Matthew S. West

Matthew S. West, City Manager

DocuSigned by:

Jason Al-Imam

Jason Al-Imam, Finance Director

DocuSigned by:

Douglas S. Stack

Doug Stack, Director of Public Works/City Engineer