



# **Orange County Transportation Authority**

## **Finance and Administration Committee Agenda**

### **Wednesday, April 24, 2024 at 10:30 a.m.**

Board Room, 550 South Main Street, Orange, California

#### **Committee Members**

Michael Hennessey, Chair  
Patrick Harper, Vice Chair  
Andrew Do  
Jamey Federico  
Stephanie Klopfenstein  
Tam T. Nguyen  
Vicente Sarmiento

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the Orange County Transportation Authority (OCTA) Clerk of the Board's office at (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

#### **Agenda Descriptions**

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

#### **Public Availability of Agenda Materials**

All documents relative to the items referenced in this agenda are available for public inspection at [www.octa.net](http://www.octa.net) or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

#### **Meeting Access and Public Comments on Agenda Items**

Members of the public can either attend in-person or listen to audio live streaming of the Board and Committee meetings by clicking this link: <https://octa.legistar.com/Calendar.aspx>

#### **In-Person Comment**

Members of the public may attend in-person and address the Board regarding any item within the subject matter jurisdiction of the Orange County Transportation Authority. Please complete a speaker's card and submit it to the Clerk of the Board and notify the Clerk regarding the agenda item number on which you wish to speak. Speakers will be recognized by the Chair at the time of the agenda item is to be considered by the Board. Comments will be limited to three minutes. The Brown Act prohibits the Board from either discussing or taking action on any non-agendized items.

# FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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## Written Comment

Written public comments may also be submitted by emailing them to ClerkOffice@octa.net, and must be sent by 5:00 p.m. the day prior to the meeting. If you wish to comment on a specific agenda item, please identify the item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

## Call to Order

## Pledge of Allegiance

Director Harper

## Closed Session

There are no Closed Session items scheduled.

## Special Calendar

1. **Proposed Fiscal Year 2024-25 Southern California Regional Rail Authority Budget**  
Megan Taylor/Johnny Dunning, Jr.

### **Overview**

Metrolink staff will present an overview (with presentation) of the draft Southern California Regional Rail Authority Fiscal Year 2024-25 Budget, including the Orange County Transportation Authority's proposed share of operating, rehabilitation, and capital expenses for Metrolink commuter rail service.

### **Attachments:**

[Presentation](#)

## Consent Calendar (Items 2 through 6)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

2. **Approval of Minutes**

Clerk of the Board

### **Recommendation**

Approve the minutes of the April 10, 2024 Finance and Administration Committee meeting.

### **Attachments:**

[Minutes](#)

## FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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### 3. **Fiscal Year 2023-24 Internal Audit Plan, Third Quarter Update**

Janet Sutter

#### **Overview**

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan on July 24, 2023. This report provides an update on activities for the third quarter of the fiscal year.

#### **Recommendation**

Receive and file the third quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan as an information item.

#### **Attachments:**

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

[Attachment C](#)

### 4. **Review of Interstate 405 Improvement Project: Design-Build Contract, Internal Audit Report No. 24-507**

Serena Ng/Janet Sutter

#### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of the design-build contract for the Interstate 405 Improvement Project. Based on the audit, oversight and invoice review controls were in place and invoices complied with contract provisions. One recommendation was made to improve documentation in the Orange County Transportation Authority's files.

#### **Recommendation**

Direct staff to implement the recommendation provided in the Review of Interstate 405 Improvement Project: Design-Build Contract, Internal Audit Report No. 24-507.

#### **Attachments:**

[Staff Report](#)

[Attachment A](#)

### 5. **Approval of the Fiscal Year 2024-25 Local Transportation Fund Claim for Laguna Beach Public Transportation Services**

Sam Kaur/Andrew Oftelie

#### **Overview**

The Laguna Beach Municipal Transit Lines, a department within the City of Laguna Beach, is eligible to receive funding from the Local Transportation Fund in Orange County for providing public transportation services throughout the city. To receive the funds, the Laguna Beach Municipal Transit Lines must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

## FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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### **Recommendations**

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2024-25 Local Transportation Fund claim for public transportation services, in the amount of \$1,532,505.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

### **Attachments:**

[Staff Report](#)

## **6. Approval of the Fiscal Year 2024-25 Local Transportation Fund Claim for Public Transportation and Community Transit Services**

Sam Kaur/Andrew Oftelie

### **Overview**

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation and community transit services throughout Orange County. To receive the funds, the Orange County Transit District must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

### **Recommendations**

- A. Approve the Orange County Transit District Fiscal Year 2024-25 Local Transportation Fund claim for public transportation services in the amount of \$212,667,523.41, and for community transit services in the amount of \$11,273,685.71 for a total claim amount of \$223,941,209.12.
- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

### **Attachments:**

[Staff Report](#)

# FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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## Regular Calendar

7. **Orange County Local Transportation Authority Report on Compliance with the Measure M2 Ordinance, Year Ended June 30, 2023**

Janet Sutter

**Overview**

Crowe LLP, an independent accounting firm, has issued results of its audit of the Orange County Local Transportation Authority's compliance with the Measure M2 Ordinance for the year ended June 30, 2023. Crowe LLP found that the Orange County Local Transportation Authority complied, in all material respects, with the compliance requirements of the Measure M2 Ordinance for the year ended June 30, 2023. In addition, no deficiencies in internal control over compliance were reported.

**Recommendation**

Receive and file the Independent Auditor's Report on Compliance with the Measure M2 Ordinance and Report on Internal Control over Compliance for the year ended June 30, 2023, as an information item.

**Attachments:**

[Staff Report](#)

[Attachment A](#)

8. **Orange County Local Transportation Authority Measure M2 Maintenance of Effort, Agreed-Upon Procedures Report, City of Cypress, Year Ended June 30, 2023**

Janet Sutter

**Overview**

BCA Watson Rice LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 maintenance of effort expenditures by the City of Cypress for the fiscal year ended June 30, 2023. Based on the procedures performed, the City of Cypress spent sufficient funds to meet the required minimum expenditures as outlined in a settlement agreement between the City of Cypress and the Orange County Transportation Authority.

**Recommendation**

Direct staff to develop recommendation(s) for Board of Directors' action related to the status of the City of Cypress' Measure M2 eligibility.

**Attachments:**

[Staff Report](#)

[Attachment A](#)

## FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA

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### 9. Orange County Local Transportation Authority Measure M2 Agreed-Upon Procedures Reports, Year Ended June 30, 2023

Janet Sutter

#### **Overview**

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Local Fair Share funds provided to seven cities, and Senior Mobility Program funds provided to six cities, for the fiscal year ended June 30, 2023. Local Fair Share program reports include observations of indirect charges lacking a reasonable methodology, indirect charges allocated based on an aged allocation plan, and reporting errors. Senior Mobility Program audits include observations relating to failure to meet the program match requirement, late submission of a monthly report, reporting errors, failure to allocate interest, and third-party contract language.

#### **Recommendations**

- A. Direct staff to monitor implementation of corrective actions by cities.
- B. Direct staff to review with legal counsel the results of agreed-upon procedures applied to the cities of Buena Park and Orange and develop recommendations for Board of Directors' consideration to address the exceptions related to Local Fair Share expenditures by the City of Buena Park and maintenance of effort expenditures by the City of Orange.
- C. Direct staff to withhold funds from a future payment to the City of Mission Viejo to address the shortfall in match funds in accordance with the Senior Mobility Program Guidelines.

#### **Attachments:**

[Staff Report](#)

[Attachment A](#)

[Attachment B](#)

[Attachment C](#)

[Attachment D](#)

### 10. Orange County Transportation Authority Fiscal Year 2024-25 Budget Workshop Preview

Victor Velasquez/Andrew Oftelie

#### **Overview**

The Orange County Transportation Authority is developing the fiscal year 2024-25 proposed budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The fiscal year 2024-25 proposed budget will be reviewed in detail during an informal workshop following the May 13, 2024, Orange County Transportation Authority Board of Directors meeting.

## **FINANCE AND ADMINISTRATION COMMITTEE MEETING AGENDA**

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### ***Recommendation***

Review the fiscal year 2024-25 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 13, 2024.

### ***Attachments:***

[Staff Report](#)

[Presentation](#)

### **Discussion Items**

11. **Public Comments**

12. **Chief Executive Officer's Report**

13. **Committee Members' Reports**

14. **Adjournment**

The next regularly scheduled meeting of this Committee will be held:

**10:30 a.m. on Wednesday, May 22, 2024**

OCTA Headquarters - Board Room

550 South Main Street

Orange, California



# METROLINK

Revised Proposed FY25 Budget – Hybrid Optimized Service Level for  
OCTA

April 24, 2024



# Agenda

- Budget Challenges
- FY25 Budget Assumptions
- Proposed FY25 Operating Budget
- Proposed FY25 Capital Program Budget
- Summary

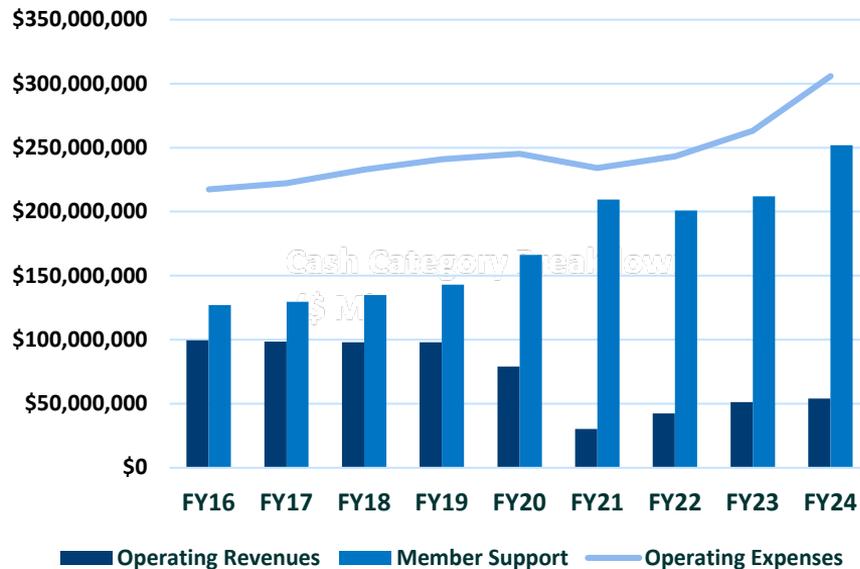
# Our Operating Budget Challenges

- Both Ridership and Revenue are growing slowly but continues to lag pre-COVID numbers.
- Operating expenses are increasing Year-over-Year
  - ~60% of the Operational costs are fixed.
- Member Agencies are currently providing 80% of the funding for operating expenses.
- Financial challenges continue to place a burden on Member Agencies.

Cash Category Breakdown

# Operating Budget Challenges

## Revenues, Support, and Expenses by Year



- Revenues:
  - Pre-Pandemic Revenues roughly flat (FY16 – FY19)
  - Post-Pandemic revenues are slowly increasing
- Expenses
  - Pre-Pandemic Operating Expenses increasing YOY
- Required Member Agency support increasing YOY

### Notes:

- FY16 - FY23 Actuals
- FY24 Budgets

# Proposed FY25 Operating Budget Assumptions

## Service Level:

- Hybrid Optimized Service Level – Current Service Start on July 1, 2024 with Optimized Start October 2024
  - This new Optimized Service schedule will fill in service gaps and make the most efficient utilization of equipment and crews.
  - It includes the addition of 36 trains to allow for pulse departures and fill in mid-day service gaps.
  - It also reduces wasted crew hours, layovers, hoteling and crew transportation.
  - Equipment is fully utilized, while mechanical service costs are reduced.

## Revenue:

- Revenue / Ridership based on Updated Sperry Capital / KPMG Forecast Breakdown (\$ M)
- No Fare Increases
- New Fare Promotions

## Expenses:

- Contractor Increases only as Mandated by Agreements
- No New FTE Headcount
- 3.0% Merit Pool
- 3.0% COLA
- Mini-Bundle Mobilization estimated at \$10.33M
- Includes Student Adventure Pass Support

# Operating Budget

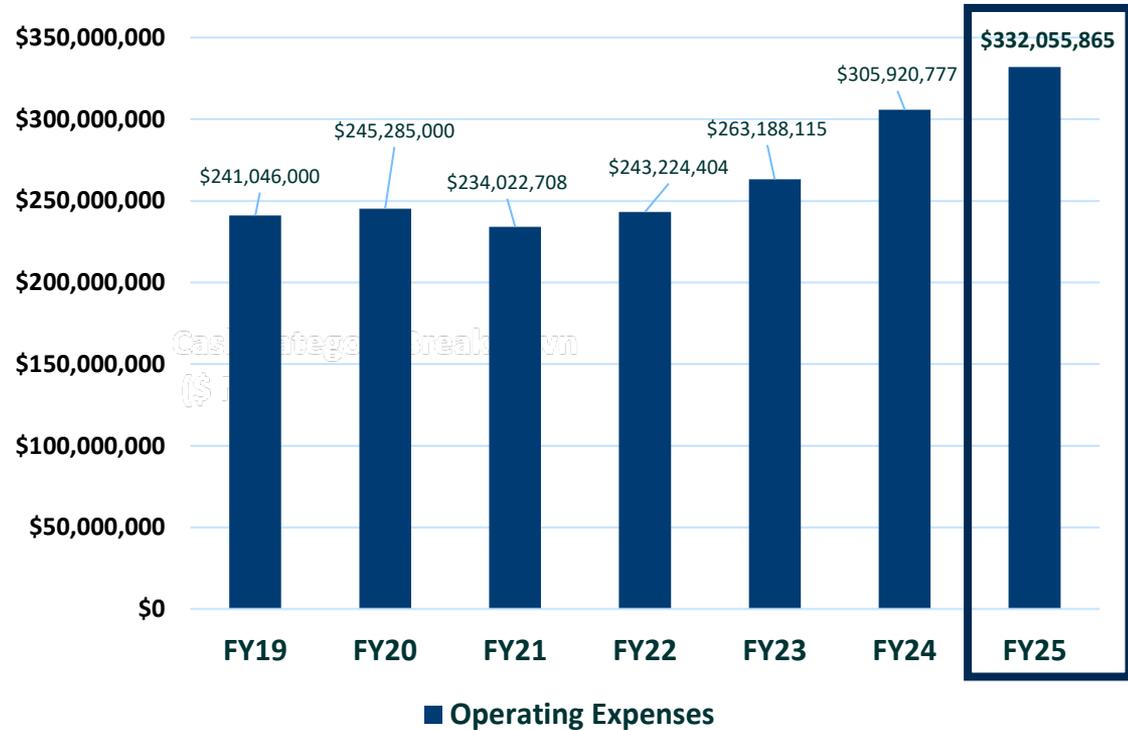


## Proposed FY25 Operating Budget Summary

- Operating Revenue - **\$68.0M**
  - Increase from FY24 of **\$14.0M** or **26.0%**
- Total Expenses - **\$332.1M**
  - Increase from FY24 of **\$26.1M** or **8.5%**
  - Including Hybrid Optimized Service
  - Including one-time Mini-Bundle Mobilization expense
  - Includes Student Adventure Pass Support
- Member Agency Support - **\$264.0M**
  - Increase from FY24 of **\$12.2M** or **4.8%**

# Operating Expenses FY19 – FY25

## Operating Expenses FY19 – FY25

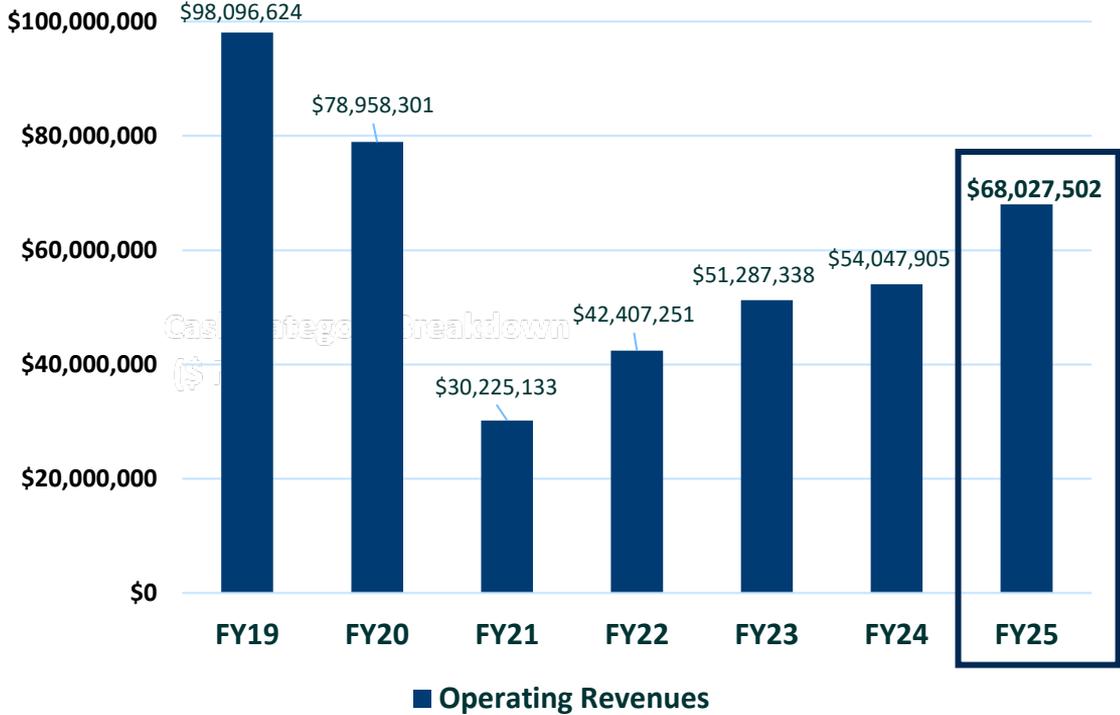


### Notes:

- FY19, FY20, FY21, FY22, & FY23 Actuals
- FY24 & FY25 (Hybrid Optimized Service) Budgets not Actuals
- FY25 includes Mini-Bundle Mobilization
- Includes Student Adventure Pass Support

# Operating Revenues FY19 – FY25

## Operating Revenues

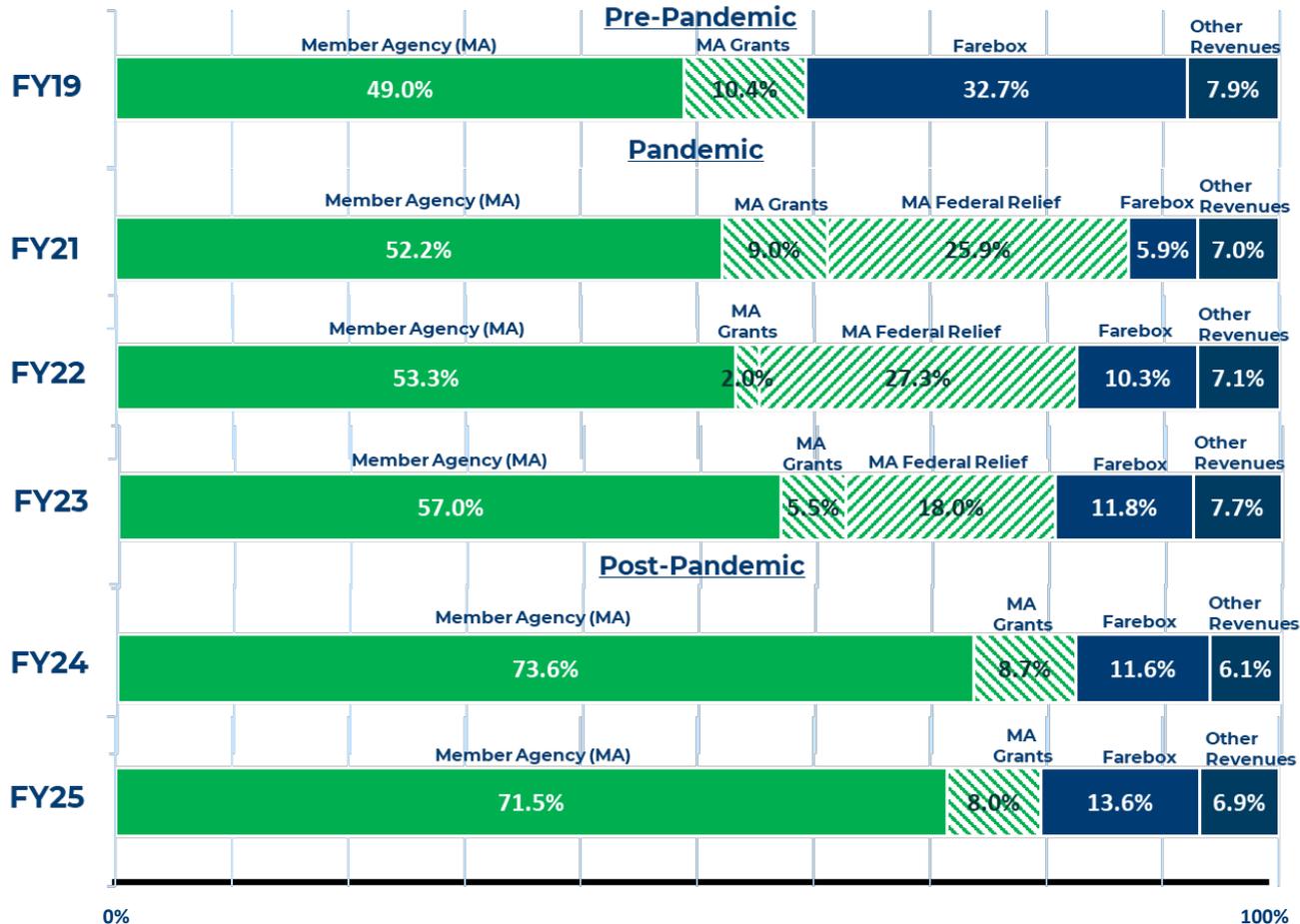


**Note:**

- FY19, FY20, FY21, FY22, & FY23 Actuals
- FY24 & FY25 (Hybrid Optimized Service) Budgets not Actuals (does not include Student Adventure Pass)

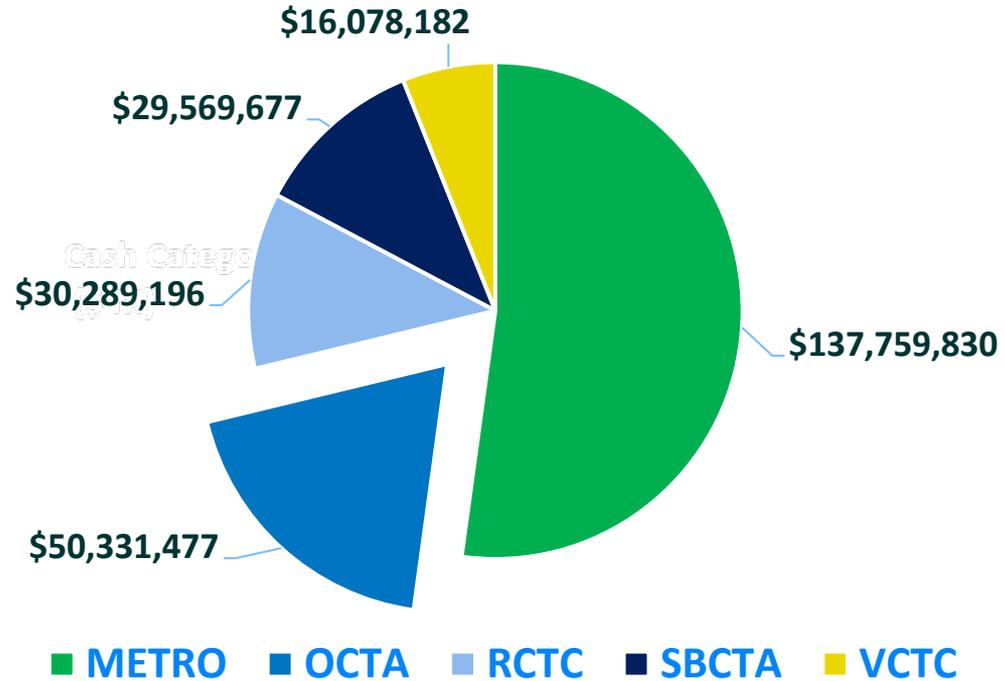
# Metrolink Operating Funding Sources

## Metrolink's Operating Budget Funds



# Proposed FY25 Operating Support Required by Member Agency

Operating Support Required (\$264.0M)



**Notes:**

- Hybrid Service Level – Current Service Start on July 1, 2024 with Optimized Start October 2024
- Total includes Mini-Bundle Mobilization
- Total include Student Adventure Pass Support

Operating Support  
Required from  
Member Agencies

# Revised New Capital Program Budget



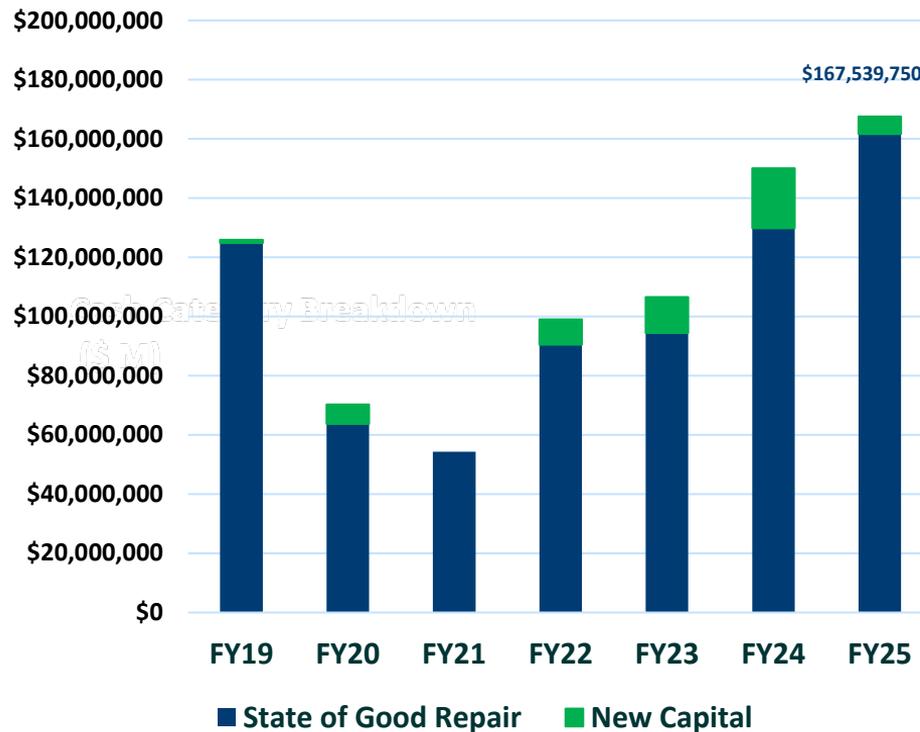


## Revised Proposed FY25 System Capital Program Overview

- State of Good Repair - **\$161.6M**
  - Increase from FY24 of **\$31.8M** or **24.5%**
  
- New Capital - **\$5.9M**
  - Decrease from FY24 of **(\$14.3M)** or **(70.0%)**

## Revised Proposed FY25 Capital Program FY19 – FY25 State of Good Repair & New Capital

FY25 Capital Program  
FY19 – FY25  
- SGR  
- New Capital



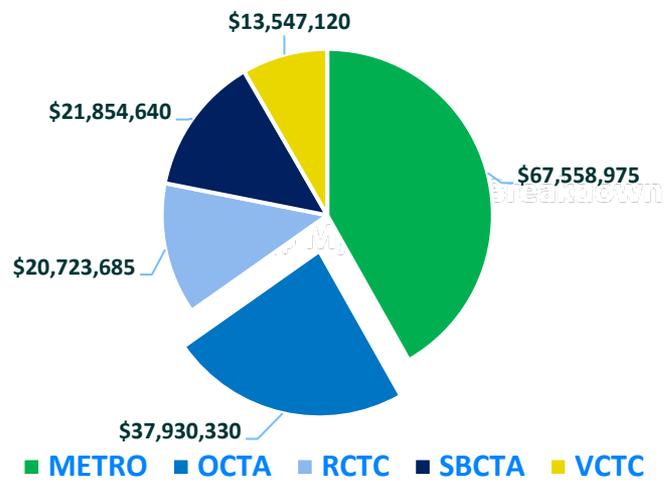
**Note:**

- FY23 data does not include New Capital Tier 4 Locomotive Purchase

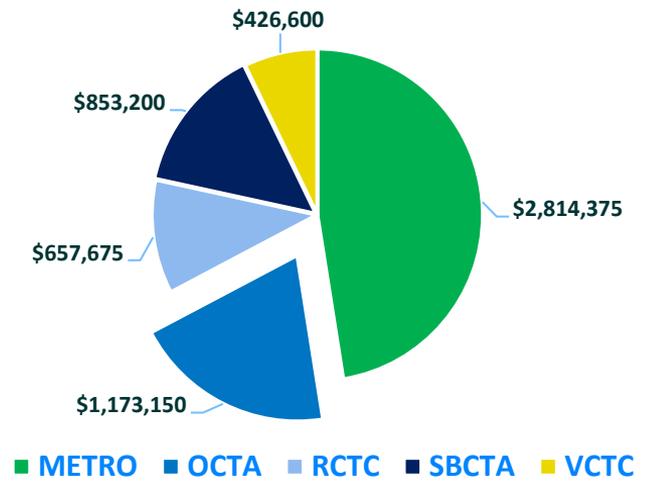
# Proposed FY25 Capital Program By Member Agency

FY25 Capital Program  
By Member Agency  
- SGR  
- New Capital

## State of Good Repair



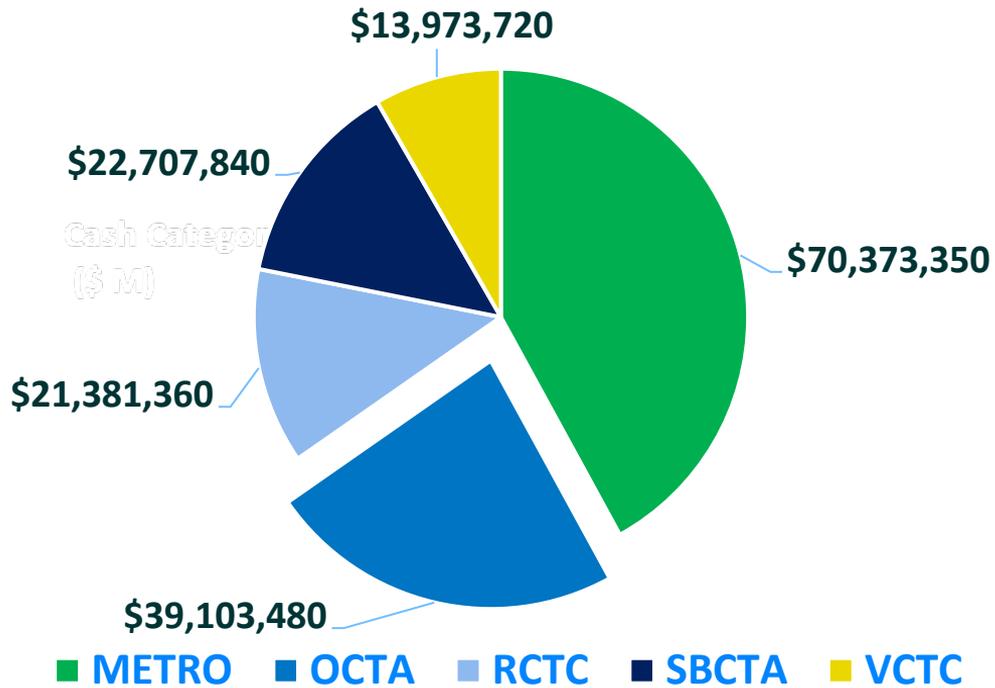
## New Capital



Notes:

# Proposed FY25 Capital Program By Member Agency

Capital Support Required (\$167.5M)



FY25 Capital Program  
By Member Agency  
- SGR  
- New Capital

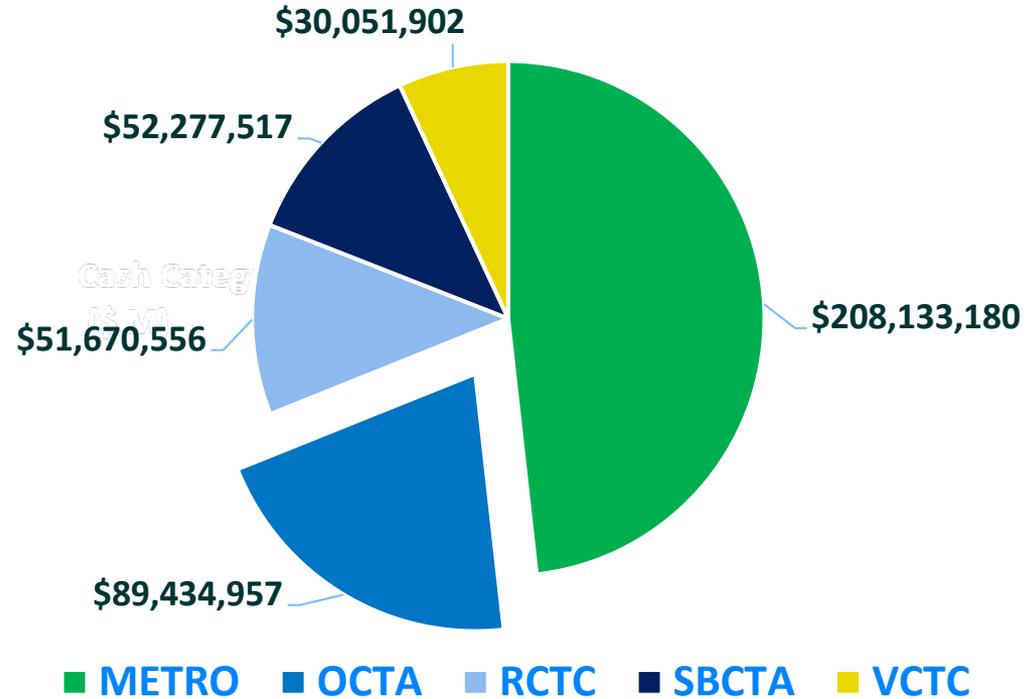


# Summary

- This budget will help Metrolink transition from Commuter Rail to Regional Rail.

# Proposed FY25 Budget Support Required by Member Agency

Total Support Required (\$431.6M)



**Notes:**

- Hybrid Service Level – Current Service Start in July with Optimized Start October 2024
- Total includes Mini-Bundle Mobilization
- Includes Student Adventure Pass Support

Proposed FY25 Budget  
(Operating & Capital  
Program) Support  
Required from Member  
Agencies

# Proposed FY25 Budget

## Summary of Support by Member Agency

FY25 Budget  
Summary of Support by  
Member Agencies

### FY25 Proposed Budget

Hybrid Scenario (includes mobilization)

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Total Operating Support	137,759,830	50,331,477	30,289,196	29,569,677	16,078,182	<b>264,028,362</b>
Total Capital Support	70,373,350	39,103,480	21,381,360	22,707,840	13,973,720	<b>167,539,750</b>
<b>Total</b>	<b>208,133,180</b>	<b>89,434,957</b>	<b>51,670,556</b>	<b>52,277,517</b>	<b>30,051,902</b>	<b>431,568,112</b>

Cash Category Breakdown  
(\$ MIL)

### FY24 Amended Budget

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Total Operating Support	128,093,315	50,557,390	28,141,155	28,754,730	16,326,283	<b>251,872,872</b>
Total Capital Support	72,989,847	29,554,225	15,624,704	17,967,472	13,923,752	<b>150,060,000</b>
<b>Total</b>	<b>201,083,162</b>	<b>80,111,615</b>	<b>43,765,859</b>	<b>46,722,202</b>	<b>30,250,035</b>	<b>401,932,872</b>

### Year-Over-Year Variance

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
<b>Total Support</b>	<b>7,050,018</b>	<b>9,323,343</b>	<b>7,904,697</b>	<b>5,555,316</b>	<b>(198,133)</b>	<b>29,635,240</b>
<i>% variance</i>	3.5%	11.6%	18.1%	11.9%	-0.7%	7.4%



**Thank you! Questions?**



### **Committee Members Present**

Michael Hennessey, Chair  
Jamey Federico  
Stephanie Klopfenstein  
Tam T. Nguyen  
Vicente Sarmiento

### **Staff Present**

Jennifer L. Bergener, Deputy Chief Executive Officer  
Sahara Meisenheimer, Clerk of the Board Specialist  
Allison Cheshire, Clerk of the Board Specialist, Senior  
James Donich, General Counsel  
OCTA Staff

### **Committee Members Absent**

Patrick Harper, Vice Chair  
Andrew Do

## **Call to Order**

The April 10, 2024, regular meeting of the Finance and Administration Committee was called to order by Committee Chair Hennessey at 10:30 a.m.

## **Special Calendar**

### **1. Investment Management Presentation – PFM Asset Management**

Andy Oftelie, Chief Financial Officer, provided opening comments and introduced Chris Harris, James Sims, and Monique Spyke, from PFM Asset Management, who provided a PowerPoint presentation.

Following a discussion, no action was taken on this item.

## **Consent Calendar (Item 2)**

### **2. Approval of Minutes**

A motion was made by Director Nguyen, seconded by Director Sarmiento, and declared passed by those present to approve the minutes of the March 27, 2024 Finance and Administration Committee meeting.

## **Regular Calendar**

### **3. Orange County Transportation Authority Investment and Debt Programs Report – February 2024**

Robert Davis, Department Manager of Treasury and Public Finance, provided an overview of the investment portfolios, investment dashboard, portfolio liquidity, and the debt program.

No action was taken on this receive and file information item.



## Discussion Items

### 4. Public Comments

There were no public comments received.

### 5. Chief Executive Officer's Report

Jennifer L. Bergener, Deputy Chief Executive Officer, announced that this Saturday, the Orange County Transportation Authority's diversity outreach team will be hosting an information both at the Community Resource and Health Fair in Santa Ana from 8:30 a.m. – 1:30 p.m.

### 6. Committee Members' Reports

There were no Committee Members' reports.

### 7. Adjournment

The meeting adjourned at 11:15 a.m.

The next regularly scheduled meeting of this Committee will be held:

**10:30 a.m. on Wednesday, April 24, 2024**

OCTA Headquarters

Board Room

550 South Main Street

Orange, California

ATTEST:

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Sahara Meisenheimer  
Clerk of the Board Specialist



**April 24, 2024**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer   
Janet Sutter, Executive Director   
Internal Audit Department

**Subject:** Fiscal Year 2023-24 Internal Audit Plan, Third Quarter Update

**Overview**

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan on July 24, 2023. This report provides an update on activities for the third quarter of the fiscal year.

**Recommendation**

Receive and file the third quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan as an information item.

**Background**

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, pre-award price reviews, and Buy America reviews. In addition, audits initiated by entities outside of OCTA are coordinated through Internal Audit.

**Discussion**

The OCTA Internal Audit Department (Internal Audit) Fiscal Year (FY) 2023-24 Internal Audit Plan (Plan) (Attachment A) reflects the status of each project.

During the third quarter of the FY, Internal Audit presented the results of an audit of Accounts Payable operations. Based on the audit, controls to ensure payments are processed in compliance with policies and procedures are generally adequate; however, two recommendations were made to improve system controls and to ensure consistent enforcement of the Payment Request Policy. Management agreed to implement the recommendations.

In addition, an audit of the OC Vanpool Program found that controls are adequate and operating. OC Vanpool Program staff have developed, documented, and implemented standard operating procedures to ensure program requirements are met and vanpool providers comply with their agreements. No recommendations for improvement were made.

An audit of the College Pass Program was issued and concluded that grant compliance controls are adequate; however, two recommendations were made to improve contract language, establish invoice and collection controls, and develop and enforce controls over paper passes. Management concurred and will amend contracts and implement controls as recommended.

Internal Audit also issued results of the semi-annual audit of investments for the period July 1 through December 31, 2023. Based on the audit, OCTA generally complied with its debt, investment, and reporting policies and procedures; however, two recommendations were made to improve monthly investment and Clearwater system reporting. Management agreed to implement the recommendations.

The primary focus of Internal Audit during the quarter was to provide coordination of the Measure M2 limited compliance audit and agreed-upon procedures reviews conducted by OCTA's independent auditor, Crowe, LLP.

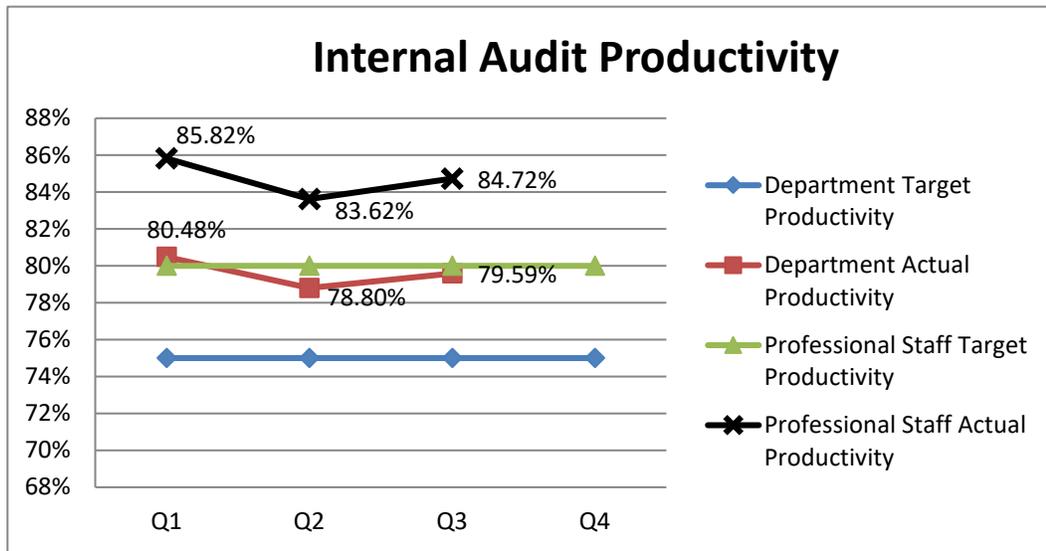
Also, during the quarter, the Federal Transit Administration notified OCTA of its intention to perform an audit of drug and alcohol testing program in place for OCTA employees and its contractors. Staff is in the process of collecting and submitting documentation ahead of the on-site audit that will occur in late April.

#### Internal Audit Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at

75 percent. The target for internal audit professional staff, not including the executive director, is 80 percent.

For the third quarter ended March 31, 2024, Internal Audit achieved cumulative productivity of 80 percent, and professional staff productivity of 85 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (CAMM) Department, and consistent with OCTA’s procurement policy, Internal Audit conducts reviews of single bid procurements to ensure that CAMM handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms and sole source contractors to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. During the third quarter, Internal Audit issued results of three price reviews.

Fraud Hotline

During the quarter ended March 31, 2024, Internal Audit received two reports through OCTA’s Fraud Hotline, [www.ethicspoint.com](http://www.ethicspoint.com). One complaint was referred to customer service for follow-up. The second complaint was investigated and partially substantiated and was referred to Human Resources for additional investigation. As part of the administration of the hotline, Internal Audit maintains documentation of each complaint and its disposition.

Internal Audit is committed to responding to all hotline complaints within eight business days. During the quarter ended March 31, 2024, Internal Audit made initial contact within two business days.

**Findings and Recommendations Tracking**

At the request of the Finance and Administration Committee, unresolved audit recommendations are included with the quarterly updates to the Plan (Attachment B).

During the quarter ended March 31, 2024, Internal Audit completed follow-up reviews of 23 outstanding audit recommendations and closed nine. Follow-up reviews of 14 outstanding recommendations related to audits of physical access security, facilities maintenance, Comprehensive Transportation Funding Program projects, cybersecurity, life insurance benefits, and bus advertising had not been fully implemented and will be reviewed again in six months.

Six recommendations were added to the listing resulting from reports issued during the third quarter, as summarized above.

**Summary**

Internal Audit will continue to implement the Plan, report on performance metrics, follow up on outstanding audit recommendations, and report progress on a quarterly basis.

**Attachments**

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2023-24 Internal Audit Plan, Third Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued Through March 31, 2024
- C. Audit Recommendations Closed During Third Quarter, Fiscal Year 2023-24

**Approved by:**



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

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2023-24 Internal Audit Plan  
Third Quarter Update**

**ATTACHMENT A**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Mandatory External Independent Audits</b>							
Annual Financial Audits and Agreed-Upon Procedures (AUP) Reviews	FY24-001 through FY24-004	Develop and issue a request for proposals and scope of work for an independent audit firm to conduct audits of the Orange County Transportation Authority (OCTA) and related entities. Coordinate and report on annual financial and AUP reviews for fiscal year (FY) 2022-23.	Financial	470	317	153	In Process
External Regulatory Audits	FY24-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	40	18	22	In Process
<b>Internal Audit Department Projects</b>							
Risk Assessment and Annual Audit Plan	FY24-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180	75	105	
Quality Assurance and Self-Assessment	FY24-101	Update of Internal Audit Policies & Procedures. Annual self-assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	180	68	112	
Fraud Hotline Activities	FY24-102	Administrative duties related to maintenance of the OCTA Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	120	166	(46)	8 Reports Received
Automated Workpaper Solution	FY24-103	System updates/training related to automated workpaper solution.	Workpaper System	40	8	32	
<b>Internal Audits</b>							
<b>Express Lanes Program</b>							
Operations and Management	FY24-508	Assess and test selected oversight, contract compliance, and/or invoice review controls related to the provision of services by Cofiroute USA, LLP.	Operational/ Compliance	340	180	160	In Process
<b>Security and Emergency Preparedness</b>							
Transit Police Services	FY24-503	Assess and test selected oversight, contract compliance, performance reporting, and/or invoice review controls related to the agreement for provision of Transit Police Services.	Operational/ Compliance	280	297	(17)	Complete 12-5-23

**Orange County Transportation Authority  
Internal Audit Department  
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Third Quarter Update**

<b>Audit Activity</b>	<b>Project Number</b>	<b>Description</b>	<b>Primary Audit Type</b>	<b>Planned Staff Hours</b>	<b>Staff Hours To Date</b>	<b>Under (Over)</b>	<b>Status (Date Issued)</b>
<b>People and Community Engagement</b>							
Life Insurance Benefits	FY23-505	Assess and test policies, procedures, and controls over administration of employee life insurance benefits.	Operational	26	12	14	Complete 8-7-23
Bus Advertising Revenue	FY23-516	Assess and test oversight and contract compliance controls related to the agreement for bus advertising.	Operational/ Compliance	120	149	(29)	Complete 8-31-23
Liability Claims Management	FY24-510	Assess and test controls related to administration and management of liability claims.	Operational	320	137	184	In Process
Flexible Spending Accounts	FY24-511	Assess and test controls over the administration of employee flexible spending accounts.	Internal Control/ Compliance	200	179	21	In Process
College Pass Program	FY24-506	Assess and test oversight, compliance, and performance of the College Pass Program.	Operational	220	367	(147)	Complete 3-11-24
<b>Capital Programs</b>							
Anaheim Canyon Station Improvements	FY23-515	Assess and test oversight controls, contract compliance, and invoice review controls related to the Anaheim Canyon Station Improvements Project.	Internal Control/ Compliance	80	93	(13)	Complete 8-31-23
OC 405 Partners	FY24-507	Assess and test oversight controls, contract compliance, and invoice review controls related to the OC 405 design-build project.	Internal Control/ Compliance	360	461	(101)	In Process
<b>Operations</b>							
OC ACCESS Service	FY24-512	Assess adequacy of oversight controls and test oversight, contract compliance, and invoice review controls related to the agreement with First Transit/TransDev for OC ACCESS transportation services.	Operational/ Compliance	320	35	285	In Process
Regional Center of Orange County	FY24-502	Assess and test controls related to administration and operation of the agreements with Regional Center of Orange County and My Day Counts relating to transportation services.	Internal Control/ Operational	280	274	6	Complete 11-14-23
OC Vanpool Program	FY24-505	Assess and test controls and compliance related to the administration of the OC Vanpool Program.	Operational/ Compliance	180	236	(56)	Complete 1-18-24

**Orange County Transportation Authority  
Internal Audit Department  
Fiscal Year 2023-24 Internal Audit Plan  
Third Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Finance and Administration</b>							
Treasury	FY24-501, FY24-509	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	250	446	(196)	2 Reports Issued
Accounts Payable	FY23-504	Assess and test controls over accounts payable operations.	Operational	320	513	(193)	Complete 1-15-24
Revenue Agreements	FY24-5XX	Assess and test controls over identification, tracking, and reporting of external revenue agreements.	Operational	280		280	
Cybersecurity	FY23-509	Design a scope of work and procure an audit consultant to evaluate OCTA's Cybersecurity program.	Internal Control/Operational	8		8	Complete 5-31-23
OCTA Store Operations	FY24-504	Assess and test OCTA Store operations to ensure adequate controls are in place to safeguard assets.	Internal Control/Operational	280	164	116	Complete 10-26-23
Price Reviews	PR24-XXX	As requested by the Contracts Administration and Materials Management (CAMM) Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	800	547	254	13 Reports Issued
Buy America	FY24-5XX	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	300		300	
<b>Unscheduled Reviews and Special Requests</b>							
Unscheduled Reviews and Special Requests	FY24-800	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	200	4	196	

**Orange County Transportation Authority  
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Fiscal Year 2023-24 Internal Audit Plan  
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Monitoring Activities</b>							
Measure M2 Taxpayer Oversight Committee (TOC)	FY24-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	77	(17)	
Metrolink Audit Activities	FY24-602	Review/monitor audit results of Metrolink activities. Participate in selection of independent auditing firm.	Non-Audit Service	10	26	(16)	
Bus Base Inspections	FY24-603	At the request of the Operations Division, participate in annual base inspections.	Non-Audit Service	80	43	37	Complete
Capital Asset Inventory Observation	FY24-604	At the request of the Finance and Administration Department, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	60		60	
<b>Follow-Up Reviews</b>							
Follow-Up Reviews and Reporting	FY24-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	280	448	(168)	
<b>Total Audit Project Planned Hours (A)</b>				<b>6,684</b>	<b>5337</b>	<b>1,347</b>	

**Orange County Transportation Authority  
Internal Audit Department  
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Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
<b>Internal Audit Administration</b>							
Board and Committee Meetings				180	100		
Executive Steering and Agenda Setting Meetings				170	93		
Internal Audit Staff Meetings				150	73		
Other Administration				1,500	1103		
			<b>Total Hours (B)</b>	<b>8,684</b>	<b>6706</b>		
			<b>Department Target Efficiency (A/B)</b>	75%	80%		
			<b>Target Efficiency - Professional Staff</b>	80%	85%		

**Contingency: Internal Audit**

Project Controls	FY24-5XX	Assess the adequacy and effectiveness of internal controls over payment processing and project oversight exercised by the Project Controls section of Capital Programs.
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**Outstanding Audit Recommendations  
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**ATTACHMENT B**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Internal Audit Status</b>
1/26/22	21-511	Executive Office	Physical Access Security	The Internal Audit Department (Internal Audit) recommends the Security and Emergency Preparedness (SEP) Department management develop, maintain, and test a comprehensive, appropriate, and up-to-date set of physical security plans, policies, and procedures. A written Access Control Policy and related procedures should be developed and published, and management should address requirements included in the Physical Security Policy for implementing gate controls at all facilities. Finally, management should implement a regular training program to inform employees as to security policies, procedures, and protocols.	Jul-24	Management will work to document all processes and review assigned policies. SEP will make updates to the Physical Security Policy to address gate controls and create a Physical Access Control Policy. These updates will be completed by June 30, 2022. A "Record of Changes" section has been added to security plans to document reviews and updates. Management has hired a consultant to review the Orange County Transportation Authority's (OCTA) policies, procedures, and security plans. The consultant will provide recommendations on program improvements, conduct a new Threat and Vulnerability Assessment, provide a new written security plan, and create a security training program to include curriculums for all employees. Management will implement a training program within 12 months.	<u>Update August 2022</u> : Updates to security plans, policies, and procedures have not yet been prepared and are expected to be completed between August and December 2022. <u>Update March 2023</u> : Certain policy updates are in process. Development of an updated Master Security Plan (MSP) has been delayed and is now expected to be complete by the end of 2023. <u>Update September 2023</u> : Significant progress has been made; however, development of a Master Security Plan and a physical security training program are not yet complete. The contractor has experienced delays in producing these deliverables. <u>Update March 2024</u> : A final draft of the MSP was delivered in November 2023 but has not been finalized, and signed/accepted by the Chief Executive Officer. A training program has been implemented starting in the first quarter of 2024.
1/26/22	21-511	Executive Office	Physical Access Security	Internal Audit recommends management develop and implement written policies, procedures, and protocols that address the timely issuance, termination, and use of badges. These procedures should be referenced in contracts with Contracted Transportation Services (CTS) providers and be communicated to OCTA staff. Management should also ensure secondary controls are operating as intended.	Jul-24	Management is reviewing the issuance and termination of access badges in order to document processes. Management will work with other departments, including CTS, to advise of procedures for issuing and terminating access badges and encourage those departments to include procedures in their contracts, as appropriate. Additionally, management is currently reviewing and documenting procedures to ensure secondary controls are being utilized. Review and updating of procedures will conclude with the creation of a new Physical Access Policy to be completed by June 30, 2022.	<u>Update August 2022</u> : Management has not yet developed policies, procedures, and protocols to address timely issuance, termination, and use of access badges coordinated through OCTA. An Access Control Policy was originally expected to be completed by June 30, 2022, but has taken longer than expected due to the need to update the Physical Security Policy first. <u>Update March 2023</u> : Management expects an updated Access Control Policy (Policy) to be completed soon, and updates to agreements with CTS providers are in process. <u>September 2023</u> : Significant progress has been made; however, monitoring controls outlined in the newly-developed Policy have not yet been implemented. <u>Update March 2024</u> : Monitoring controls related to access control have been implemented; however, improvement is needed.

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<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Internal Audit Status</b>
2/9/22	21-507	Operations Division (Operations)	Facilities Maintenance (FM) Operations	Internal Audit recommends management implement a perpetual inventory system to track purchasing activity and maintain inventory of all parts and supplies. Purchasing, storage, issuance, and disposal activities should be centralized and include controls to ensure proper authorization for purchases, physical security of inventory items, and proper assignment of costs to work orders.	Aug-24	FM contracts for parts and supplies will be transferred to the Contracts Administration and Materials Management (CAMM) Department by July 2022. By February 2023, FM parts and supplies stored outside of CAMM's control will be brought into the inventory system for proper storage and issuance. The current Enterprise Asset Management (EAM) system is not capable of assigning all costs to FM work orders; however, a new EAM system is being implemented and should be capable of properly assigning costs to work orders. The new EAM system is estimated to be fully implemented in mid-2023.	<u>Update September 2022</u> : Management has completed transferring contracts to CAMM and a process to bring FM parts inventory into CAMM for proper storage and issuance has been established and is on track to be completed by February 2023. As stated in the original response, the current asset management system is not capable of assigning all costs to work orders. A new system will be implemented in mid-2023. <u>Update March 2023</u> : Management is still in the process of implementing a centralized inventory system and expects that physical transfer of all inventory may take up to two years. <u>Updated August 2023</u> : Management is still in the process of transferring parts inventory to centralized CAMM control. <u>Update March 2024</u> : FM inventory for three bases has been transferred to centralized inventory. Transfer of inventory from the remaining two bases is expected to take six months to a year.
2/9/22	21-507	Operations and Finance and Administration (F&A) Division	FM Operations	Management should enhance its invoice review process to ensure compliance with OCTA's Vendor Payment Policy and contract payment terms. Vendor mark-ups should be discontinued from time-and-expense contracts. For contracts related to the purchase of parts and materials only, any items not listed on the price summary sheet should include supporting cost documentation. If mark-ups are to be allowed on parts-and-materials contracts, the proposed mark-ups should be incorporated into the evaluation of costs during the vendor selection process.	Aug-24	Management will immediately begin working on enhancing the current invoice cover page to include a checklist that will require acknowledgement of review for sufficient detail as to quantity and rates of costs and justification. To address the issue of providing sufficient detail and complying with contract terms, the checklist being developed will improve oversight. In terms of discontinuing vendor mark-ups in time-and-expense contracts, management will work with CAMM to develop a solution that will address the issue of vendor mark-ups as well as incorporating an evaluation of cost, if mark-ups are allowed, during the vendor selection process.	<u>Update September 2022</u> : Management has enhanced the invoice checklist to include review for sufficient detail as to quantity and rates. CAMM has implemented an evaluation methodology to assign a percentage of the cost score for items not listed on the price summary sheet. Management and CAMM continue to explore options including discounts from price sheets and using fair market values to justify and validate price mark-ups. <u>Update March 2023</u> : FM has enhanced its invoice review; however, CAMM staff needs to enhance its review of invoices for contracts that have been transferred to their control. <u>Update August 2023</u> : CAMM staff has implemented an invoice review checklist; however, Internal Audit identified some payments that do not comply with contract terms and some vendors that do not have published list prices, required in order to validate discounts. <u>Update March 2024</u> : CAMM has hired a contract analyst to manage and review invoices and implement enhancements to invoice review.

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5/8/23	23-508	Planning Division (Planning)	Measure M2 Comprehensive Transportation Funding Programs (CTFP) Project Audits	Management should enforce timely use of funds requirements or obtain Board of Directors' (Board) approval for exceptions to CTFP guidelines.	May-24	Management will consider either clarifying guidelines or seeking Board action on a case-by-case basis.	<u>Update February 2024</u> : Management's response indicated that staff is currently conducting an off-cycle review to update timely use of funds requirements and contract award verbiage, and that presentation of the revisions to the Board has been delayed to spring 2024.
5/8/23	23-508	Planning	Measure M2 CTFP Project Audits	Management should perform follow-up with the County of Orange (County) and the cities of Costa Mesa, Laguna Beach, and San Clemente on actions taken to address recommendations, including repayment of overcharges and duplicate charges by the City of Laguna Beach.	May-24	Direction to management provided in staff report. Management written response not required.	<u>Update February 2024</u> : Management response indicated staff was in communication with the City of Laguna Beach to recover amounts due related to overcharges and indirect cost charges and to recalculate indirect costs; however, no evidence of communication was provided and city staff indicated no communication have occurred. Follow-up with the County and other cities has been performed.
6/5/23	23-513	F&A	Lost and Found Operations	Management should enhance controls to ensure found cash and checks/money orders received are properly recorded and reconciled to deposits and general ledger entries.	Jun-24	Management will enhance controls of found cash and checks/money orders received for auctioned items and will do so by improving tracking procedures through the internal database application. Management will also ensure staff works in collaboration with the Accounting and Financial Reporting Department to ensure accurate recording and reconciliation of deposits to the general ledger.	<u>Update December 2023</u> : Management has updated its internal database application to include an auction funds section and has enhanced tracking procedures; however, evidence of deposit to the general ledger was not on file for all deposits since implementation of the verification procedures.
5/31/23	22-513	F&A	OCTA's Cybersecurity Program	Management should adopt and implement a policy that governs asset management and associated activities.	Jul-24	Management agreed to develop and implement a policy.	<u>Update February 2024</u> : Management has drafted requirements of an asset management system and plans to utilize a module of the FreshService system which is currently being implemented. Once implemented, an Asset Management Policy should be developed and implemented by October 2025.
5/31/23	22-514	F&A	OCTA's Cybersecurity Program	Management should implement a comprehensive vulnerability management program that includes identifying, assessing, prioritizing, remediating, and/or documenting vulnerabilities as "accepted risks" in a timely manner.	Jul-24	Management agreed and indicated that the current Vulnerability Policy will be enhanced and all issues will be remediated or documented as "accepted risks" in a timely manner going forward.	<u>Update February 2024</u> : Management is working to build dashboards to identify vulnerabilities and a reporting system to monitor remediation efforts. Management estimates full implementation of this recommendation by June 2024.

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5/31/23	22-515	F&A	OCTA's Cybersecurity Program	Management should update OCTA's Business Impact Analysis with direct input from the Cybersecurity Office and use results to inform the development, implementation, and maintenance of an updated Continuity of Operations Plan (COOP) and Disaster Recovery Plan (DRP), and test the DRP annually.	Jul-24	Management responded they are currently working with the SEP Department to review and update the COOP. Management plans to create playbooks to further improve the business continuity and disaster recovery processes to ensure business requirements are met.	<u>Update February 2024:</u> Management indicated that an initial portion of the disaster recovery runbook of core infrastructure applications has been completed and that a tabletop exercise of the incident response plan is planned for June 2024. Management will obtain an updated COOP and update its disaster systems recovery plans accordingly and implement annual testing of data and critical systems recovery by July 2024.
5/31/23	22-514	F&A	OCTA's Cybersecurity Program	Management should strengthen the data protection and privacy program by adopting a comprehensive policy, designating an individual to define and communicate data and privacy requirements, and perform user access reviews at least every 90 days for all internal employees and third party contractors that have OCTA user accounts and/or access to internal resources.	Jul-24	Management committed to implementing a comprehensive data protection and privacy program for all protected data and to designate the cybersecurity manager as the individual responsible to define and communicate data and privacy requirements. In addition, management agreed to implement user access reviews at least every 90 days.	<u>Update February 2024:</u> Management indicated they have begun, and will continue, to meet with departments that handle protected data to identify where the data is stored and who has access. Once completed, management plans to develop policies and processes to properly secure such data. In addition, management is working with Microsoft to implement a governance platform to control user access during the entire employment life cycle. Management estimates five percent progress to-date, with full implementation by April 30, 2025
5/31/23	22-514	F&A	OCTA's Cybersecurity Program	Management should strengthen third-party security management by requiring third-party consultants working with OCTA data to be subject to the same training as OCTA employees and be required to acknowledge OCTA information technology and cybersecurity policies. In addition access reviews of these third-party consultants should be conducted.	Jul-24	Management agreed and proposed additional security queries of vendors on a periodic basis, as well as development and implementation of a process to ensure all consultants working with OCTA data receive cybersecurity training and follow the same policy requirements as OCTA employees.	<u>Update February 2024:</u> Management has compiled a list of third-party vendors, along with contact information for each, and has developed a questionnaire for distribution to vendors. The Information Systems (IS) cybersecurity team will review responses and follow-up accordingly. This process will be repeated annually. In addition, IS has implemented a process to ensure all consultants/vendors receive and acknowledge cybersecurity training prior to being granted credentials in OCTA. Management estimates 75 percent progress to-date and full completion by March 2024.

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8/7/23	23-505	People and Community Engagement (PACE)	Life Insurance Benefits	Management should develop procedures to ensure that benefit entries into the payroll system are reviewed for accuracy and the monthly invoice process be enhanced to include reconciliation of premiums collected versus premiums paid.	Aug-24	Management agreed to enhance procedures to include the review of benefit entries and reconciliation of premiums collected versus premiums paid and investigate variances.	<u>Update February 2024</u> : Management responded that enhanced procedures have been implemented; however, since VOYA has not provided invoices for January and February 2024, Internal Audit was unable to confirm new procedures are being performed. As such, Internal Audit will follow up again in August 2024.
8/7/23	23-505	PACE	Life Insurance Benefits	Management should implement controls to properly coordinate the timing of annual premium updates and calculation and processing of invoices to ensure accuracy. Additionally, management should reconcile the employee payroll deductions for supplemental life insurance with the payroll system data detailing premiums paid to VOYA and investigate any variances	Aug-24	Management indicated they would implement controls for timely annual premium updates and reconcile payroll deductions to premiums paid.	<u>Update February 2024</u> : Management responded that controls to ensure timely system updates have been implemented and will reconcile premiums to payroll deductions; however, since VOYA has not provided invoices for January and February 2024, Internal Audit was unable to confirm new control procedures are being performed. As such, Internal Audit will follow up again in August 2024.
8/31/23	23-516	PACE	Bus Advertising Revenue Program	Management should implement controls to verify accurate and complete reporting of revenues, enforce reporting requirements, monitor free advertisements, and require the contractor to certify statements and the project manager to document reviews.	Aug-24	Management agreed to implement oversight procedures effective December 1, 2023.	<u>Update March 2024</u> : The project manager now verifies that remittances include required certification language and details as to bonuses. Also, management has documented procedures for a semi-annual verification of a sample of underlying advertising contracts. However, since these procedures have not yet been implemented, Internal Audit will follow-up again in six months to confirm procedures.
11/14/23	24-502	Operations and F&A	Cooperative Agreements with Regional Center of Orange County (RCOC) and My Day Counts (MDC)	Management should implement procedures to investigate and take action to address RCOC disputed trips and ensure timely submission and receipt of payments and related credit memos. Accounts Receivable (AR) staff should communicate with RCOC to obtain sufficient information to ensure payments are accurately recorded, remaining errors are corrected, and input a due date on invoices. AR staff should also establish a process to monitor and collect overdue balances.	May-24	RCOC billing procedures have been improved and disputed trips are now investigated and reconciled. The new process includes a tracking log to ensure timely submission of invoice requests. The new process should eliminate the need for credit memos. AR staff will communicate directly with RCOC to correct remaining errors and ensure due dates are included on all future invoices. Staff has also established a process for monitoring overdue balances and notifying project managers accordingly.	

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11/14/23	24-502	Operations	Cooperative Agreements with RCOC and MDC	Management should reconsider the current arrangement with MDC and, if continued, should amend contracts with RCOC and MDC to obligate RCOC to pay OCTA for pass-through amounts and to ensure disputed amounts are charged to MDC. Evaluation of per-trip subsidy amounts should include consideration of the pass-through payments going forward. Also, pass-through payment arrangements should be approved by the Board going forward. Management should also consider recovering from MDC amounts paid by OCTA for which RCOC reimbursement was not obtained.	May-24	The agreement with MDC will expire in June 2024 and staff will reconsider the pass-through arrangement at that time, as well as, ensure pass-through payments, if continued, are considered when evaluating the subsidy amount provided by OCTA. The new agreement will be subject to Board approval. Management has also revised billing procedures for pass-through trips to ensure disputed trips are deducted from payments to MDC; however, management has determined there is no contractual support to recover from MDC amounts for pass-through trips paid for by OCTA and disputed by RCOC.	
11/14/23	24-502	Operations and F&A	Cooperative Agreements with RCOC and MDC	Accounts Payable (AP) staff should ensure that invoices are properly authorized and verify that invoices are applied to the current agreement, and AR staff should ensure invoices are created against the current agreement. Operations should review invoices from MDC and reconcile trips before submitting invoices for payment.	May-24	AP staff will be provided refresher training to ensure invoices processed include the required signature authority and are applied to active agreements and a system control has been implemented to warn staff if an invoice is posted to an expired agreement. Going forward, AR staff will ensure invoices are created against the correct agreement. Operations staff have improved billing procedures for MDC to ensure full reconciliation prior to invoicing.	
11/20/23	Not Applicable	Planning	Investigation and Limited Scope Review of CTFP Scope Change for Project No. 20-HBCH-CBT-3960	Management should revise CTFP guidelines, with Board approval, to add guidance as to acceptable scope and/or programming changes to Project V projects, and include criteria to be used in evaluating changes. Staff should conduct and document evaluation of scope changes prior to seeking Board approval, and ensure that defined requirements are met. Reprogrammed projects should be evaluated against projects as originally scored when funding was approved.	May-24	Management will update operating procedures and implement standardized forms for documenting Project V scope change requests, including evaluation criteria and analysis. Scope changes will be reviewed against original project scoring criteria. Staff will also improve communication of scope changes in reports to the Board. Finally, management will review CTFP guidelines and consider changes to address scope changes by June 30, 2024.	

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11/20/23	Not Applicable	Planning	Investigation and Limited Scope Review of CTFP Scope Change for Project No. 20-HBCH-CBT-3960	Management should return to the Board with a clear description of the scope change action and its impact on future funding decisions, and request consideration of approval. Going forward, management should ensure accurate and complete communications with the Board.	May-24	Management will bring forward a more detailed description of the scope change in an upcoming staff report. This will clearly outline the timing, nature of changes, and draft recommendations that the change aligns with the intent and benefits of the original grant award. Moving forward, management will ensure scope changes are communicated openly with all relevant details.	
12/5/23	24-503	Executive Office	Transit Police Services (TPS)	Management should ensure annual work plans are developed and documented as required by the contract.	Jun-24	Management has begun compiling the annual work plan in conjunction with TPS and expects the plan to be published in March 2024.	
12/5/23	24-503	Executive Office	TPS	Management should implement a process to evaluate, estimate, and document the methodology of assigning TPS costs on an annual basis. Management should also consider implementing a process to accumulate and report all costs of providing transit security.	Jun-24	Management will collaborate with the Orange County Sheriff-Coroner Department to estimate and document contract costs on an annual basis. In addition, management will work with the Financial Planning and Analysis Department to ensure the ability for each department responsible for an aspect of providing or supporting TPS, to accumulate and consolidate transit security costs for a better understanding of the overall cost of transit security. Management will work with Financial Planning and Analysis to consolidate TPS associated costs and reporting by July 2024.	
12/5/23	24-503	Executive Office	TPS	Management should implement procedures to document agreements for enhanced services, including the type, time, and place of services, and obtain a cost estimate for services. Management should reconcile invoices for special services to these documents and obtain support, or include in the contract, the rates to be charged prior to authorizing payment.	Jun-24	Management will establish procedures to better document the estimates, agreed cost, and occurrence of special services performed. Management will also seek rates for services to be documented in annual contract amendments moving forward with the 2024-2025 TPS contract amendment. Work should conclude by May 2024.	

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March 31, 2024**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Internal Audit Status</b>
12/5/23	24-503	Executive Office	TPS	Management should strengthen controls over canine-related expense tracking and ensure all eligible costs are identified and submitted for grant reimbursement. Management should also review fiscal year (FY) 2022-23 eligible expenses that were not submitted and request reimbursement.	Jun-24	Management has begun improvements to canine-related expense tracking and to establish an enhanced invoice review process. Once established, the process will improve oversight to ensure eligible costs are identified and submitted for grant reimbursement. Starting immediately, and to be completed by the end of February 2024, management will work with the grants team to review eligible expenses and attempt to recover expenses of \$13,129.29 for FY 2022-23.	
1/15/24	23-504	F&A	Accounts Payable Operations (A/P)	Management should separate the ability to create or edit vendors from the ability to process payments, require a Computer Access Request form for all user access requests, enhance the annual accounting system access review, and restrict the number of users granted administrative rights in the accounting system.	Jul-24	Management will separate the ability to create or edit vendors from the ability to process payments and will collaborate with the IS Department and create a new policy to strengthen controls over accounting system access.	
1/15/24	23-504	F&A	A/P	Management should review and update the Payment Request (PR) Policy, as necessary, and consider updating the PR form to include a checklist and details as to the types of allowable payments. Project managers should also be reminded of the proper use of PR's and staff should not process exceptions without approval.	Jul-24	Management will update the PR policy to enhance clarity and will update the PR form to ensure it is used in accordance with the PR policy. A/P staff have been reminded not to process exceptions without appropriate approval.	

**Outstanding Audit Recommendations  
Audit Reports Issued Through  
March 31, 2024**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Initiate Next Update</b>	<b>Management Response</b>	<b>Internal Audit Status</b>
3/11/24	24-506	PACE	College Pass Program	Agreements should be amended to accurately reflect all responsibilities and requirements for program operation, and management should enforce agreement requirements. Management should also develop, document, and implement procedures for administration of the program, including procedures for verifying the reasonableness of enrollment data provided by colleges for invoicing purposes and timely preparation of invoices. Management should implement procedures developed in December 2023, to monitor and collect outstanding receivables.	Sep-24	Management agrees that the agreements need to be more specific to each college, and procedures need to be formalized to administer the program beyond the pilot phase. Management will review and enhance agreement language by August 31, 2024. In addition, management will ensure the documentation and implementation of specific procedures for each aspect of program administration and will outline specific responsibility area(s) for program implementation and oversight by September 30, 2024.	
3/11/24	24-506	PACE	College Pass Program	Internal Audit recommends management update agreements to include requirements for security, inventory, distribution, and reporting of paper passes and implement monitoring controls to ensure colleges are complying with the requirements. Management should also strengthen controls to ensure all college bus passes are properly coded in the system.	Sep-24	Management will develop improved controls and a formal procedure for paper pass distribution to ensure proper security, accurate coding, reporting, and reconciliation, and amend agreements to include the procedures.	
3/13/24	24-509	F&A	Investments: Compliance, Controls, and Reporting: July through December 31, 2023	Internal Audit recommends Treasury utilize month-end bank statements when preparing monthly reports.	Sep-24	Management will ensure that month-end bank statements are used for monthly reports.	
3/13/24	24-509	F&A	Investments: Compliance, Controls, and Reporting: July through December 31, 2023	Internal Audit recommends OCTA discontinue paying fees associated with accounts whose portfolio values are not automatically updated in the Clearwater system.	Sep-24	Management is actively addressing the issues pertaining to the subject accounts. The accounts have been removed from the Clearwater system until such time that a resolution is achieved.	

**Audit Recommendations Closed During  
Third Quarter, Fiscal Year 2023-24**

**ATTACHMENT C**

<b>Audit Issue Date</b>	<b>Report Number</b>	<b>Division/ Department/ Agency</b>	<b>Audit Name</b>	<b>Recommendation</b>	<b>Internal Audit Status Comments</b>
1/10/23	23-503	People and Community Engagement (PACE)	Administrative Employee Mandatory Training and Employee Educational Reimbursements	Management should implement monitoring controls to ensure all administrative employees obtain mandatory training within required timeframes. Management should also ensure mandatory annual training is obtained and employee merit increases are withheld for non-compliance, as required by policy.	Management has implemented monitoring controls by running weekly reports and regular follow-up is performed with employees that require training.
8/7/23	23-505	PACE	Life Insurance Benefits	Management should amend the Personnel and Salary Resolution to accurately outline and/or reference age-related benefit reductions and should consult legal counsel about a resolution to the Coach Operator Collective Bargaining Agreement language that does not disclose age-related deductions or benefits provided to spouse/domestic partner and children. Management should also consult legal counsel to determine if undisclosed reductions to benefits paid should be corrected.	Management has included disclosure of all age-related benefit reductions in the Coach Operator's Benefits Guide. Management asserted that reference to the Benefits Guide for administrative and Transportation Communications Union employees will be included in the upcoming 2024-25 Personnel and Salary Resolution, to be presented for Board approval in June 2024. Management indicated that legal counsel advised that inclusion of this information in the respective benefit guides represents sufficient disclosure.
8/7/23	23-505	PACE	Life Insurance Benefits	Management should implement procedures to ensure accuracy, completeness, and timely submission of claim forms, and monitor timeliness of claim payments. Management should also consider further efforts to determine whether interest applied to proceeds complies with California law.	Management has implemented procedures to monitor claims for accuracy, completeness and timely submission. Management obtained additional documentation from VOYA as to interest applied to proceeds.
8/31/23	23-515	Finance and Administration (F&A)	Oversight Controls and Contract Compliance Related to the Anaheim Canyon Metrolink Station Project	Management should enhance controls to ensure all procurements exceeding the stated thresholds are presented as regular calendar items, as required.	The Contracts Administration and Materials Management (CAMM) Department sent a memo to the executive team, communicating the policy requirement. In addition, CAMM's weekly updates to the Chief Financial Officer on upcoming procurement-related staff reports now identify items that need to be discussed as regular items
8/31/23	23-515	Capital Programs and F&A	Oversight Controls and Contract Compliance Related to the Anaheim Canyon Metrolink Station Project	Extra work should not be authorized until a Change Directive has been issued to the construction contractor. Management should also ensure all documentation to validate pricing is included in Contract Change Order (CCO) back-up files. Management should also ensure contract files include final amendment proposals and support for Other Direct Costs (ODC). Labor rates of sole proprietors should be validated and amendment proposals for fixed price contracts should include employee names rather than labor categories.	Capital Programs sent a memo to staff, reminding staff that change directives should be issued by the project manager prior to performance of any extra work and that CCO files should include supporting documentation to validate all labor rates. CAMM developed procedures on validating labor rates of sole proprietors and sent an email to staff, reminding them to include final amendment proposals in the contract file and encouraging consultants to identify named personnel in amendments to firm fixed price contracts.

**Audit Recommendations Closed During  
Third Quarter, Fiscal Year 2023-24**

8/31/23	23-515	F&A	Oversight Controls and Contract Compliance Related to the Anaheim Canyon Metrolink Station Project	Management should not authorize work until contract authority has been obtained. Management should consistently obtain payroll registers for all staff billed under labor classifications and should obtain cost support for any ODC billed but not listed in the contract. Management should also require construction managers to prepare quantity sheets to support billed CCO items.	Capital Programs sent a memo to staff, reminding staff that invoices should not be submitted for work that has not yet been authorized and all documentation requirements for payments are fully met.
2/28/23	23-501	PACE	Workers' Compensation Program	Management should enhance monthly reviews of Intercare's check payments to include review of temporary benefit calculations and settlement calculations with supporting documentation. Management should also review paper transactions and reconcile Intercare's listing of checks sent to the Orange County Transportation Authority (OCTA) to what has been received and deposited. Checks received by OCTA should be deposited in a timely manner. Finally, management should request Intercare provide a detailed invoice from Express Scripts to support payments.	Staff has begun reviewing temporary benefit calculations and settlement calculations with supporting documentation, paper transactions added to the check replenishment, and detailed information to support payments to the pharmacy provider. In addition, Intercare is now reporting to OCTA staff all the checks received by Intercare each month; which OCTA staff can then use for reconciliation and monitoring.
9/11/23	24-501	F&A	Investments: Compliance, Controls and Reporting, January 1, 2023 through June 30, 2023	The Treasury Department (Treasury) should prepare daily cash forecasts on a timely basis and the Treasury manager should perform all steps on the checklist prior to presenting investment reports to the F&A Committee. All forecasts, checklists, worksheets, and reports that require manager review should include a date stamp, such as the Foxit software approval stamp, to evidence timely review.	Internal Audit tested on a sample basis and confirmed that the Daily Bank of the West Investment Worksheets were prepared and reviewed on a timely basis and were time stamped,
9/11/23	24-501	F&A	Investments: Compliance, Controls and Reporting, January 1, 2023 through June 30, 2023	Treasury should provide monthly investment reports to the F&A Committee within 45 days of quarterly month end, consistent with the benchmark outlined in the government code for quarterly reports.	Internal Audit tested and confirmed that the September and December 2023 reports were submitted to the F&A Committee within the 45-day requirement.



**April 24, 2024**

**To:** Finance and Administration Committee

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

Janet Sutter, Executive Director  
Internal Audit

**Subject:** Review of Interstate 405 Improvement Project: Design-Build Contract, Internal Audit Report No. 24-507

### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of the design-build contract for the Interstate 405 Improvement Project. Based on the audit, oversight and invoice review controls were in place and invoices complied with contract provisions. One recommendation was made to improve documentation in the Orange County Transportation Authority's files.

### **Recommendation**

Direct staff to implement the recommendation provided in the Review of Interstate 405 Improvement Project: Design-Build Contract, Internal Audit Report No. 24-507.

### **Background**

The Orange County Transportation Authority (OCTA), in cooperation with the California Department of Transportation (Caltrans) and the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, implemented the Interstate 405 (I-405) Improvement Project between State Route 73 (SR-73) and Interstate 605 (I-605). The project added one general purpose lane in each direction from Euclid Street to I-605, consistent with Measure M2 Project K, and added an additional lane in each direction that was combined with the existing high-occupancy vehicle lane to provide dual express lanes in each direction of the I-405 from SR-73 to I-605, otherwise known as the 405 Express Lanes.

On November 14, 2016, the OCTA Board of Directors (Board) awarded the design build contract to OC 405 Partners, a joint venture of OHL USA, Inc., and Astaldi Construction Corporation. OCTA executed the design-build contract with OC 405 Partners and issued Notice to Proceed (NTP) No. 1 on January 31, 2017. NTP No. 1 was a limited NTP for mobilization, design, and administrative activities. On July 27, 2017, OCTA issued NTP No. 2 to OC 405 Partners. NTP No. 2 was a full NTP for all activities, including construction. The lump-sum contract price was \$1,217,065,000.00. Contract change orders totaling \$292,070,433.44 had been executed as of September 2023.

### ***Discussion***

OCTA file documentation can be improved to ensure complete records of invoice payments and evidence of progress meetings. Invoice payment records filed in OCTA's accounting system do not contain all relevant supporting documents, including stop payment notices, release of stop payment notices, daily extra work reports, and supporting work tickets. In addition, meeting minutes for weekly design-build management meetings were not consistently included in the project files, and sign-in sheets were not always attached. Internal Audit recommended that management file all supporting documentation with the invoice payments in OCTA's accounting system, as the central repository. Management should also ensure that meeting minutes with sign-in sheets are consistently included in the project files. Management agreed to work with the Finance and Administration Division to include relevant supporting documents going forward in the invoice payment records in OCTA's accounting system. Management also agreed to ensure that meeting minutes with sign-in sheets for active meetings are consistently included in the project files.

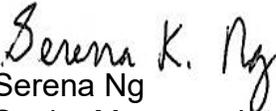
### ***Summary***

Internal Audit has completed an audit of the design-build contract for the I-405 Improvement Project and has offered one recommendation for improvement.

***Attachment***

- A. Review of Interstate 405 Improvement Project: Design-Build Contract,  
Internal Audit Report No. 24-507

**Prepared by:**

  
Serena Ng  
Senior Manager, Internal Audit  
714-560-5938

**Approved by:**

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

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Review of Interstate 405 Improvement Project: Design-Build Contract

### Internal Audit Report No. 24-507

April 9, 2024



**Audit Team:**

Serena Ng, CPA, Senior Manager  
Janet Sutter, CIA, Executive Director

**Distributed to:**

Jim Beil, Executive Director, Capital Programs  
Rose Casey, Jeff Mills, Dennis Mak, Steven King, Pia Veaspen

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of Interstate 405 Improvement Project: Design-Build Contract  
April 9, 2024**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of Interstate 405 Improvement Project: Design-Build Contract  
April 9, 2024**

## **Conclusion**

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of the design-build contract for the Interstate 405 (I-405) Improvement Project. Based on the audit, oversight, and invoice review, controls were in place and invoices complied with contract provisions. One recommendation was made to improve documentation in OCTA files.

## **Background**

OCTA, in cooperation with the California Department of Transportation (Caltrans) and the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, implemented the I-405 Improvement Project between State Route 73 (SR-73) and Interstate 605 (I-605). The project added one general purpose lane in each direction from Euclid Street to I-605, consistent with Measure M2 Project K, and added an additional lane in each direction that was combined with the existing high-occupancy vehicle lane to provide dual express lanes in each direction of the I-405 from SR-73 to I-605, otherwise known as the 405 Express Lanes.

On November 14, 2016, the OCTA Board of Directors (Board) awarded the design-build contract to OC 405 Partners, a joint venture of OHL USA, Inc., and Astaldi Construction Corporation. OCTA executed the design-build contract with OC 405 Partners and issued Notice to Proceed (NTP) No. 1 on January 31, 2017. NTP No. 1 was a limited NTP for mobilization, design, and administrative activities. On July 27, 2017, OCTA issued NTP No. 2, to OC 405 Partners. NTP No. 2 was a full NTP for all activities, including construction. The lump-sum contract price was \$1,217,065,000. Contract change orders (CCO) totaling \$292,070,433.44 had been executed as of September 2023.

When construction began, the project budget was \$1,900,000,000 and design-build construction was estimated to be complete in April 2023. The project budget increased to \$2,080,234,000 in January 2021, and increased to \$2,159,999,697 in August 2023. The estimated completion date was revised to May 2023 in August 2017, and revised to February 2024 in January 2021. All lanes opened in the beginning of December 2023.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of Interstate 405 Improvement Project: Design-Build Contract  
April 9, 2024**

## **Objectives, Scope, and Methodology**

The objectives were to assess oversight controls, invoice review controls, and contract compliance related to the design-build contract for the I-405 Improvement Project.

According to generally accepted government auditing standards, internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.<sup>1</sup> The components and principles that were evaluated as part of this audit are:

- Control Environment
  - OCTA demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- Control Activities
  - OCTA selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Information and Communication
  - OCTA obtains or generates and uses relevant, quality information to support the functioning of internal control.
- Monitoring
  - OCTA evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

The methodology consisted of assessing invoice review procedures and testing all invoices from OC 405 Partners for compliance with policies and contract provisions, testing evidence of weekly progress meetings, testing a judgmental sample of CCOs, testing a judgmental sample of monthly status reports, and testing judgmental samples of quarterly capital project status reports and specific project updates to the Board.

The scope is limited to the design-build contract with OC 405 Partners and excludes all other contracts. The scope included all invoices paid from contract inception through November 2023, and all weekly progress meetings. The scope included internal monthly status reports from December 2021 through December 2023, quarterly capital project status reports to the Board from the third quarter of fiscal year (FY) 2021-22 through the second quarter of FY 2023-24, and specific project updates made to the Board in calendar years 2022 and 2023. The scope also included a judgmental sample of 25 CCOs. The judgmental samples were selected to provide coverage of the more recent status reporting and capturing a mix of lump-sum and time and materials CCOs throughout the

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<sup>1</sup> See U.S. Government Accountability Office publication, "Standards for Internal Control in the Federal Government," available at <http://www.gao.gov/products/GAO-14-704G>, for more information.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of Interstate 405 Improvement Project: Design-Build Contract  
April 9, 2024**

construction phase. Since the samples are non-statistical, any conclusions are limited to the sample items tested.

Internal Audit conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Review of Interstate 405 Improvement Project: Design-Build Contract  
April 9, 2024**

**Audit Comment, Recommendation, and Management Response**

**OCTA File Documentation**

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OCTA file documentation can be improved to ensure complete records of invoice payments and evidence of progress meetings.

Invoice payment records filed in OCTA's accounting system do not contain all relevant supporting documents. For example, stop payment and release of stop payment notices were often not included with the invoice payment records to support withheld and released amounts. Additionally, daily extra work reports and supporting work tickets were also not filed with invoice payment records. Copies of daily extra work reports were found in project files and extra work tickets were on file with the construction management consultant based on the month the tickets were approved, rather than the month paid.

In addition, meeting minutes, along with sign-in sheets, are typically prepared to document progress meetings; however, meeting minutes for weekly design-build management meetings were not consistently filed in the project files, and sign-in sheets were not always attached.

**Recommendation 1:**

Internal Audit recommends that management file stop payment and release notices, daily extra work reports, and supporting tickets, and any other supporting documentation with the invoice payment records in OCTA's accounting system. Management should also ensure that meeting minutes with sign-in sheets are consistently filed with the project files.

**Management Response:**

Management agrees with the recommendation. The Capital Programs Division will work with the Finance and Administration Division to include relevant supporting documents going forward, including stop payment and release notices, daily extra work reports, and supporting work tickets in the invoice payment records in OCTA's accounting system. Staff will also ensure that meeting minutes with sign-in sheets for active meetings are consistently filed with the project files.



**April 24, 2024**

**To:** Finance and Administration Committee

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

**Subject:** Approval of the Fiscal Year 2024-25 Local Transportation Fund Claim for Laguna Beach Public Transportation Services

### **Overview**

The Laguna Beach Municipal Transit Lines, a department within the City of Laguna Beach, is eligible to receive funding from the Local Transportation Fund in Orange County for providing public transportation services throughout the city. To receive the funds, the Laguna Beach Municipal Transit Lines must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

### **Recommendations**

- A. Approve the Laguna Beach Municipal Transit Lines Fiscal Year 2024-25 Local Transportation Fund claim for public transportation services, in the amount of \$1,532,505.
- B. Authorize the Chief Executive Officer of the Orange County Transportation Authority to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the amount of the claim.

### **Background**

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to public transit and non-transit-related projects. The TDA created a Local Transportation Fund (LTF) for transportation purposes specified in the TDA in each county in California. Revenues are derived from one quarter cent of the current retail sales tax. The LTF revenues are collected by the California Department of Tax and Fee Administration and returned to the local jurisdictions based on the volume of sales during each month.

**Approval of the Fiscal Year 2024-25 Local Transportation Fund Page 2  
Claim for Laguna Beach Public Transportation Services**

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As required by the TDA, in Orange County, the LTF receipts are deposited in the Orange County LTF account (Fund 182) in the Orange County Treasury and are administered by the Orange County Auditor-Controller (OCAC).

In Orange County, the Orange County Transportation Authority (OCTA) is the Transportation Planning Agency (TPA) responsible for the allocation of the LTF within its jurisdiction. Upon instructions from OCTA, LTF receipts are distributed by the OCAC among the various administrative, planning, and public transportation apportionments as specified in the TDA.

The Orange County Transit District and the Laguna Beach Municipal Transit Lines (LBMTL) are the only public transit operators in Orange County eligible to receive allocations from the LTF. Article 4 of TDA Section 6630 of the California Code of Regulations requires the City of Laguna Beach (City) to file a claim with OCTA to receive an allocation from the LTF for providing public transportation throughout the City.

***Discussion***

On March 25, 2024, the OCTA Board of Directors approved the amended LTF fiscal year (FY) 2024-25 apportionments. The total apportionment approved for LBMTL equaled \$1,532,505.

On March 26, 2024, the Laguna Beach City Council adopted a resolution authorizing the filing of an LTF claim with OCTA for public transportation services. The City submitted its FY 2024-25 LTF claim in the amount of \$1,532,505, that will be used by LBMTL to meet FY 2024-25 operating expenses. OCTA, as the TPA for Orange County, is authorized to approve LTF claims and make payments from the LTF through written instructions to the OCAC.

***Summary***

OCTA's approval of the City claim against the Orange County LTF in the amount of \$1,532,505, will enable the LBMTL to continue providing public transportation services throughout the City during FY 2024-25.

***Attachment***

None.

**Prepared by:**



Sam Kaur  
Department Manager,  
Revenue and Grants Administration  
(714) 560-5889

**Approved by:**



Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
(714) 560-5649



**April 24, 2024**

**To:** Finance and Administration Committee

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

**Subject:** Approval of the Fiscal Year 2024-25 Local Transportation Fund Claim for Public Transportation and Community Transit Services

**Overview**

The Orange County Transit District is eligible to receive funding from the Local Transportation Fund for providing public transportation and community transit services throughout Orange County. To receive the funds, the Orange County Transit District must file a claim against the Local Transportation Fund with the Orange County Transportation Authority.

**Recommendations**

- A. Approve the Orange County Transit District Fiscal Year 2024-25 Local Transportation Fund claim for public transportation services in the amount of \$212,667,523.41, and for community transit services in the amount of \$11,273,685.71 for a total claim amount of \$223,941,209.12.
- B. Authorize the Chief Executive Officer to issue allocation/disbursement instructions to the Orange County Auditor-Controller in the full amount of the claims.

**Background**

The Transportation Development Act (TDA) of 1971 established a funding source dedicated to public transit and non-transit related projects. The TDA created a Local Transportation Fund (LTF) in each county for transportation purposes specified in the TDA. Revenues are derived from one quarter cent of the current retail sales tax.

The LTF revenues are collected by the California Department of Tax and Fee Administration and returned to local jurisdictions based on the volume of sales during each month. As required by the TDA, LTF receipts are deposited with the

Orange County Treasury (Fund 182) and are administered by the Orange County Auditor-Controller (OCAC). The Orange County Transportation Authority (OCTA) is the Transportation Planning Agency (TPA) responsible for the allocation of the LTF. Upon instructions from OCTA, LTF receipts are disbursed by the OCAC among the various administrative, planning, and public transportation apportionments as specified in the TDA.

In Orange County, OCTA has designated the Orange County Transit District (OCTD) as the public transportation services operator and the Consolidated Transportation Services Agency. Therefore, OCTD is the claimant for Article 4 and 4.5 funds. Section 6630 of the California Code of Regulations requires OCTD to file a claim with OCTA to receive an allocation from the LTF for providing public transportation and community transit services under Articles 4 and 4.5 of the TDA.

### ***Discussion***

On March 25, 2024, the OCTA Board of Directors (Board) approved the amended LTF fiscal year (FY) 2024-25 apportionments. A total of \$223,941,209.12 was approved for OCTD, consisting of \$212,667,523.41 for Article 4 public transit services and \$11,273,685.71 for Article 4.5 community transit services. Public transit services provide support to the public transportation system and aid to public transportation research and demonstration projects, while community transit services are services for those, such as the disabled, who cannot use conventional transit services.

On March 25, 2024, the OCTD Board also adopted a resolution authorizing the filing of the LTF claim for a total of \$223,941,209.12 for funding public transportation and community transit services for FY 2024-25. OCTA, as the TPA for Orange County, is authorized to approve LTF claims and make payments from the LTF to OCTD as the consolidation transportation service agency for Orange County.

### ***Summary***

OCTA's approval of the OCTD claim against the LTF in the amount of \$223,941,209.12, will enable the OCTD to continue providing public transportation and community transit services throughout Orange County in FY 2024-25.

**Approval of the Fiscal Year 2024-25 Local Transportation  
Fund Claim for Public Transportation and Community  
Transit Services**

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**Page 3**

***Attachment***

None.

**Prepared by:**



Sam Kaur  
Department Manager  
Revenue and Grants Administration  
(714) 560-5889

**Approved by:**



Andrew Oftelie  
Chief Financial Officer  
Finance and Administration  
(714) 560-5649



**April 24, 2024**

**To:** Finance and Administration Committee

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

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Orange County Local Transportation Authority Report on Compliance with the Measure M2 Ordinance, Year Ended June 30, 2023

### **Overview**

Crowe LLP, an independent accounting firm, has issued results of its audit of the Orange County Local Transportation Authority's compliance with the Measure M2 Ordinance for the year ended June 30, 2023. Crowe LLP found that the Orange County Local Transportation Authority complied, in all material respects, with the compliance requirements of the Measure M2 Ordinance for the year ended June 30, 2023. In addition, no deficiencies in internal control over compliance were reported.

### **Recommendation**

Receive and file the Independent Auditor's Report on Compliance with the Measure M2 Ordinance and Report on Internal Control over Compliance for the year ended June 30, 2023, as an information item.

### **Background**

As spelled out in the Orange County Local Transportation Authority (OCLTA) Measure M2 (M2) Ordinance, the Taxpayers Oversight Committee (TOC) is responsible for reviewing annual audits, along with other materials, and holding an annual public hearing to determine whether the OCLTA is proceeding in accordance with the M2 Ordinance. In addition, following the public hearing, the TOC Chairperson is required to annually certify whether revenues have been spent in compliance with the M2 Ordinance. The TOC Chairperson has communicated that a compliance audit by an independent accounting firm is required in order to provide his annual certification.

In September 2023, the TOC voted to make a request to the OCTA Board of Directors (Board) to contract with an independent accounting firm for provision of a limited compliance audit for the fiscal year 2022-23. The audit would be limited to an opinion on OCTA's compliance with the M2 Ordinance, excluding testing at the jurisdiction level. On October 9, 2023, the Board approved the request and an amendment to the existing agreement with Crowe LLP (auditors), an independent accounting firm, was amended to provide for the audit.

***Discussion***

The auditors conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, and the M2 Ordinance. The objectives of the audit were to obtain reasonable assurance about whether material noncompliance with the M2 Ordinance occurred and express an opinion on compliance based on the audit.

The auditors found that OCLTA complied, in all material respects, with the compliance requirements of the M2 Ordinance and reported that no deficiencies in internal control were identified.

***Summary***

The auditors have issued the Orange County Local Transportation Authority Report on Compliance with the Measure M2 Ordinance for the year ended June 30, 2023.

***Attachment***

- A. Independent Auditor's Report on Compliance with the Measure M2 Ordinance and Report on Internal Control over Compliance

**Prepared by:**



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



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE MEASURE M2 ORDINANCE AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors  
Orange County Local Transportation Authority  
Orange, California

**Report on Compliance with the Measure M2 Ordinance**

We have audited Orange County Local Transportation Authority's ("OCLTA") compliance with the types of requirements described in the Orange County Local Transportation Authority, Ordinance No. 3 (the "Ordinance" or "M2 Ordinance"), that could have a direct and material effect on OCLTA's compliance with the Ordinance for the year ended June 30, 2023.

In our opinion, OCLTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Ordinance for the year ended June 30, 2023.

***Basis for Opinion on the Ordinance***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the Ordinance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of OCLTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance. Our audit does not provide a legal determination of OCLTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Ordinance.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on OCLTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Ordinance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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(Continued)

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about OCLTA's compliance with the requirements of the Ordinance.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Ordinance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding OCLTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of OCLTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Ordinance, but not for the purpose of expressing an opinion on the effectiveness of OCLTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Ordinance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Ordinance will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Ordinance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Ordinance. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Los Angeles, California  
March 26, 2024



**April 24, 2024**

**To:** Finance and Administration Committee

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

Janet Sutter, Executive Director,  
Internal Audit Department

**Subject:** Orange County Local Transportation Authority Measure M2 Maintenance of Effort, Agreed-Upon Procedures Report, City of Cypress, Year Ended June 30, 2023

**Overview**

BCA Watson Rice LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 maintenance of effort expenditures by the City of Cypress for the fiscal year ended June 30, 2023. Based on the procedures performed, the City of Cypress spent sufficient funds to meet the required minimum expenditures as outlined in a settlement agreement between the City of Cypress and the Orange County Transportation Authority.

**Recommendation**

Direct staff to develop recommendation(s) for Board of Directors' action related to the status of the City of Cypress' Measure M2 eligibility.

**Background**

On May 22, 2023, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Cypress (City) ineligible to receive or apply for Measure M2 revenues after agreed-upon procedures (AUP) performed for fiscal year (FY) 2021-22 found that the City had not met the minimum maintenance of effort (MOE) requirement of the Measure M2 Ordinance (Ordinance).

Due to the significance of the shortfall amount, the Board agreed to allow the City up to two years, through FY 2023-24, to make-up the shortfall amount. A written settlement agreement, dated August 14, 2023, was executed between OCTA and the City, that outlined requirements for the City to re-establish

eligibility. Among other items, the settlement agreement required the City to undergo, and pay for, AUPs of FY 2022-23 and FY 2023-24, to determine compliance with MOE requirements, including expenditures equaling the MOE minimum plus the shortfall amount identified during the FY 2021-22 AUP.

***Discussion***

BCA Watson Rice LLP, tested a sample of MOE expenditures for FY 2022-23, and found the City met the minimum MOE requirement and the shortfall amount identified in the FY 2021-22 AUP.

Per the settlement agreement, the City was required to spend \$4,988,926 in MOE, which included the minimum annual MOE plus the \$1,381,048 shortfall identified during the FY 2021-22 AUP. The City reported total MOE expenditures of \$5,108,162, and the auditors tested \$3,724,004, or 73 percent of those. No ineligible or questioned costs were identified.

The detailed AUP report can be found at Attachment A.

***Summary***

The auditors have completed agreed-upon procedures related to Measure M2 MOE expenditures by the City for FY 2022-23.

***Attachment***

- A. City of Cypress, Measure M2 Maintenance of Effort, Independent Accountant's Report on Applying Agreed-Upon Procedures, for the Year Ended June 30, 2023

**Prepared by:**



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

# **CITY OF CYPRESS**

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## **MEASURE M2 MAINTENANCE OF EFFORT**

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

**For the Year Ended June 30, 2023**



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2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501  
t: (310) 792-4640 f: (310) 792-4140



2355 Crenshaw Blvd. Suite 150  
Torrance, CA 90501

Telephone: 310.792.4640  
Facsimile: 310.792.4331  
[www.bcawr.com](http://www.bcawr.com)

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Orange County Local Transportation Authority (OCLTA), related to the City of Cypress' (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Measure M2) as of and for the fiscal year ended June 30, 2023. The City's management is responsible for compliance with the Ordinance.

The OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the City's compliance with Measure M2 Maintenance of Effort (MOE) requirements as of and for the fiscal year ended June 30, 2023. We make no representations 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 are as follows:

- 1) Obtain the Settlement Agreement between OCTA and the City and identify the required minimum amount to be spent on MOE expenditures.

**Findings:** Per the Settlement Agreement between OCTA and the City, the required minimum amount to be spent on MOE expenditures is \$4,988,926, which includes the minimum required MOE expenditures for FY 2022/2023 of \$3,607,878 and a shortfall from FY 2021/2022 of \$1,381,048.

- 2) Describe which funds the City used to track all street and road expenditures and inquire how the City identifies MOE expenditures in the general ledger.

**Findings:** MOE expenditures were tracked in the City's general ledger by fund (three digits), programs (five digits), and in some cases, a sub-program (four digits). There are two types of expenditures recorded in the City's general ledger applied against the MOE – right-of-way maintenance operating expenditures and capital project expenditures funded by the general fund.

Expenditures for personnel, supplies, and services in the following maintenance operating program (70212) are applied against the MOE and recorded in the City's General Fund (111).

- Street Maintenance (111-70212-7212)
- Street Cleaning (111-70212-7213)
- Traffic Safety (111-70212-7214)
- Tree Maintenance (111-70212-7216)
- Parkway Maintenance (111-70212-7217)
- Sidewalk Repair (111-70212-7238)

Expenditures for street right-of-way Capital Improvement Program projects paid using the City's General Funds are applied against the MOE and recorded in the City's Capital Projects Fund (415). For FY 2022/2023, the following street projects (80100) and parkway projects (80500) were fully or partially funded with General Fund monies.

- Residential Street Resurfacing (415-80100-8011)
- Arterial Street Rehabilitation (415-80100-8012)
- Sidewalk/Concrete Repair (415-80500-8051)
- Tree Planting (415-80500-8055)

Additionally, a portion of personnel costs charged to storm drain maintenance (261-70281) is applied to the MOE for annual catch basin cleaning and recorded in the Storm Drainage Fund (261).

Furthermore, indirect costs are computed separately, utilizing the indirect cost rates derived from the City's FY 2021/2022 Cost Allocation Plan finalized in October 2023. These rates are applied to the actual FY 2022/2023 direct labor and fringe charges associated with the Right-of-Way Maintenance Operating expenditures and the Storm Drain Maintenance expenditures related to annual catch basin cleaning are included in the MOE for FY 2022/2023.

- 3) Obtain the details of MOE expenditures for the Fiscal Year ended June 30, 2023, and agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, Line 18). Explain any differences.

**Findings:** The City's Expenditure Report (Schedule 3, Line 18) recorded total MOE expenditures of \$5,108,162. The details of MOE expenditures for the Fiscal Year ended June 30, 2023, also totaled \$5,108,162. No discrepancies were identified between the City's Expenditure Report and the detailed MOE expenditures breakdown.

- 4) Select a sample of MOE expenditures from the City's general ledger expenditure detail, ensuring adequate coverage. Describe the number and percentage of total expenditures selected for testing. 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, timecards, journal vouchers, or other appropriate supporting documentation.
  - b. Verify that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

**Findings:** We selected 50 direct MOE expenditures totaling \$2,552,782, which represents approximately 64.8% of direct MOE expenditures of \$3,936,940 for the fiscal year ended June 30, 2023. No exceptions were found as a result of this procedure.

- 5) Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, Line 1). Explain any differences. If applicable, obtain details of the indirect costs charged and select a sample of charges for inspection, ensuring adequate coverage. Inspect supporting documentation for reasonableness and appropriate methodology.

**Findings:** For FY 2022/2023, indirect costs of \$1,171,222 were included within the overall MOE expenditures of \$5,108,162. These indirect costs agreed with the amount reported in the City's Expenditure Report (Schedule 3, line 1).

In FY 2022/2023, the calculation of indirect costs was conducted separately, utilizing the indirect cost rates/percentages determined in the City's FY 2021/2022 Cost Allocation Plan, and the indirect cost rates/percentages were applied to the actual direct labor and fringe costs associated with the Right-of-Way Maintenance Operating expenditures and the Storm Drain Maintenance expenditures related to annual catch basin cleaning.

The City engaged an external contractor, Revenue and Cost Specialist, LLC to develop a cost allocation plan utilizing actual audited amounts from FY 2021/2022. The indirect cost rates/percentages derived from this plan were applied to calculate the indirect costs for FY 2022/2023. This cost allocation process adhered to Office of Management and Budget guidelines and underwent thorough review and certification by the City.

The methodology used to calculate and allocate the \$1,171,222 in indirect cost to MOE expenditures appears to be reasonable, appropriate, and adequately supported.

- 6) The auditor report should include details of any ineligible and/or questioned costs and report the remaining total MOE expenditures after the removal of such items. This should be compared to the amount required to be spent per procedure 1) above.

**Findings:** Based on our procedures performed, no ineligible and/or questioned costs were detected.

We were engaged by OCTA to perform this agreed-upon procedure engagement and conducted our engagement in accordance with attestation standards established by the AICPA. 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 City's compliance with Measure M2 MOE requirements. 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 the management and the board of directors of OCTA and the City and is not intended to be and should not be used by anyone other than those specified parties.

*BCA Watson Rice, LLP*

Torrance, California  
March 18, 2024



**April 24, 2024**

**To:** Finance and Administration Committee

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

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Orange County Local Transportation Authority Measure M2  
Agreed-Upon Procedures Reports, Year Ended June 30, 2023

### **Overview**

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Local Fair Share funds provided to seven cities, and Senior Mobility Program funds provided to six cities, for the fiscal year ended June 30, 2023. Local Fair Share program reports include observations of indirect charges lacking a reasonable methodology, indirect charges allocated based on an aged allocation plan, and reporting errors. Senior Mobility Program audits include observations relating to failure to meet the program match requirement, late submission of a monthly report, reporting errors, failure to allocate interest, and third-party contract language.

### **Recommendations**

- A. Direct staff to monitor implementation of corrective actions by cities.
- B. Direct staff to review with legal counsel the results of agreed-upon procedures applied to the cities of Buena Park and Orange and develop recommendations for Board of Directors' consideration to address the exceptions related to Local Fair Share expenditures by the City of Buena Park and maintenance of effort expenditures by the City of Orange.
- C. Direct staff to withhold funds from a future payment to the City of Mission Viejo to address the shortfall in match funds in accordance with the Senior Mobility Program Guidelines.

***Background***

Annually, the Audit Subcommittee (Subcommittee) of the Taxpayer Oversight Committee selects a sample of local jurisdictions receiving Measure M2 (M2) funding for review to determine the local jurisdictions' level of compliance with provisions of the M2 Ordinance. For the fiscal year (FY) ended June 30, 2023, the Subcommittee selected seven cities for review of Local Fair Share (LFS) program funding and six cities for review of Senior Mobility Program (SMP) funding. The agreed-upon procedures (AUP) applied for these reviews were originally approved by the Subcommittee.

The LFS program is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. Since the LFS program is intended to augment, not replace, existing transportation investments, each jurisdiction is required to maintain a minimum level of local street and roads expenditures to conform to a defined maintenance of effort (MOE) requirement. MOE expenditures are required to conform to State Controller's Office Gas Tax Guidelines. Cities are required to submit copies of their Seven-Year Capital Improvement Plan, reflecting projects that will be funded with LFS.

The SMP is a formula-based allocation provided to eligible, participating jurisdictions for local community transportation services that best meet the needs of their senior communities. M2 revenues provide 80 percent of the program cost, and participating local jurisdictions provide a 20 percent match. Seniors must be age 60 or older to be eligible to participate in the program. A cooperative agreement, along with a written service plan, is executed between the local jurisdiction and the Orange County Local Transportation Authority (OCLTA) to outline requirements of the program and to describe services to be provided. Cities are required to submit monthly SMP activity reports within 30 days of month end.

All M2 revenues, interest earned on net revenues, expenditures, and expenditures of earned interest are required to be reflected on an annual expenditure report. The expenditure report requires certification by the respective city's finance director and must be adopted by the city council and filed with OCLTA, within six months of FY end.

***Discussion***

Crowe LLP (auditors) conducted interviews of city finance and program-related staff, and applied the AUPs, including testing of expenditures for compliance with program requirements, review of indirect costs for adequate support and

reasonableness, testing to ensure allocation of interest, and testing of annual expenditure reports for accuracy.

Agreed-Upon Procedures: LFS Program Funds

The auditors examined the cities of Aliso Viejo, Anaheim, Buena Park, Costa Mesa, Orange, Santa Ana, and Stanton. No exceptions resulted from the AUPs applied to the cities of Costa Mesa and Stanton.

Auditors identified one or more reporting errors on the expenditure reports submitted by four cities and reported that the indirect cost allocation plan used by one city was aged, as it was developed based on analysis of activities that occurred over eight years prior.

Two cities lacked adequate documentation to support indirect costs allocated to MOE. Without sufficient documentation of a reasonable methodology used to support the indirect charges, auditors are unable to determine that the allocation of these costs is fair and equitable, as required. At the City of Buena Park (Buena Park), after removing unsupported indirect costs, the city continued to meet the minimum MOE requirement. However, after removal of unsupported indirect charges by the City of Orange (Orange), Orange no longer met its minimum MOE requirement of \$3,392,885. The amount of the shortfall is \$1,116,649. Orange responded that they would ensure indirect charges are supported, documented, and based on a reasonable allocation methodology going forward.

Insufficiently supported indirect charges to the LFS fund were identified at Buena Park. Auditors identified a total of \$387,576 in indirect labor allocation charges that were not supported by a documented, reasonable methodology. The allocation percentages used were based on managerial assumption of time spent by employees, rather than an analysis of historical or current data. As such, the auditors lacked the information necessary to confirm the allocation of labor charges as fair and reasonable. Buena Park responded that they acknowledge the result; however, they maintain that the methodology used is the same that was used and accepted by auditors during a prior AUP performed for the FY ended June 30, 2018. Buena Park management also stated that they have sample documentation to support that staff spent time working on street projects; however, the documentation was not accepted by the auditors due to challenges in quantifying the time spent. Buena Park feels that disallowing the entirety of the costs is unreasonable. Buena Park agreed to revise its indirect cost methodology to align with standards and recognizes the significance of ensuring fair and reasonable allocation of resources while fulfilling M2 objectives.

A summary of all findings and city management responses can be found in Attachment A. Detailed reports, along with written management letters, can be found in Attachment B.

Agreed-Upon Procedures: SMP Funds

The auditors examined the cities of Anaheim, Fullerton, Laguna Beach, Mission Viejo, Newport Beach, and Yorba Linda. No exceptions resulted from the AUPs applied to the cities of Anaheim, Newport Beach, and Yorba Linda.

Auditors identified errors in reporting expenditures at two cities and an error in reporting of fund balance at one city. Two cities were also found to have submitted a monthly report beyond the required 30-day timeframe. Auditors also reported that the third-party vendor contract for one city lacked language requiring the vendor to have wheelchair accessible vehicles available for use, as necessary. The city confirmed that, despite the lack of contract language, the vendor does provide wheelchair accessible vehicles, as necessary, and that required language will be included in any new contracts.

Auditors reported that the City of Mission Viejo (Mission Viejo) provided match expenditures of 18 percent, falling short of the required 20 percent match. Mission Viejo responded that the shortfall resulted from an error in the worksheet used by the city to monitor total expenditures and match fund amounts. Mission Viejo has contacted Orange County Transportation Authority (OCTA) staff to notify of the error. To address the match shortfall, the OCTA Board of Directors (Board) is being asked to direct staff to withhold funds from a future payment to the city, in accordance with the Board-approved SMP Guidelines.

The auditors also reported that the City of Laguna Beach (Laguna Beach) had not allocated interest to the SMP as required. Laguna Beach responded that, currently, interest is allocated at the fund level, rather than the program level. As a result, interest due to the SMP was allocated to their transit fund, within which the SMP is located. Laguna Beach agreed to allocate to the SMP directly going forward.

A summary of all findings and city management responses can be found in Attachment C. Detailed reports, along with written management letters, can be found in Attachment D.

***Summary***

The auditors have issued results of agreed-upon procedures applied to M2 LFS and SMP funds provided to 11 cities for the FY ended June 30, 2023.

***Attachments***

- A. Summary of Agreed-Upon Procedures Reports Orange County Local Transportation Authority Measure M2 Local Fair Share for the Year Ended June 30, 2023
- B. Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2023
- C. Summary of Agreed-Upon Procedures Reports Orange County Local Transportation Authority Measure M2 Senior Mobility Program for the Year Ended June 30, 2023
- D. Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Reports Year Ended June 30, 2023

**Approved by:**



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

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS**  
**Orange County Local Transportation Authority**  
**Measure M2 Local Fair Share for the Year Ended June 30, 2023**

**ATTACHMENT A**

City	Result	City Management Response
City of Aliso Viejo (Aliso Viejo)	Aliso Viejo reported 16 direct maintenance of effort (MOE) expenditures, totaling \$54,447, as indirect costs on its Expenditure Report.	Aliso Viejo concurs that costs were incorrectly categorized and will ensure future expenditure reports properly identify any indirect costs.
City of Anaheim (Anaheim)	Testing of direct MOE expenditures identified one expenditure related to parking structure rent, for \$44,528 that should have been reported as indirect.	Anaheim agreed that the expenditure, an internal governmental service charge, should have been reported as an indirect cost and will be reported properly going forward.
	Testing identified \$26,147 in indirect costs that Anaheim allocated based on a written cost allocation plan that was developed in 2016. While the methodology used is reasonable, the plan was based on an analysis of activities that took place over eight years ago.	Anaheim intends to review and update the MOE allocation plan, as necessary, and intends to do this every five years going forward.
	Testing identified 25 Local Fair Share (LFS) expenditures totaling \$34,188, that were reported by Anaheim as indirect expenditures, rather than direct expenditures, on their expenditure report.	Anaheim will report these expenses correctly going forward.
City of Buena Park (Buena Park)	Testing identified indirect costs and chargebacks that were not supported by a documented, reasonable methodology. These allocated costs and chargebacks were removed from the MOE, except for the allocated salary of one street maintenance superintendant who works exclusively on street and road related projects. After these adjustments, Buena Park continued to meet its MOE benchmark.	Buena Park provided one response to both exceptions, as follows: Buena Park accepts that its cost allocation methodology is no longer accepted by the Orange County Transportation Authority (OCTA), but maintains that the methodology is the same used and deemed acceptable during a prior review of the city in 2018. Buena Park has sample documentation to support that staff spent time working on street projects; however, the documentation was not accepted by the auditors due to challenges in quantifying the time spent. Buena Park maintains that it has provided compelling evidence of the resources dedicated and feels that disallowing the entirety of the costs is unreasonable. Buena Park will revise its indirect cost methodology to align with OCTA standards and recognizes the significance of ensuring the fair and reasonable allocation of resources while fulfilling Measure M2 (M2) objectives.
	Testing of LFS indirect expenditures identified \$387,576 in labor charges that were not supported by a documented, reasonable methodology. The allocated percentages for employee labor were based on a managerial assumption, rather than historical or current data. As such, sufficient information was not available to confirm these costs as fair and reasonable, and these allocations, except for the allocated salary of one street maintenance superintendant who works exclusively on street and roads-related projects, were not deemed allowable.	
City of Costa Mesa	None	None
City of Orange (Orange)	Testing identified a total of \$793,608 in indirect expenditures that were reported as direct expenditures.	Orange will implement procedures to ensure proper reporting of direct and indirect expenditures.
	Testing identified unsupported indirect cost allocations totaling \$1,576,443 to the MOE. After removing the unsupported costs, Orange no longer met its MOE benchmark.	Going forward, Orange will ensure that indirect charges are supported, documented, and use a reasonable allocation methodology.
	Testing identified 25 indirect expenditures totaling \$300,014, that should have been reported as direct.	Orange will implement procedures to ensure proper reporting of direct and indirect expenditures.
City of Santa Ana (Santa Ana)	Santa Ana reported MOE expenditures totaling \$14,667,250; however, the general ledger reflected total MOE expenditures of \$15,035,321, a variance of \$368,071. The variance was due to an error in not reporting the full transaction amount of eligible MOE expenditures.	Santa Ana will continue to review and monitor department procedures to ensure proper identification and tracking of MOE expenditures.
	Santa Ana's LFS fund balance of \$14,831,604 was reported on its expenditure report as \$14,831,335, a variance of \$269. The variance was due to Santa Ana not properly recording interest in the prior year.	Going forward, Santa Ana will ensure the beginning balance is accurately derived from the prior year report.

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS**  
**Orange County Local Transportation Authority**  
**Measure M2 Local Fair Share for the Year Ended June 30, 2023**

<b>City</b>	<b>Result</b>	<b>City Management Response</b>
City of Santa Ana (Santa Ana)	Testing identified 25 indirect expenditures totaling \$483,501, that should have been reported as direct.	Santa Ana will continue to verify and classify expenditures as indirect in accordance with M2 LFS guidelines.
City of Stanton	None	None

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 LOCAL FAIR SHARE**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2023**

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 LOCAL FAIR SHARE**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2023**

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, 2023. Please refer to the individual divider tab for our report on each Agency.

Aliso Viejo

Anaheim

Buena Park

Costa Mesa

Orange

Santa Ana

Stanton

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

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 Aliso Viejo's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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 (Maintenance of Effort) MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, program, and expenditure number. The City recorded its MOE expenditures in its General Fund (101) and identified MOE expenditures by program code and expenditure code. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. 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, 2023, were \$548,429 (see Schedule A), which exceeded the MOE benchmark requirement of \$538,604. We agreed the total expenditures of \$548,429 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

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(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 12 direct MOE expenditures totaling \$357,901, which represented approximately 75% of direct MOE expenditures of \$475,422 for the fiscal year ended June 30, 2023. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Crowe determined that the expenditures were properly classified as local street and road expenditures and are allowable per the Ordinance. 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 \$73,007 in indirect costs for MOE for the fiscal year ended June 30, 2023. We selected 16 indirect costs for inspection totaling \$54,447, representing 75% of the total MOE indirect costs. Upon inspection, we determined these charges were labor costs directly identifiable as street and road project labor costs. As such, these costs should have been reported as direct costs. 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, 2023 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 or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$2,484,025 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We agreed the fund balance of \$806,084 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, 2023. 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 204 (Measure M2 Fund). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023, were \$1,393,492 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2, line 17, and detail listed on Schedule 4). No exceptions were found as a result of this procedure.

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(Continued)

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 six direct Measure M2 Local Fair Share expenditures for inspection totaling \$1,224,903 representing approximately 88% of total direct Measure M2 Local Fair Share expenditures of \$1,393,492 for the Fiscal Year ended June 30, 2023. 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. Describe the dollar amount inspected. 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 Local Fair Share expenditures for the fiscal year ended June 30, 2023. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. 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 \$36,439 listed on the City's Expenditure Report (Schedule 2, line 4). The interest earned and the market value loss was \$64,375 and (\$27,936), respectively. We inspected the interest allocation methodology and recomputed the amount. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY23) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted 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.

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(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 11, 2024

CITY OF ALISO VIEJO, CALIFORNIA  
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
 Year ended June 30, 2023  
 (Unaudited)

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	<b>SCHEDULE A</b>
<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 73,007
<b>Maintenance</b>	
Overlay & Sealing	34,057
Storm Damage	3,973
Other Street Purpose Maintenance	<u>437,392</u>
<b>Total Maintenance</b>	<u>475,422</u>
<b>Total MOE Expenditures</b>	<u>\$ 548,429</u>
<b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
#122 OCTA Los Alisos Blvd Signal Synchronization	\$ 10,561
#135 FY 22-23 Slury Seal	<u>1,382,931</u>
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 1,393,492</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u>\$ 1,941,921</u>

Note: The above amounts were taken directly from the financial records of the City of Aliso



March 11, 2024

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

MAYOR  
Mike Munzing  
MAYOR PRO TEM  
Tiffany Ackley  
COUNCILMEMBER  
Ross Chun  
COUNCILMEMBER  
Max Duncan  
COUNCILMEMBER  
Richard Hurt  
CITY MANAGER  
David A. Doyle  
CITY ATTORNEY  
Scott C. Smith  
CITY CLERK  
Mitzi Ortiz, MMC

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 Aliso Viejo as of and for the fiscal year ended June 30, 2023.

**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 \$73,007 in indirect costs for MOE for the fiscal year ended June 30, 2023. We selected 16 indirect costs for inspection totaling \$54,447, representing 75% of the total MOE indirect costs. Upon inspection, we determined these charges were labor costs directly identifiable as street and road project labor costs. As such, these costs should have been reported as direct costs. No other exceptions were found as a result of this procedure.

City's Response:

The City concurs with the finding that costs were incorrectly categorized as indirect costs and should have been direct costs. Staff will ensure future expenditure reports will properly identify any indirect costs, if any.

David Doyle, City Manager

Ann Eifert, Director of Financial Services

Shaun Pelletier, City Engineer/Director of Public Works

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

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 Anaheim's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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 (Maintenance of Effort) MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department, unit, and object code. The City records its MOE expenditures in its General Fund (101) and in the Public Works Department (412) followed by various unit codes and object codes. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. 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, 2023, were \$15,057,781 (see Schedule A), which exceeded the MOE benchmark requirement of \$11,725,957. We agreed the total expenditures of \$15,057,781 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

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(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 \$6,196,339, which represented approximately 41% of direct MOE expenditures of \$14,964,712 for fiscal year ended June 30, 2023. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Upon inspection of our samples, we determined that there was one expenditure relating to parking structure rent, which totaled \$44,528 should have been reported as indirect costs. 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 25 indirect MOE costs for inspection totaling \$26,147, representing 28% of the total indirect MOE costs of \$93,069. These charges include payroll and benefits, monthly group insurance, and others. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City noted that all indirect expenditures were based on a written cost allocation plan developed in 2016. Through further inspection of the City's indirect cost allocation plan, Crowe determined the methodology was reasonable. However, the allocations was based upon an analysis of activities that took place over 8 years ago. 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, 2023 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 or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$12,329,260 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$3,422,549 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 21) of \$3,422,549, with no differences. We determined funds were expended within three years of receipt. No exceptions were identified 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, 2023. 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.

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(Continued)

Findings: The LFS expenditures were tracked in the City's general ledger by fund number, department number, and various unit and object codes. The City recorded its LFS expenditures in its Measure M2 Fair Share Fund (271) under the Public Works department (412), followed by a 4-digit unit code and a 4-digit object code. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023, were \$4,384,847, 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 15 direct Measure M2 Local Fair Share expenditures for inspection totaling \$3,195,620, representing approximately 75% of total direct Measure M2 Local Fair Share expenditures of \$4,232,656 for the fiscal year ended June 30, 2023. We agreed the dollar amount to supporting documentation and determined that 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. Describe the dollar amount inspected. 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 \$152,191 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 Local Fair Share indirect costs for inspection totaling \$34,188, representing 22% of the total Local Fair Share indirect costs. Upon inspection, we determined these charges were labor costs directly identifiable as street and road project labor costs. As such, these costs should have been reported as direct costs. No other exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. 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 \$263,385 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

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(Continued)

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY23) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted 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 12, 2024

CITY OF ANAHEIM, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

<b>SCHEDULE A</b>	
<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 93,069
<b>Construction &amp; Right-of-Way</b>	
Street Reconstruction	\$ 989,170
Signals, Safety Devices, & Street Lights	1,988,951
<b>Total Construction</b>	<u>\$ 2,978,121</u>
<b>Maintenance</b>	
Street Lights & Traffic Signals	\$ 5,601,390
Other Street Purpose Maintenance	6,385,201
<b>Total Maintenance</b>	<u>\$ 11,986,591</u>
<b>Total MOE Expenditures</b>	<u>\$ 15,057,781</u>
 <b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
Capital Project Administration	\$ 152,191
General Agency Coordination	4,790
Orangewood Ave Pavement Rehab (Haster to Lewis)	22,003
Orangewood Ave Pavement Rehab (Harbor to Haster)	43,738
Orange Ave Pavement Rehab (Magnolia to Gilbert)	8,320
Weir Canyon Road Pavement Rehab (Serrano to Parkglen)	1,375
Euclid Street Pavement Rehab (Glenoaks to 91 Freeway)	931,829
East Street Pavement Rehab (La Palma to 91 Freeway)	(130,188)
OCSD State College Pavement Rehab Project	117,011
Orangewood Pavement Rehab (Lakeview to Imperial)	5,906
La Palma Pavement Rehab (Lakeview to Imperial)	13,741
Euclid Pavement Rehab (Broadway to Lincoln)	895,890
East Street Pavement Rehab (Lakewood to Imperial)	34,219
Broadway Pavement Rehab (Anaheim to East)	61,285
Santa Ana Canyon Pavement Rehab	34,787
Weir Canyon Pavement Rehab (Serrano to Santa Ana Cyn)	742,078
Weir Canyon Pavement Rehab (Running Springs to South Limits)	1,234,759
South St Pavement Rehab (State College Blvd to Sunkist St)	31,296
Lincoln Pavement Rehab (Dale to Magnolia)	7,341
Ball Road Pavement Rehab (Claudina to State College)	5,144
Nohl Ranch, Imperial and Anaheim Hills Pavement Rehab	65,494
Brookhurst Pavement Rehab: 91 to North City Limits Fullerton	11,385
Cerritos Ave Pavement Rehab from Nutwood St to Euclid Street	77,198
Dupont Dr Pavement Rehab- South of Orangewood Avenue	13,255
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 4,384,847</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u><u>\$ 19,442,628</u></u>

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



# City of Anaheim

## DEPARTMENT OF PUBLIC WORKS

Exhibit 1

March 12, 2024

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 Anaheim as of and for the fiscal year ended June 30, 2023.

### 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 25 direct MOE expenditures totaling \$6,196,339, which represented approximately 41% of direct MOE expenditures of \$14,964,712 for fiscal year ended June 30, 2023. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Upon inspection of our samples, we determined that there was one expenditure relating to parking structure rent, which totaled \$44,528 should have been reported as indirect costs. No other exceptions were found as a result of this procedure.

### City's Response:

The City acknowledged that this charge should have been reported as indirect costs. This parking structure expense is an internal governmental service charge, which is a charge for the cost of employee parking in the City's parking structure. It is the same as the facility rent that we pay. The Public Works Department considered these expenses as a Traffic Systems general indirect cost. Based on the audit recommendation, the Public Works Department will report this type of expense as indirect costs.

### 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 25 indirect MOE costs for inspection totaling \$26,147, representing 28% of the total indirect MOE costs of \$93,069. These charges include payroll and benefits, monthly group insurance, and others. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. The City noted that all indirect expenditures were based on a written cost allocation plan developed in 2016. Through further inspection of the City's indirect cost allocation plan, Crowe determined the methodology was reasonable. However, the allocations was based upon an analysis of activities that took place over 8 years ago. No other exceptions were found as a result of this procedure.

City's Response:

In 2016, the Public Works Department requested an internal audit review to evaluate selected elements of the Maintenance of Effort (MOE) allocation basis. Based on that review, there were several changes implemented to the department's allocation. The memo dated May 4, 2016, outlines the recommended allocations from the internal audit review, which were subsequently implemented and have since remained in effect. Since then, there have been no operational or procedural changes within the department that would affect the MOE allocations. While there have not been any known material changes, the department intends to request an updated review of the MOE allocations by internal audit, updating current year allocations as needed. Additionally, the department commits to conducting this review every five years to ensure the maintenance of an appropriate MOE allocation basis.

**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. Describe the dollar amount inspected. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

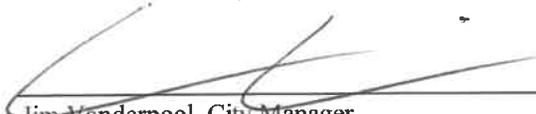
Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$152,191 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 Local Fair Share indirect costs for inspection totaling \$34,188, representing 22% of the total Local Fair Share indirect costs. Upon inspection, we determined these charges were labor costs directly identifiable as street and road project labor costs. As such, these costs should have been reported as direct costs. No other exceptions were found as a result of this procedure.

City's Response:

The Public Works Department reported the general accounting and finance expenses as indirect costs (Schedule 3, line 1). The expenses were direct labor costs charged to Local Fair Share. Based on the audit recommendation the Public Works Department will report the expenses as Other expenses (Schedule 3, line 17) in future M2 Expenditure Reports

  
\_\_\_\_\_  
Rudy Emami, Public Works Director

  
\_\_\_\_\_  
Deborah A. Moreno, Finance Director/Treasurer

  
\_\_\_\_\_  
Jim Vanderpool, City Manager  
For

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

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 Buena Park's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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 (Maintenance of Effort) MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund and activity number. The City recorded its MOE expenditures in its General Fund (101) and expenditures are identified by various 6-digit activity 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, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. 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, 2023, were \$5,142,741 (see Schedule A), which exceeded the MOE benchmark requirement of \$4,184,754. We agreed the total expenditures of \$5,142,741 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

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(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 \$1,033,865, which represented approximately 29% of direct MOE expenditures of \$3,606,939 for fiscal year ended June 30, 2023. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Crowe determined that the expenditures were properly classified as a local street and road expenditure and is allowable per the ordinance. 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:** We agreed the total indirect expenditures of \$1,535,802 to the amount reported on the City's Expenditure Report (Schedule 3, line 1) with no differences. We selected 25 indirect MOE costs for inspection totaling \$613,744, representing 41% of the total indirect MOE costs of \$1,535,802. These expenses included payroll and benefits, monthly building and equipment maintenance allocation, office supplies, and others. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. Specifically for the payroll and benefits related expenditures, we requested the City to provide a documented methodology used to support the employee percentage allocations to the MOE accounts and they were unable to provide such documentation that adequately supports the allocation percentages. It was noted that the allocation percentages for each employee were based on a Public Works managerial assumption of the time spent on each account and was not based on historical or current data. As such, we lack information necessary to confirm these costs as fair and reasonable and the entirety of these allocated costs were removed from the MOE, except for the allocated salary of one Street Maintenance Superintendent, who worked exclusively on street and road related projects. The total costs removed were \$998,755. In addition, chargebacks to payroll-related expenditures totaling \$252,192 were removed from the MOE. After the above adjustments, the City's MOE expenditures totaled \$4,396,178, which exceed the City's MOE benchmark of \$4,184,754. 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, 2023 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 or within five years, if an extension was granted. Explain any differences.

**Findings:** The City received \$5,541,865 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We agreed the fund balance of \$2,384,395 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences.

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(Continued)

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, 2023. 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. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

Findings: The City tracks its LFS expenditures in its Measure M2 Fund (25). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023 was \$2,055,113 (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 5 Measure M2 Local Fair Share direct expenditures for inspection totaling \$1,528,585 representing approximately 92% of total Measure M2 direct Local Fair Share expenditures of \$1,639,630 for the fiscal year ended June 30, 2023. 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. Describe the dollar amount inspected. 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 \$415,484 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$243,581 representing 59% of the total LFS indirect costs. Upon inspection, we determined these charges were labor cost allocations. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. We requested the City to provide the documented methodology used to support the labor cost allocations and the City was unable to provide such documentation. It was noted that the allocation percentages for each employee were based on the Public Works managerial assumption of the time being spent on each account and was not based on historical or current data. As such, sufficient information was not available to confirm these costs as fair and reasonable, and the entirety of these allocations, except for the allocated salary of one Street Maintenance Superintendent that worked exclusively on street and road related projects, were not deemed allowable per the Ordinance. The total disallowed was \$387,576. No other exceptions were found as a result of this procedure.

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(Continued)

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. 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 \$43,807 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY23) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted 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  
April 9, 2024

CITY OF BUENA PARK, CALIFORNIA  
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
 Year ended June 30, 2023  
 (Unaudited)

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	<b>SCHEDULE A</b>
<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,535,802
<b>Maintenance</b>	
Street Lights & Traffic Signals	1,227,520
Other Street Purpose Maintenance	2,379,418
<b>Total Maintenance</b>	<u>\$ 3,606,938</u>
<b>Total MOE Expenditures</b>	<u>\$ 5,142,740</u>
 <b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
Malvern Avenue Rehabilitation	\$ 1,850,908
Orangethorpe Avenue Pavement Rehabilitation	150,144
Metrolink Improvements	<u>54,061</u>
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 2,055,113</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u>\$ 7,197,853</u>

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

April 9, 2024

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 Buena Park as of and for the fiscal year ended June 30, 2023.

**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 agreed the total indirect expenditures of \$1,535,802 to the amount reported on the City's Expenditure Report (Schedule 3, line 1) with no differences. We selected 25 indirect MOE costs for inspection totaling \$613,744, representing 41% of the total indirect MOE costs of \$1,535,802. These expenses included payroll and benefits, monthly building and equipment maintenance allocation, office supplies, and others. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. Specifically for the payroll and benefits related expenditures, we requested the City to provide a documented methodology used to support the employee percentage allocations to the MOE accounts and they were unable to provide such documentation that adequately supports the allocation percentages. It was noted that the allocation percentages for each employee were based on a Public Works managerial assumption of the time spent on each account and was not based on historical or current data. As such, we lack information necessary to confirm these costs as fair and reasonable and the entirety of these allocated costs were removed from the MOE, except for the allocated salary of one Street Maintenance Superintendent, who worked exclusively on street and road related projects. The total costs removed were \$998,755. In addition, chargebacks to payroll-related expenditures totaling \$252,192 were removed from the MOE. After the above adjustments, the City's MOE expenditures totaled \$4,396,178, which exceed the City's MOE benchmark of \$4,184,754. No other exceptions were found as a result of this procedure.

City's Response:

**See Procedure #8 response.**

**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. Describe the dollar amount inspected. 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 \$415,484 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$243,581 representing 59% of the total LFS indirect costs. Upon inspection, we determined these

charges were labor cost allocations. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. We requested the City to provide the documented methodology used to support the labor cost allocations and the City was unable to provide such documentation. It was noted that the allocation percentages for each employee were based on the Public Works managerial assumption of the time being spent on each account and was not based on historical or current data. As such, sufficient information was not available to confirm these costs as fair and reasonable, and the entirety of these allocations, except for the allocated salary of one Street Maintenance Superintendent that worked exclusively on street and road related projects, were not deemed allowable per the Ordinance. The total disallowed was \$387,576. No other exceptions were found as a result of this procedure.

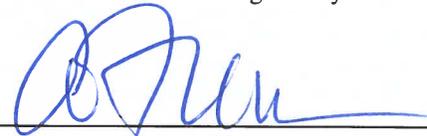
City's Response:

The City acknowledges and accepts that its current indirect cost methodology is no longer accepted by OCTA as a fair and equitable way to allocate costs and will implement corrective action to align with OCTA guidelines. The City maintains that its methodology for allocating labor costs was followed consistently for several years and had been previously audited by OCTA for the fiscal year ending June 30, 2018, with no finding related to its allocation plan. While the issue of overhead cost allocation was discussed at the M2 director's meetings, the City relied on past audits where the methodology was accepted, considering them as prior validation to continue employing the same approach under the assumption that it was acceptable and reasonable for OCTA.

Furthermore, the City believes that the allocated overhead costs could have alternatively been classified as direct labor costs according to the gas tax guidelines. Extensive sample documentation was provided to support that direct staff time was dedicated to readily identifiable street projects. While the auditors and OCTA staff acknowledged that work was performed by City staff, they expressed that they could not accept the supporting documentation citing challenges in quantifying the time worked.

The City holds the view that OCTA guidelines do not necessarily mandate time sheets as the exclusive means to substantiate and quantify labor costs. It contends that the extensive documentation provided, which consists of legal notices, inspection reports, contracts, contractor correspondence, construction documents, agenda reports, and other supportive materials, is reasonable and sufficient to demonstrate the considerable staff resources directly involved with specific street-related projects and the costs reported for these activities are fair and reasonable. The documentation provided, though not in the form of traditional timesheets, offers compelling evidence of the resources dedicated to fulfilling Measure M2 LFS objectives. Disallowing the entirety of these costs not only disregards the substantial efforts invested by City personnel but also implies an unreasonable scenario where no engineering and inspection staff time was allocated to street activities.

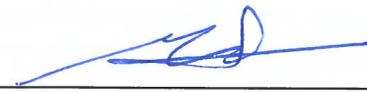
We acknowledge the need to revise our indirect cost methodology to align with OCTA standards and recognize the significance of ensuring fair and reasonable allocation of resources while fulfilling Measure M2 LFS objectives. As a part of this initiative, the City will begin using timecards to track direct costs and implement a cost allocation plan to track indirect costs associated with street projects. We are committed to working closely with OCTA to address concerns and implement necessary changes.



Aaron France, City Manager



Sung Hyun, Director of Finance



Mina Mikhael, Director of Public Works

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, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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 (Maintenance of Effort) MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, department, program, and expenditure number. The City recorded its MOE expenditures in its General Fund (101), Capital Improvement Fund (401), Equipment Replacement Fund (601), and is identified by a 5-digit department number, a 5-digit program number, and a 6-digit expenditure number. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

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(Continued)

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2023, were \$10,771,223 (see Schedule A), which exceeded the MOE benchmark requirement of \$8,607,340. We agreed the total expenditures of \$10,771,223 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this 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 25 direct MOE expenditures totaling \$2,929,492, which represented approximately 31% of direct MOE expenditures of \$9,311,331 for the fiscal year ended June 30, 2023. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Crowe determined that the expenditures were properly classified as a local street and road expenditures and were allowable per the Ordinance. 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, 2023. We agreed \$1,459,892 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 \$528,067 representing, 36% of the total MOE indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included labor charges for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were properly classified as indirect expenditures and based upon a reasonable and appropriate methodology. 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, 2023 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 or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$9,215,661 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We agreed the fund balance of \$6,457,271 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, 2023. 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.

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(Continued)

Findings: The LFS expenditures were tracked in the City's general ledger by fund number, department number, and program number. The City recorded its LFS expenditures in its Measure M2 Fund (416). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023, were \$1,323,633 (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 15 Measure M2 Local Fair Share direct expenditures for inspection totaling \$1,007,581 representing approximately 76% of total Measure M2 direct Local Fair Share expenditures of \$1,323,633 for the fiscal year ended June 30, 2023. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the 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. Describe the dollar amount inspected. 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, 2023. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. 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 \$53,052 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY23) by inspecting the OCLTA Board agenda and action items.

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

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(Continued)

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.



Crowe LLP

Costa Mesa, California  
March 28, 2024

CITY OF COSTA MESA, CALIFORNIA  
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
 Year ended June 30, 2023  
 (Unaudited)

	<b>SCHEDULE A</b>
<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,459,892
<b>Construction &amp; Right-of-Way</b>	
Street Reconstruction	\$ 603,373
Signals, Safety Devices, & Street Lights	93,856
Pedestrian Ways & Bikepaths	629,199
Storm Drains	193,159
<b>Total Construction</b>	<u>\$ 1,519,587</u>
<b>Maintenance</b>	
Overlay & Sealing	\$ 679,382
Street Lights & Traffic Signals	2,347,369
Other Street Purpose Maintenance	4,764,993
<b>Total Maintenance</b>	<u>\$ 7,791,744</u>
<b>Total MOE Expenditures</b>	<u>\$ 10,771,223</u>
 <b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
Street Maintenance Citywide #400015	\$ 869,440
Bicycle/ Pedestrian Infra Improveent - #450015	71,108
Adams at Pinecreek Improveent (Intersection improve.) - #300174	47,626
Adams Ave Bicycle Facility Project (Class II Bike Lane) #450014	63,678
Neighborhood Traffic Improvement (Signs, approved speed humps) #300	85,019
Parkway Maintenance Program- Citywide -#500010	71,209
Citywide Traffic Signal Improvement #370058	64,175
West 19th St. Wallace Ave Traffic Signal #370059	51,378
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 1,323,633</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u>\$ 12,094,856</u>

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

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

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 Orange's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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 (Maintenance of Effort) MOE expenditures in its general ledger.

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

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. 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, 2023, were \$3,852,679 (see Schedule A) which exceeded the MOE benchmark requirement of \$3,392,885. We agreed the total expenditures of \$3,852,679 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were noted as a result of this procedure.

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(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 \$781,753, which represented approximately 25% of direct MOE expenditures of \$3,069,840 for fiscal year ended June 30, 2023. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Expenditures were properly classified as local street and road expenditures and were allowable per the Ordinance, except for nine charges, totaling \$61,537 which were found to be indirect cost allocations and should have been reported as indirect costs. Upon further inspection, we identified a total of \$793,608 in charges that should have been reported as indirect costs. See Procedure #4 for indirect cost testing. No other exceptions were found as a result of this procedures.

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 agreed total indirect expenditures of \$782,835 per the general ledger to the amount reported on the City's Expenditure Report (Schedule 3, line 1) with no differences. We selected 25 indirect MOE charges for inspection totaling \$582,141, representing 74% of the total indirect MOE costs reported of \$782,835. During testing of direct costs at Procedure #3, we identified an additional \$793,608 in indirect costs that were reported as direct costs. These expenses included allocations of payroll and benefits, debt service payments, liability insurance costs, data processing allocations, contracted services, monthly print shop/mail/phone charges, monthly office rental and various other charges. For indirect costs, the methodology used to allocate actual costs should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology representing a fair and reasonable allocation of costs. After removing unsupported indirect cost allocations, totaling \$1,576,443, the City no longer meets the MOE benchmark. The shortfall equals \$1,116,649.

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, 2023 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 or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$10,549,834 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We agreed the fund balance of \$5,285,100 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, 2023. 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.

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(Continued)

Findings: The City tracks its LFS expenditures in its Traffic Improvement Measure M2 Fund (263). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023, was \$2,880,026 (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 20 Measure M2 Local Fair Share direct expenditures for inspection totaling \$1,928,551 representing approximately 78% of total Measure M2 direct Local Fair Share expenditures of \$2,479,629 for the fiscal year ended June 30, 2023. 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. Describe the dollar amount inspected. 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 \$400,397 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$300,014 representing 75% of the total LFS indirect costs. Upon inspection, we determined these charges were labor costs and materials directly identifiable as street and road project labor costs. As such, these costs should have been reported as direct costs. No other exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. 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 \$64,383 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY23) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted 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 28, 2024

CITY OF ORANGE, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

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	<b>SCHEDULE A</b>
<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 782,835
<b>Construction &amp; Right-of-Way</b>	
Street Reconstruction	\$ 326,104
Signals, Safety Devices, & Street Lights	734,808
Pedestrian Ways & Bikepaths	46,803
Storm Drains	23,401
<b>Total Construction</b>	<u>\$ 1,131,116</u>
<b>Maintenance</b>	
Patching	\$ 572,449
Overlay & Sealing	31,446
Street Lights & Traffic Signals	1,240,495
Storm Damage	31,446
Other Street Purpose Maintenance	62,892
<b>Total Maintenance</b>	<u>\$ 1,938,728</u>
<b>Total MOE Expenditures</b>	<u><u>\$ 3,852,679</u></u>
<b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
00000 - Contractual Services (Part of Maintenance)	\$ 400,397
13115 - Reg Salaries - Misc-Pvmnt Mgt	550
13120 Pavement Management Program	1,611,554
16302 - Minor Traffic Control Devices - Various	51,963
16304 Biennial Traffic Signal Coordination	5,870
16469 - Traffic Signal Equip Painting	9,800
30150 - Local Roadway Safety Plan (LRSP)	7,809
30162 Citywide Bus Stop Enhancements	1,864
30167 - Katella Ave Street Rehabilitation	785,928
30168 - Walnut Ave Infrastructure Improvement	4,291
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 2,880,026</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u><u>\$ 6,732,705</u></u>

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March 28, 2024

Board of Directors,  
Orange County Local Transportation Authority,  
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 Orange as of and for the fiscal year ended June 30, 2023.

### 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 25 direct MOE expenditures totaling \$781,753, which represented approximately 25% of direct MOE expenditures of \$3,069,840 for fiscal year ended June 30, 2023. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Upon inspection of our samples, we determined that there were nine charges totaling \$61,537 that were allocated based on budgeted percentages. Upon further inspection, we noted that there were a total \$793,608 of direct costs that were based on these allocated budgeted percentages. As such, the entirety of these costs allocation reported as direct charges should have been reported as indirect costs. Refer to Procedure#4 for MOE indirect costs removed. No other exceptions were found as a result of this procedure.

### City's Response:

City management acknowledges the findings and will implement procedures to ensure the reporting of M.O.E. expenditures and allocations are based on actuals and not budgeted percentages. City management will also implement procedures to ensure proper reporting of direct and indirect 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 agreed total indirect expenditures of \$782,835 per the general ledger to the amount reported on the City's Expenditure Report (Schedule 3, line 1) with no differences. We selected 25 indirect MOE charges for inspection totaling \$582,141, representing 74% of the total indirect MOE costs reported of \$782,835. During testing of direct costs at Procedure #3, we identified an additional \$793,608 in indirect costs that were reported as direct costs. These expenses included allocations of payroll and benefits, debt service payments, liability insurance costs, data processing allocations, contracted services, monthly print shop/mail/phone charges, monthly office rental and various other charges. For indirect costs, the methodology used to allocate actual costs should be documented and represent a fair and reasonable allocation of costs. The City was unable to provide a documented methodology representing a fair and reasonable allocation of costs. After removing unsupported indirect cost allocations, totaling \$1,576,443, the City no longer meets the MOE benchmark. The shortfall equals \$1,116,649.

#### City's Response:

City management acknowledges the findings. The City has eligible expenditures of approximately \$1.5 million in the Capital Project Fund that were supported by the General Fund but were not reported as M.O.E. eligible expenditures, therefore the exclusion of the unsupported indirect cost allocations caused the City to not meet the M.O.E benchmark. Going forward, City management will ensure indirect costs are supported, documented, and used reasonable allocation methodology. City management will also implement procedures to ensure proper reporting of all eligible expenditures in the future.

#### 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. Describe the dollar amount inspected. 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 \$400,397 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$300,014 representing 75% of the total LFS indirect costs. Upon inspection, we determined these charges were labor costs and materials directly identifiable as street and road project labor costs. As such, these costs should have been reported as direct costs. No other exceptions were found as a result of this procedure.



## City of Orange

Finance Department  
300 E. Chapman Ave.  
Orange, CA 92866

### City's Response:

City management acknowledges the findings and will implement procedures to ensure proper reporting of direct and indirect expenditures.

\_\_\_\_\_  
Tom Kisela, City Manager

for

\_\_\_\_\_  
Christopher Cash, Public Works Director

\_\_\_\_\_  
Trang Nguyen, Finance Director



(714) 744-2230



[www.cityoforange.org](http://www.cityoforange.org)

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

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 Santa Ana's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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 (Maintenance of Effort) MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, accounting unit number, and account number. The City recorded its MOE expenditures in its General Fund (011), followed by an 8-digit accounting unit number, and a 5-digit account number. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. 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, 2023, were \$14,667,250 (see Schedule A), which exceeded the MOE benchmark requirement of \$9,040,904. Actual MOE expenditures per the general ledger expenditure detail totaled \$15,035,321, a variance of \$368,071. The variance was due to an error in not reporting the full transaction amount of eligible MOE expenditures. No other exceptions were found as a result of this procedure.

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(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 \$4,809,685, which represented approximately 36% of direct MOE expenditures of \$13,382,349 for the fiscal year ended June 30, 2023. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. 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, 2023. We agreed \$1,284,901 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 \$663,516 representing 52% of the total MOE indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included Benefits Overhead, Insurance Charges, and Public Works Administrative Charges. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were properly classified as indirect expenditures and based upon a reasonable and appropriate methodology. 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, 2023 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 or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$17,247,698 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We agreed the fund balance of \$14,831,604 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20) of \$14,831,335, noting a difference of \$269. The difference was due to the City not properly recording the interest in the prior year. We determined funds were expended within three years of receipt. No other 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, 2023. 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 City tracks its LFS expenditures in its Measure M2 Fund (032). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023 were \$4,311,017 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed on 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 14 Measure M2 Local Fair Share direct expenditures for inspection totaling \$3,173,277 representing approximately 93% of total direct Measure M2 Local Fair Share expenditures of \$3,412,496 for the fiscal year ended June 30, 2023. We agreed the dollar amount listed on the general ledger to supporting documentation and determined that the expenditures selected were related to projects listed on the Seven-Year CIP and were properly classified. 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. Describe the dollar amount inspected. 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 \$898,521 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$483,501 representing 54% of the total indirect Local Fair Share costs. Upon inspection, we determined these charges were labor and material costs readily identified to specific LFS projects. As such, these costs should have been reported as direct costs. After further inspection, we determined that these LFS direct costs were allowable per the Ordinance. No other exceptions were found as a result of this procedure.

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

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(Continued)

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 \$16,818 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY23) by inspecting the OCLTA Board agenda and action items.

Findings: No exceptions were noted 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  
April 3, 2024

CITY OF SANTA ANA, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

**SCHEDULE A**

<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,284,902
<b>Construction &amp; Right-of-Way</b>	
Street Reconstruction	\$ 2,131,371
<b>Total Construction</b>	<u>\$ 2,131,371</u>
<b>Maintenance</b>	
Street Lights & Traffic Signals	\$ 4,733,905
Other Street Purpose Maintenance	6,517,072
<b>Total Maintenance</b>	<u>\$ 11,250,977</u>
<b>Total MOE Expenditures</b>	<u>\$ 14,667,250</u>
<b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
Alley Improvements FY 18/19	\$ 6,980
Bike Lane Project Dev FY 22/23	1,628
Citywide Bike Rack & SARTC	(5,077)
Citywide Speed Limit Study	47,045
First ST CORR TRFF SYNCH	5,924
FY20/21 Loc St Prevent Maint	162,212
FY20/21 Pavement Management	29,949
FY21/22 Loc St Prevent Maint	2,217,075
FY21/22 Pavement Management	234,610
Lincoln Pedestrian Trail	1,980
Loc St Prevent Maint FY 22/23	93,939
Local St Prevent Maint FY17/18	15,554
Main St Rehab: Edingr to First	84,640
Main St Traffic Sig Synch	4,577
Pavement Management FY 22/23	101,780
Project Development FY 19/20	265
Project Development FY21/22	237,538
Right of Way Mgmnt FY 20/21	6,364
Right of Way Mgmnt FY 21/22	32,305
Right of Way Mgmnt FY 22/23	89,063
Safe Mobility SA Update	20,642
Santa Ana Blvd & 5th Bike Lane	333,398
Santa Clara Bk Ln Lincoln-Tust	214,684
Sgerstrom/Dyer TRFF SGL SYNC	9,082
Traffic Management Plan 20/21	40,212
Traffic Management Plan 21/22	22,119
Traffic Safety Dev FY 17/18	35,000
Traffic SGNL Equipment REP20/21	65,685
Traffic SGNL Equipment REP21/22	100,000
Traffic Sig Equip Rep 22/23	100,000
Tustin Ave Trff Sgl Sync	1,844
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 4,311,017</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u>\$ 18,978,267</u>

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

MAYOR  
Valerie Amezcua  
MAYOR PRO TEM  
Thai Viet Phan  
COUNCILMEMBERS  
Phil Bacerra  
Johnathan Ryan Hernandez  
Jessie Lopez  
David Penalosa  
Benjamin Vazquez



ACTING CITY MANAGER  
Alvaro Nuñez  
CITY ATTORNEY  
Sonia R. Carvalho  
CITY CLERK  
Jennifer L. Hall

## CITY OF SANTA ANA

### PUBLIC WORKS AGENCY

20 Civic Center Plaza • P.O. Box 1988  
Santa Ana, California 92702  
[www.santa-ana.org](http://www.santa-ana.org)

April 3, 2024

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Local Transportation Authority  
550 S. Main Street  
Orange, CA 92868

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 Santa Ana as of and for the fiscal year ended June 30, 2023.

### Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. 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, 2023, were \$14,667,250 (see Schedule A), which exceeded the MOE benchmark requirement of \$9,040,904. Actual MOE expenditures per the general ledger expenditure detail totaled \$15,035,321, a variance of \$368,071. The variance was due to an error in not reporting the full transaction amount of eligible MOE expenditures. No other exceptions were found as a result of this procedure.

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

#### SANTA ANA CITY COUNCIL

Valerie Amezcua  
Mayor  
[vamezcua@santa-ana.org](mailto:vamezcua@santa-ana.org)

Thai Viet Phan  
Mayor Pro Tem, Ward 1  
[tpphan@santa-ana.org](mailto:tpphan@santa-ana.org)

Benjamin Vazquez  
Ward 2  
[bvazquez@santa-ana.org](mailto:bvazquez@santa-ana.org)

Jessie Lopez  
Ward 3  
[jessielopez@santa-ana.org](mailto:jessielopez@santa-ana.org)

Phil Bacerra  
Ward 4  
[pbacerra@santa-ana.org](mailto:pbacerra@santa-ana.org)

Johnathan Ryan Hernandez  
Ward 5  
[jryanhernandez@santa-ana.org](mailto:jryanhernandez@santa-ana.org)

David Penalosa  
Ward 6  
[dpenalosa@santa-ana.org](mailto:dpenalosa@santa-ana.org)

## 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, 2023 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 or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$17,247,698 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We agreed the fund balance of \$14,831,604 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20) of \$14,831,335, noting a difference of \$269. The difference was due to the City not properly recording the interest in the prior year. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

City's Response: The variance is attributed to an error in inputting numbers on the M2 report. Going forward, the City will ensure the beginning balance is accurately derived from the prior year's report.

## 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. Describe the dollar amount inspected. 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 \$898,521 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$483,501 representing 54% of the total indirect Local Fair Share costs. Upon inspection, we determined these charges were labor and material costs readily identified to specific LFS projects. As such, these costs should have been reported as direct costs. After further inspection, we determined that these LFS direct costs were allowable per the Ordinance. No other exceptions were found as a result of this procedure.

City's Response: The City's Public Works Agency (PWA) will continue to verify and classify expenditures as indirect costs in accordance with Measure M2 Local Fair Share guidelines.

### SANTA ANA CITY COUNCIL

Valerie Amezcua  
Mayor  
[vamezcua@santa-ana.org](mailto:vamezcua@santa-ana.org)

Thai Viet Phan  
Mayor Pro Tem, Ward 1  
[tphan@santa-ana.org](mailto:tphan@santa-ana.org)

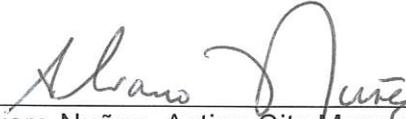
Benjamin Vazquez  
Ward 2  
[bvazquez@santa-ana.org](mailto:bvazquez@santa-ana.org)

Jessie Lopez  
Ward 3  
[jessielopez@santa-ana.org](mailto:jessielopez@santa-ana.org)

Phil Bacerra  
Ward 4  
[pbacerra@santa-ana.org](mailto:pbacerra@santa-ana.org)

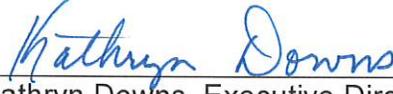
Johnathan Ryan Hernandez  
Ward 5  
[jryanhernandez@santa-ana.org](mailto:jryanhernandez@santa-ana.org)

David Penaloza  
Ward 6  
[doenalozasanta-ana.org](mailto:doenalozasanta-ana.org)



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Alvaro Nuñez, Acting City Manager



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Kathryn Downs, Executive Director of Finance  
and Management Services



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Nabil Saba, P.E., Executive Director of Public  
Works

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

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 Stanton's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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 (Maintenance of Effort) MOE expenditures in its general ledger.

Findings: The MOE expenditures were tracked in the City's general ledger by fund, subdivision, and account numbers. The City records its MOE expenditures in its General Fund (101) and in their Street Maintenance Division (3500) followed by 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, 2023 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2022/2023. 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, 2023, were \$308,256 (see Schedule A), which exceeded the MOE benchmark requirement of \$285,869. We agreed the total expenditures of \$308,256 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

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(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 \$163,459, which represented approximately 53% of direct MOE expenditures of \$308,256 for fiscal year ended June 30, 2023. 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, 2023. 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, 2023 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 or within five years, if an extension was granted. Explain any differences.

Findings: The City received \$1,900,509 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We agreed the fund balance of \$1,043,222 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, 2023. 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 City tracked its LFS expenditures in its Measure M2 Fund (220). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023 were \$813,510 (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:

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(Continued)

- 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 six Measure M2 Local Fair Share direct expenditures for inspection totaling \$745,653 representing approximately 92% of total Measure M2 direct Local Fair Share expenditures of \$813,510 for the fiscal year ended June 30, 2023. 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. Describe the dollar amount inspected. 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, 2023. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. 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 \$14,037 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY23) 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.

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(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.

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, professional style.

Crowe LLP

Costa Mesa, California  
March 13, 2024

CITY OF STANTON, CALIFORNIA  
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
 Year ended June 30, 2023  
 (Unaudited)

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	<b>SCHEDULE A</b>
<b>Maintenance of Effort (MOE) Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
<b>Maintenance</b>	
Patching	60,000
Other Street Purpose Maintenance	<u>248,256</u>
<b>Total Maintenance</b>	<u>308,256</u>
<b>Total MOE Expenditures</b>	<u>\$ 308,256</u>
<b>Measure M2 Local Fair Share Expenditures (Schedule 4):</b>	
Fiscal Year 2021/22 Citywide Street Rehabilitation (2022-101)	\$ 737,370
Fiscal Year 2022/23 Citywide Street Rehabilitation (2023-101)	<u>76,140</u>
<b>Total Measure M2 Local Fair Share Expenditures</b>	<u>\$ 813,510</u>
<b>Total MOE and Measure M2 Local Fair Share Expenditures</b>	<u>\$ 1,121,766</u>

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

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS**  
**Orange County Local Transportation Authority**  
**Measure M2 Senior Mobility Program for the Year Ended June 30, 2023**

**ATTACHMENT C**

City	Result	City Management Response
City of Anaheim (Anaheim)	None	None
City of Fullerton (Fullerton)	One of four monthly reports tested were not submitted within 30 days of month end, as required.	Fullerton will ensure reports are submitted within 30 days of month-end, as required.
City of Laguna Beach (Laguna Beach)	Laguna Beach reported \$35,000 in Senior Mobility Program (SMP) expenditures on its expenditure report; according to Laguna Beach's general ledger, total SMP expenditures were \$34,992, a variance of \$8. Laguna Beach asserted that the variance related to rounding.	In the future, Laguna Beach will report amounts to the exact dollar.
	Laguna Beach reported an SMP fund balance of \$55,413 on its expenditure report; however, Laguna Beach's general ledger reflected a fund balance of \$55,421, a variance of \$8. Laguna Beach asserted that the variance related to rounding.	In the future, Laguna Beach will report amounts to the exact dollar.
	Laguna Beach did not allocate interest to the SMP program; instead, the city allocates interest to its Transit Fund as a whole.	Laguna Beach does not allocate interest income by object code, rather by fund, and the SMP object is within the Transit Fund. Laguna Beach will identify an appropriate methodology to allocate interest to the SMP program going forward.
City of Mission Viejo (Mission Viejo)	Mission Viejo reported SMP expenditures of \$99,054; however, actual expenditures totaled \$152,711.	Mission Viejo discovered there was an error in the worksheet calculating the Measure M2-funded portion and the matching portion, causing amounts in the monthly reports and year end report to be understated. Necessary corrections have been made Mission Viejo has reached out to the Orange County Transportation Authority (OCTA) to notify of the error and will be resubmitting revised monthly reports with correct amounts.
	Mission Viejo's total match expenditures amounted to \$26,829, which was only 18 percent of the total expenditures of \$152,711.	Mission Viejo acknowledged an error in the worksheet used to calculate total expenditures and track match expenditures. Mission Viejo reached out to OCTA to notify of the error and will be resubmitting revised monthly reports with correct amounts. The Internal Audit Department contacted Mission Viejo and confirmed that they are aware that the error resulted in the city not meeting match requirements. Per the SMP Guidelines, staff will be directed to withhold the additional two percent required match from a future payment.
	Mission Viejo's contract with Age Well for senior transportation services does not include language requiring that wheelchair accessible vehicles be made available and used as needed.	Age Well does utilize vans that accommodate wheelchair passengers. Mission Viejo will amend any new contracts to include this requirement.
	One of four monthly reports tested were not submitted within 30 days of month end, as required.	Mission Viejo acknowledged the exception and maintained that the report had been submitted; however, due to an error on the website the report needed to be resubmitted in March, 2023.
City of Newport Beach	None	None
City of Yorba Linda	None	None

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 SENIOR MOBILITY PROGRAM**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2023**

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 SENIOR MOBILITY PROGRAM**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2023**

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, 2023. Please refer to the individual divider tab for our report on each Agency.

Anaheim

Fullerton

Laguna Beach

Mission Viejo

Newport Beach

Yorba Linda

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

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 Anaheim's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by fund, department codes, and object codes. The City recorded its Senior Mobility Program expenditures in its General Fund (101), department code (213), and object code (7837). The City reported \$109,591 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U), which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

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(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program 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 Senior Mobility Program as of June 30, 2023, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2023, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$1,052,471 for the past three years fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$1,213,266 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$1,213,266; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$447,050 during the fiscal year ended June 30, 2023, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$51,834, which is calculated by the average daily cash balance of the fund and applying the City Treasurer's investment portfolio interest rates. The City reported \$51,834 of interest income for the year ended June 30, 2023, which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). Additionally, we inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. Eligible participants of the Senior Mobility Program must purchase travel vouchers from the City prior to their trip. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2023.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching funds and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$28,776 which was approximately 21% of the total expenditures of \$138,367 (M2 funded portion of \$109,591 and City's matching portion of \$28,776) which agreed to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program 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 whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

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(Continued)

Findings: We selected nine Measure M2 Senior Mobility Program expenditures for inspection totaling \$85,772 representing approximately 78% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a form of state ID. The City then verifies that the applicant is a resident of the City of Anaheim and are 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether Contractor was selected using a competitive procurement process.
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on inquiry of City personnel, the City contracted with Parking Company of America, LLC (PCAM LLC) to provide senior transportation services under the Senior Mobility Program. From inspecting the PCAM LLC procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined that the requirements established in the Cooperative Agreement were met. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). Through inspection, we determined all four reports were timely submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates. No exceptions were found as a result of this procedure.

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(Continued)

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	December 29, 2022	-
December 2022	January 31, 2023	January 30, 2023	-
February 2023	March 31, 2023	March 28, 2023	-
June 2023	July 31, 2023	July 28, 2023	-

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.



Crowe LLP

Costa Mesa, California  
March 12, 2024

CITY OF ANAHEIM, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

**SCHEDULE A**

<b>Measure M2 Senior Mobility Program Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
<b>Other Senior Mobility Project U</b>	<u>109,591</u>
<b>Total Measure M2 Senior Mobility Program Expenditures</b>	<u><u>\$ 109,591</u></u>

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

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

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 Fullerton's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by account number. The City recorded its expenditures in the Parks and Recreation Fund (15) and the Measure M2 Fund (25), the Senior Programs Sub-program fund (516), followed by various 4-digit object codes. The City reported \$123,899 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U), which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

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(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program 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 Senior Mobility Program as of June 30, 2023, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2023, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$507,301 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$361,506 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 21) of \$361,506; no differences were identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$189,746 during the fiscal year ended June 30, 2023, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$123, which is calculated by taking the average monthly cash balance for the Senior Mobility Program and applying the average pooled money investment account allocation rates. The City allocated \$123 of interest income for the year ended June 30, 2023 which agreed to the amount reported on the City's Expenditure Report (Schedule 2, line 8 for Project U). Additionally, we inquired with City personnel and inspected the City's general ledger detail regarding fare collection methodologies. Eligible participants of the Senior Mobility Program will pay \$3 for trips in Fullerton and \$7 to locations outside the City. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2023.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching funds and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$232,517 which was approximately 65% of the total expenditures of \$356,416 (M2 funded portion of \$123,899 and City's matching portion of \$232,517) which agreed to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program 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 whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

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(Continued)

Findings: We selected 16 Measure M2 Senior Mobility Program expenditures for inspection totaling \$93,820 representing approximately 76% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended on June 30, 2023. We agreed the dollar amount to supporting documentation and determined that the expenditures were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a form of state ID. The City then verifies that the applicant is a resident of the City of Fullerton and are 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether Contractor was selected using a competitive procurement process.
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on inquiry of City personnel, the City contracted with Cabco Yellow, Inc. to provide senior transportation services under the Senior Mobility Program. From inspecting the Cabco Yellow Inc's procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor and determined that the requirements established in the Cooperative Agreement were met. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

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(Continued)

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	January 4, 2023	4
December 2022	January 31, 2023	January 31, 2023	-
February 2023	March 31, 2023	March 27, 2023	-
June 2023	July 31, 2023	July 28, 2023	-

Through inspection, we determined that one of the four reports were not submitted within 30 days of month end to OCLTA. No other 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 18, 2024

CITY OF FULLERTON, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

**SCHEDULE A**

<b>Measure M2 Senior Mobility Program Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
<b>Other Senior Mobility Project U</b>	<u>123,899</u>
<b>Total Measure M2 Senior Mobility Program Expenditures</b>	<u>\$ 123,899</u>

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



# CITY OF FULLERTON

## Administrative Services Department

March 18, 2024

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 Senior Mobility program for the City of Fullerton as of and for the fiscal year ended June 30, 2023.

### Procedure # 11

Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:

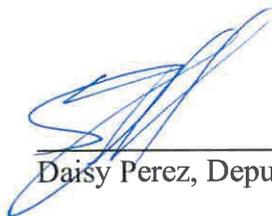
<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	January 4, 2023	4
December 2022	January 31, 2023	January 31, 2023	-
February 2023	March 31, 2023	March 27, 2023	-
June 2023	July 31, 2023	July 28, 2023	-

Through inspection, we determined that one of the four reports were not submitted within 30 days of month end to OCTA. No other exceptions were found as a result of this procedure.

### City's Response:

The City will ensure that operations reports are submitted within 30 days.

  
Eric J. Levitt, City Manager

  
Daisy Perez, Deputy City Manager

  
Ellis Chang, Director of Administrative Services

### THE EDUCATION COMMUNITY

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

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 Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by fund, department codes, and object code. The City recorded its Senior Mobility Program expenditures in its Transit Fund (310), under Public Works department code (30), and various division and object codes. The City reported \$35,000 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U). The total SMP expenditures per the City's general ledger was \$34,992 which caused a variance of \$8. No other exceptions were found as a result of this procedure.

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(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program 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 Senior Mobility Program as of June 30, 2023, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2023, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$146,694 for the past three years fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$55,421 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$55,413 noting a difference of \$8. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$54,868 during the fiscal year ended June 30, 2023, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No other exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified that interest was not allocated to the SMP program in accordance with the City's interest allocation practice. We noted that the City only allocated interest to the Transit fund as a whole and that no interest had been recorded directly for the SMP fund balance. As a result, the City reported \$0 of interest income for the year ended June 30, 2023 which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). We inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. The City did not charge fares for senior transportation services during the year. No other exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2023.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching funds and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$105,931 which was approximately 75% of the total expenditures of \$140,923 (M2 funded portion of \$34,992 and City's matching portion of \$105,931) which agreed to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program 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 whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

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(Continued)

Findings: We selected four Measure M2 Senior Mobility Program expenditures for inspection totaling \$34,922 representing almost 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a form of state ID. The City then verifies that the applicant is a resident of the City of Laguna Beach and are 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether Contractor was selected using a competitive procurement process.
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on discussion with City personnel, the City contracted with Sally's Fund to provide senior transportation services under the Senior Mobility Program. From inspecting the Sally's Fund procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor and determined that the requirements established in the Cooperative Agreement were met. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

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(Continued)

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). Through inspection, we determined all four reports were timely submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates. No exceptions were found as a result of this procedure.

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	December 22, 2022	-
December 2022	January 31, 2023	January 31, 2023	-
February 2023	March 31, 2023	March 23, 2023	-
June 2023	July 31, 2023	July 19, 2023	-

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 28, 2024

CITY OF LAGUNA BEACH, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

**SCHEDULE A**

<b>Measure M2 Senior Mobility Program Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
<b>Other Senior Mobility Project U</b>	<u>34,992</u>
<b>Total Measure M2 Senior Mobility Program Expenditures</b>	<u><u>\$ 34,992</u></u>

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



March 28, 2024

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 Senior Mobility program for the City of Laguna Beach as of and for the fiscal year ended June 30, 2023.

**Procedure #2**

Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by fund, department codes, and object code. The City recorded its Senior Mobility Program expenditures in its Transit Fund (310), under Public Works department code (30), and various division and object codes. The City reported \$35,000 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U). The total SMP expenditures per the City's general ledger was \$34,992 which caused a variance of \$8. No other exceptions were found as a result of this procedure.

City's Response: The City will report amounts up to the exact dollar for future reporting requirements.

**Procedure# 3**

Obtain a listing of Measure M2 Senior Mobility Program 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 Senior Mobility Program as of June 30, 2023, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2023, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$146,694 for the past three years fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$55,421 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$55,413 noting a difference of \$8. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$54,868 during the fiscal year ended June 30, 2023, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No other exceptions were identified as a result of this procedure.

City's Response: The City will report amounts up to the exact dollar for future reporting requirements.

**Procedure #4**

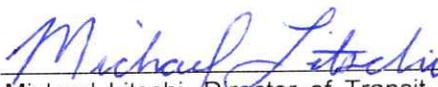
Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology.that interest was not allocated to the SMP program in accordance with the City's interest allocation practice. We noted that the City only allocated interest to the Transit fund as a whole and that no interest had been recorded directly for the SMP fund balance. As a result, the City reported \$0 of interest income for the year ended June 30, 2023 which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). We inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. The City did not charge fares for senior transportation services during the year. No other exceptions were found as a result of this procedure.

City's Response: The City currently does not allocate interest income by object, rather by fund. The SMP program is an object within the Transit Fund, and therefore interest income is not allocated or reported specifically on the M2 report for the SMP object since it was not reported in the past. The City will identify an appropriate methodology to allocate interest to the SMP program going forward.

  
\_\_\_\_\_  
Gavin Curran, Acting City Manager

  
\_\_\_\_\_  
Julie Nemes, Director of Finance & Technology

  
\_\_\_\_\_  
Michael Litschi, Director of Transit and Community Services

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

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 Mission Viejo's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by account number. The City recorded its expenditures in the Senior Mobility Grant Fund (278), followed by a 3-digit program code, and a 4-digit account number. The City reported \$99,054 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U) for fiscal year 2023. However, after further inspection, we noted that this amount included the M2 funded portion and the City's matching portion. The actual total SMP expenditures per the general ledger detail was \$152,711 (M2 funded portion of \$125,882 and the City's matching portion of \$26,829). No other exceptions were found as a result of this procedure.

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(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program 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 Senior Mobility Program as of June 30, 2023, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2023, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$451,710 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$612,715 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$612,715; no differences were identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$168,953 during the fiscal year ended June 30, 2023, to the general ledger detail and to the amount listed of \$168,953, as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$10,538, which is calculated by taking the monthly fund balance for the Senior Mobility Program and applying the pooled money investment account allocation percentages. The City reported \$10,538 of interest income for the year ended June 30, 2023 which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). The City did not charge fares for senior transportation services to the City's senior center. However, they charged \$20 for trips to/from John Wayne and \$5 for all other one-way trips. We deemed that the fare collection methodology was adequate to ensure the program revenue was credited to the Measure M2 Senior Mobility Program Fund. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2023.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching, and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$26,829 which was approximately 18% of the total expenditures of \$152,711 (M2 funded portion of \$125,882 and City's matching portion of \$26,829) which agreed to the City's general ledger detail of the M2 total expenditures. However, we noted that the City's contribution was below the 20% matching rule. No other exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program 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 whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

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(Continued)

Findings: We selected 24 Measure M2 Senior Mobility Program expenditures for inspection totaling \$74,130 representing approximately 59% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. We agreed the dollar amount listed on the general ledger to supporting documentation and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide their birth date and address. The City then verifies that the applicant is a resident of Mission Viejo, and 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. Approved applicants are then required to attend an in-person appointment to review the program's usage, during which their age and residency are verified again using documents like a driver's license, passport, or water bill. Every two years, active participants are contacted to confirm their continued residency in Mission Viejo and their interest in remaining in the program. A unique ID number is printed on the participant's photo ID card which must be provided when booking a ride with California Yellow Cab. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, \$7,809 of administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023, which does not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether Contractor was selected using a competitive procurement process.
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with CABCO Yellow, Inc. in July 2021, and Age Well Senior Services, Inc. in November 2021, to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we concluded that both service providers were selected using a competitive procurement process. and that the City has continued to extend its existing contracts. Per inspection of the original contract for CABCO Yellow Inc. we found language requiring that wheelchair accessible vehicles be made available and used as needed. However, from inspection of the Age Well contracts, we were unable to find the language requiring that wheelchair accessible vehicles be made available and used as needed. No other exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.

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(Continued)

Findings: We obtained and inspected the insurance coverage for the contractor and determined that the requirements established in the Cooperative Agreement were met. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	March 9, 2023	68
December 2022	January 31, 2023	January 11, 2023	-
February 2023	March 31, 2023	March 8, 2023	-
June 2023	July 31, 2023	July 11, 2023	-

Through inspection, we determined one out of four reports were not submitted within 30 days of month end to OCLTA. No other 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  
April 3, 2024

CITY OF MISSION VIEJO, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

**SCHEDULE A**

<b>Measure M2 Senior Mobility Program Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
<b>Other Senior Mobility Project U</b>	<u>125,882</u>
<b>Total Measure M2 Senior Mobility Program Expenditures</b>	<u><u>\$ 125,882</u></u>

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



# City of Mission Viejo

## Administrative Services Department

**Trish Kelley**  
*Mayor*

**Bob Ruesch**  
*Mayor Pro Tem*

**Wendy Bucknum**  
*Council Member*

**Brian Goodell**  
*Council Member*

**Cynthia Vasquez**  
*Council Member*

April 3, 2024

**EXHIBIT 1**

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 Senior Mobility program for the City of Mission Viejo as of and for the fiscal year ended June 30, 2023.

### **Procedure #2**

Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by account number. The City recorded its expenditures in the Senior Mobility Grant Fund (278), followed by a 3-digit program code, and a 4-digit account number. The City reported \$99,054 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U) for fiscal year 2023. However, after further inspection, we noted that this amount included the M2 funded portion and the City's matching portion. The actual total SMP expenditures per the general ledger detail was \$152,711 (M2 funded portion of \$125,882 and the City's matching portion of \$26,829). No other exceptions were found as a result of this procedure.

### City's Response:

Exception noted. The City discovered there was an error on the worksheet calculating the M2 funded portion and the City matching portion causing the number reported on the monthly reports and at YE to be understated. The necessary corrections to the worksheet have been made and the City reached out to OCTA notifying them of the error. The City will be resubmitting the revised monthly reports to OCTA for FY22/23 with the correct amounts.



# City of Mission Viejo

## Administrative Services Department

**Trish Kelley**  
*Mayor*

**Bob Ruesch**  
*Mayor Pro Tem*

**Wendy Bucknum**  
*Council Member*

**Brian Goodell**  
*Council Member*

**Cynthia Vasquez**  
*Council Member*

### Procedure #5

Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2023.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching, and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$26,829 which was approximately 18% of the total expenditures of \$152,711 (M2 funded portion of \$125,882 and City's matching portion of \$26,829) which agreed to the City's general ledger detail of the M2 total expenditures. However, we noted that the City's contribution was below the 20% matching rule. No other exceptions were found as a result of this procedure.

### City's Response:

Exception noted. The City discovered there was an error on the worksheet calculating the M2 funded portion and the City matching portion causing the number reported on the monthly reports and at YE to be understated. This error caused the matching contributions to be less than the 20% required. The necessary corrections to the worksheet have been made and the City reached out to OCTA notifying them of the error. The City will be resubmitting the revised monthly report to OCTA for FY22/23 with the correct amounts.

### Procedure #9

Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:

- a. Determine whether Contractor was selected using a competitive procurement process.
- b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with CABCO Yellow, Inc. in July 2021, and Age Well Senior Services, Inc. in November 2021, to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we concluded that both service providers were selected using a competitive



# City of Mission Viejo

## Administrative Services Department

**Trish Kelley**  
*Mayor*

**Bob Ruesch**  
*Mayor Pro Tem*

**Wendy Bucknum**  
*Council Member*

**Brian Goodell**  
*Council Member*

**Cynthia Vasquez**  
*Council Member*

procurement process. and that the City has continued to extend its existing contracts. Per inspection of the original contract for CABCO Yellow Inc. we found language requiring that wheelchair accessible vehicles be made available and used as needed. However, from inspection of the Age Well contracts, we were unable to find the language requiring that wheelchair accessible vehicles be made available and used as needed. No other exceptions were found as a result of this procedure.

### City's Response:

Age Well currently uses vans that accommodate wheelchair passengers. The City will amend any new contracts to include the following wording: wheel chair accessible vehicles to be made available and used as needed.

### **Procedure #11**

Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). Orange County Local Transportation Authority (OCLTA) staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	March 9, 2023	68
December 2022	January 31, 2023	January 11, 2023	-
February 2023	March 31, 2023	March 8, 2023	-
June 2023	July 31, 2023	July 11, 2023	-

Through inspection, we determined one out of four reports were not submitted within 30 days of month end to OCLTA. No other exceptions were found as a result of this procedure.

### City's Response:

Exception noted. Per Community Services, the November 2022 report was submitted on time but due to an error on OCTA's website the City had to resubmit the report in March of 2023. Email documentation to support this claim was not saved. Going forward the City will be saving all of the emails and/or correspondence of submissions on a share folder for future reference.



# City of Mission Viejo

## Administrative Services Department

**Trish Kelley**  
*Mayor*

**Bob Ruesch**  
*Mayor Pro Tem*

**Wendy Bucknum**  
*Council Member*

**Brian Goodell**  
*Council Member*

**Cynthia Vasquez**  
*Council Member*

DocuSigned by:

*Dennis Wilberg*

Dennis Wilberg, City Manager

DocuSigned by:

*Cheryl Dyas*

Cheryl Dyas, Director of Administrative Services

DocuSigned by:

*Mark Nix*

Mark Nix, Director of Recreation & Community Services

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

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 Newport Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by account number. The City recorded its expenditures in the General Fund (010), under the Oasis Transportation organizational code (0107033), followed by various 6-digit account numbers. The City reported \$192,278 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U), which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

3. Obtain a listing of Measure M2 Senior Mobility Program 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 Senior Mobility Program as of June 30, 2023, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2023, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$514,071 for the past three years fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$0 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$0; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$192,278 during the fiscal year ended June 30, 2023, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$1,562, which was calculated based on the percentage of pooled cash held in each fund monthly. The interest percentage is then applied to the monthly cash balance of the Senior Mobility Program (SMP). We recalculated each month's interest rate, which was then applied to the SMP cash balance. The City allocated \$1,562 of interest income for the year ended June 30, 2023, which agreed to the amount reported on the City's Expenditure Report (Schedule 2, line 8 for Project U). Additionally, we inquired of City personnel and inspected the City's general ledger detail regarding fare collection methodologies. The City did not charge fares for senior transportation services during the year. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2023.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching funds and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$669,735 which was approximately 78% of the total expenditures of \$862,013 (M2 funded portion of \$192,278 and City's matching portion of \$669,735) which agreed to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program 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:

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(Continued)

- 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 whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We selected 14 Measure M2 Senior Mobility Program expenditures for inspection totaling \$187,989 representing approximately 98% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/ Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a form of state ID. The City then verifies that the applicant is a resident of the City of Newport Beach and are 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether Contractor was selected using a competitive procurement process.
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on our inspection of the general ledger expenditure detail and through discussion with City personnel, the City did not contract with a third-party service provider for senior transportation service. No exceptions were noted as a result of our procedures.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the City of Newport Beach. We noted that the City used in-house staff to provide services for the Senior Mobility Program and determined that the requirements established in the Cooperative Agreement were met. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). Through inspection, we determined all four reports were timely submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates.

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	December 19, 2022	-
December 2022	January 31, 2023	January 26, 2023	-
February 2023	March 31, 2023	March 17, 2023	-
June 2023	July 31, 2023	July 21, 2023	-

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.

Crowe LLP

Costa Mesa, California  
March 18, 2024

CITY OF NEWPORT BEACH, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

**SCHEDULE A**

<b>Measure M2 Senior Mobility Program Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
<b>Other Senior Mobility Project U</b>	<u>192,278</u>
<b>Total Measure M2 Senior Mobility Program Expenditures</b>	<u><u>\$ 192,278</u></u>

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

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

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 Yorba Linda's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. 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 evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. 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. Obtain and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the Eligible Jurisdiction and determine that the agreement was properly approved and executed.

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

2. Describe which fund(s) the Eligible Jurisdiction used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree to amount listed as expended on Eligible Jurisdiction's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to the Measure M2 Senior Mobility Program were tracked in the general ledger by account number. The City recorded its expenditures in the General Fund (101), followed by a 7-digit organizational code, and a 6-digit object code. The City reported \$123,061 in program expenditures on the Expenditure Report (Schedule 2, line 21 for Project U), which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

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(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program 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 Senior Mobility Program as of June 30, 2023, agree to the balance as listed on the Eligible Jurisdictions' Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. For payments received during the fiscal year ended June 30, 2023, agree to amount listed as received on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$277,348 for the past three fiscal years ended June 30, 2021, 2022, and 2023. We compared the fund balance of \$125,275 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$125,275; no differences were identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$103,737 during the fiscal year ended June 30, 2023, to the general ledger detail and to the amount listed of \$103,737, as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). No exceptions were identified as a result of this procedure.

4. Determine if the Eligible Jurisdiction's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained and inspected the City's interest allocation methodology. We identified interest income of \$2,889, which is calculated by taking the monthly fund balance for the Senior Mobility Program and applying the pooled money investment account allocation percentages. The City reported \$2,889 of interest income for the year ended June 30, 2023 which agreed to the City's Expenditure Report (Schedule 2, line 8 for Project U). Additionally, we inquired of City personnel and inspected the City's general ledger detail regarding fare collections methodologies. The City charged \$1.00 for each one-way trip which was directly given to the driver by the participant. The total fares were then deducted from the total trip cost and counted towards the City's contribution. No exceptions were found as a result of this procedure.

5. Determine that the Eligible Jurisdiction satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2023.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of matching funds and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance and Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines. The total match expenditures amounted to \$32,231 which was approximately 21% of the total expenditures of \$155,292 (M2 funded portion of \$123,061 and City's matching portion of \$32,231) which agrees to the City's general ledger detail of the M2 total expenditures. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program 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 whether the expenditures selected in (a) above are exclusively for Senior Mobility Program and meets requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

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(Continued)

Findings: We selected six Measure M2 Senior Mobility Program expenditures for inspection totaling \$95,763 representing approximately 78% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. Crowe agreed the dollar amount listed on the general ledger to invoices provided by the City and determined that the expenditures selected were used exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. No exceptions were found as a result of this procedure.

7. Inquire as to the procedures used by the Eligible Jurisdictions to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a form of state ID. The City then verifies that the applicant is a resident of the City of Yorba Linda and are 60 years of age or older in accordance with the Senior/Disabled Program Funding Policy Guidelines and the Cooperative Agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether administrative costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, confirm that administrative costs do not exceed 10 percent, as dictated in Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines.

Findings: Based on the Expenditure Report (Schedule 3, line 1), the City reported \$0 in administrative costs. Per discussion with the City's accounting personnel and inspection of the general ledger expenditure detail, no administrative costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2023. No exceptions were found as a result of this procedure.

9. Determine if the Eligible Jurisdiction contracts with a third-party service provider to provide senior transportation service, and perform the following:
  - a. Determine whether Contractor was selected using a competitive procurement process.
  - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on inquiry of City personnel, the City contracted with CABCO Yellow, Inc. to provide senior transportation services under the Senior Mobility Program. From inspecting the CABCO Yellow, Inc. procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the Eligible Jurisdiction's Contractor and inspect the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined that the requirements established in the Cooperative Agreement were met. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary operations reports and determine whether the reports were properly prepared and submitted within 30 days after the end of the service month.

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(Continued)

Findings: We sampled four monthly summary reports (November 2022, December 2022, February 2023, and June 2023). OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Due Date</u>	<u>Date Received</u>	<u>Days Late</u>
November 2022	December 31, 2022	December 15, 2022	-
December 2022	January 31, 2023	January 18, 2023	-
February 2023	March 31, 2023	March 8, 2023	-
June 2023	July 31, 2023	July 13, 2023	-

Through inspection, we determined that all four reports were submitted within 30 days of the following month end. 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.



Crowe LLP

Costa Mesa, California  
March 20, 2024

CITY OF YORBA LINDA, CALIFORNIA  
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES  
Year ended June 30, 2023  
(Unaudited)

**SCHEDULE A**

<b>Measure M2 Senior Mobility Program Expenditures:</b>	
Indirect and/ or Overhead - Schedule 3, line 1	\$ -
<b>Other Senior Mobility Project U</b>	<u>123,061</u>
<b>Total Measure M2 Senior Mobility Program Expenditures</b>	<u><u>\$ 123,061</u></u>

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



**April 24, 2024**

**To:** Finance and Administration Committee

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

**Subject:** Orange County Transportation Authority Fiscal Year 2024-25 Budget Workshop Preview

**Overview**

The Orange County Transportation Authority is developing the fiscal year 2024-25 proposed budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The fiscal year 2024-25 proposed budget will be reviewed in detail during an informal workshop following the May 13, 2024, Orange County Transportation Authority Board of Directors meeting.

**Recommendation**

Review the fiscal year 2024-25 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 13, 2024.

**Discussion**

The preparation of the Orange County Transportation Authority's (OCTA) Fiscal Year (FY) 2024-25 proposed budget (proposed budget) began in December 2023 with the development of revenue and expense projections as well as goals for each of OCTA's programs and services. The goals for each of the programs and services included in the proposed budget are consistent with OCTA's Strategic Plan, Comprehensive Business Plan, Next 10 Delivery Plan, and the Board of Directors (Board) and Chief Executive Officer (CEO) 2024 Initiatives.

Each of OCTA's divisions submitted their proposed budget requests in January, which were then subject to internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of People and Community Engagement, to ensure a balanced and fiscally responsible budget is delivered.

The development of the proposed budget was predicated on a set of programmatic assumptions discussed with the Finance and Administration Committee on February 28, 2024, that support the 2024 Board and CEO Initiatives. This discussion encapsulated the fundamental principles and assumptions guiding the budgeting process for key OCTA programs, including Measure M2 (M2), bus, commuter rail, local rail, motorist services, and express lanes.

In the face of a cautious economic climate, we are observing some potential pivotal developments in our financial landscape. One of the more concerning trends is the softening of sales tax receipts over the last three quarters and the awareness of the California state budget deficit. However, even amidst economic caution, our financial position remains stable. The strong reserve levels OCTA has maintained, in alignment with the Board-approved reserve policy, are the result of thoughtful financial stewardship and puts OCTA in a good position heading into uncertain economic times. These reserves act as a safeguard against unexpected economic fluctuations, ensuring that our essential M2 projects and transportation services continue to receive the support they need even as we navigate these cautious economic times.

Looking specifically at our M2 Program half-cent Local Transportation Authority (LTA) sales tax revenue, the FY 2024-25 projections are cautiously optimistic. The growth rate for the M2 Program half-cent LTA sales tax revenue is forecasted to be 3.3 percent over FY 2023-24 year-end estimates. Similarly, the growth rate for the quarter-cent Local Transportation Fund sales tax revenue, primarily supporting the bus program, is anticipated to be 3.1 percent over FY 2023-24 year-end estimates. These figures are projections provided by MuniServices, LLC and are based on the Board-approved sales tax forecasting methodology.

The proposed budget presents a balanced financial plan, detailing the sources and uses of funds. It reflects a judicious mix of new revenues and the strategic use of previously designated funds, ensuring fiscal stability without resorting to deficit spending. Previously designated funds, also known as planned uses of prior year designations, are funds set aside (designated) in prior FYs to be utilized in the current FY.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$1,759.5 million, while proposed expenditures and designations yield a total use of funds of \$1,759.5 million. On a year-over-year comparison to the FY 2023-24 approved budget, the proposed budget is 3.6 percent, or \$61 million, more than the FY 2023-24 approved budget.

The proposed budget for the M2 Program delineates a clear roadmap for the enhancement of transportation infrastructure across our cities and County. This includes executing the M2 Next 10 Delivery Plan as pledged, ensuring that vital projects remain on course. The M2 Program supports ongoing enhancements in freeways, streets, and roads, while also channeling funds towards vital transit initiatives.

Significant funding is allocated for freeway improvements, particularly on State Routes 55 and 91 and Interstate 5, reflecting our promise to deliver on the M2 Next 10 Delivery Plan. Additionally, there is continued investment in both local and regional traffic infrastructure, which includes transit programs that are essential to the fabric of our public transportation system, like Metrolink and the OC Streetcar.

The proposed budget extends OCTA's commitment to ensuring that funding for cities and the county stays on track, not just through the Local Fair Share Formula Program but also via the competitive Regional Capacity Program and the Regional Traffic Signal Synchronization Program. This approach guarantees that funds are distributed equitably and strategically, supporting a broad spectrum of projects, and sustaining the momentum of infrastructure improvements throughout the County.

The proposed budget outlines an ambitious plan for transit services, with a clear focus on enhancements, sustainability, and resilient operations. For the OC Bus Program, the proposed budget allocates 1.52 million service hours, with a distribution that sees approximately 60 percent of these hours directly operated by OCTA and the remaining 40 percent provided by contractors. This is in line with plans to continue to bolster the OC Bus service by increasing service levels by three percent, thereby improving accessibility and convenience for commuters.

Under regional rail, the proposed budget is designed to support the Metrolink rail optimization model. Service levels are expected to align with Metrolink's optimized service plan, showcasing a drive for efficiency and enhanced service delivery. For local rail, the proposed budget includes funding for the OC Streetcar commencement of pre-revenue activities signaling the near readiness for operational service.

Sustainability and resiliency focus is also a cornerstone of the proposed budget, with ongoing investments in zero-emission buses and related infrastructure. It demonstrates a commitment to greener public transit options and a forward-thinking approach to environmental stewardship. Moreover, the

continuation of coastal rail resiliency planning positions the transit system to better withstand future environmental challenges.

The express lanes demonstrate solid performance with the 91 Express Lanes continuously meeting commitments, reflecting the effectiveness of existing traffic management strategies. The proposed budget expects a 0.6 million trip increase in traffic volumes, reaching 20.1 million trips as a result of stabilized traffic patterns and inflation. The 405 Express Lanes, having opened in December 2023, are forecasted to see 109 million trips in their first full FY, aligning closely with projections.

With Board direction, staff will present the proposed budget in detail in an informal workshop setting on May 13, 2024. The presentation will include a discussion of specific program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the proposed budget at the meeting. A public hearing for the proposed budget is scheduled to occur at the June 10, 2024, Board meeting, after which staff anticipates seeking Board approval of the proposed budget.

**Summary**

A detailed proposed budget workshop is scheduled for the Board on May 13, 2024, during the OCTA Board meeting. This session aims to provide the Board with comprehensive information on the proposed budget. No public hearing or voting will occur at this meeting. A subsequent public hearing and the anticipated budget approval will take place during the June 10, 2024, Board meeting.

**Attachment**

- A. Orange County Transportation Authority Fiscal Year 2024-25 Budget Workshop Preview

**Prepared by:**



Victor Velasquez  
Department Manager,  
Financial Planning and Analysis  
(714) 560-5592

**Approved by:**



Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
(714) 560-5649

Orange County Transportation  
Authority  
Fiscal Year 2024-25  
Budget Workshop Preview

OCTA

Orange County Transportation Authority

# 2024 Board & CEO Initiatives



Tam T. Nguyen  
Chair



Darrell E. Johnson  
Chief Executive Officer



# Budget Themes

- **Cautious Economic Climate**

- Softening sales tax receipts
- State budget deficit
- Strong reserve levels

- **Sustainability & Resiliency Focus**

- Ongoing zero-emission bus and infrastructure investment
- Continuing coastal rail resiliency planning

- **Stable Express Lanes Operations**

- 91 Express Lanes continues meeting commitments
- 405 Express Lanes performing as forecasted heading into first full year of operations

- **Enhanced Transit Services**

- Enhancing OC Bus through additional service
- Implementing Metrolink rail service optimization model
- Commencing OC Streetcar pre-revenue service activities

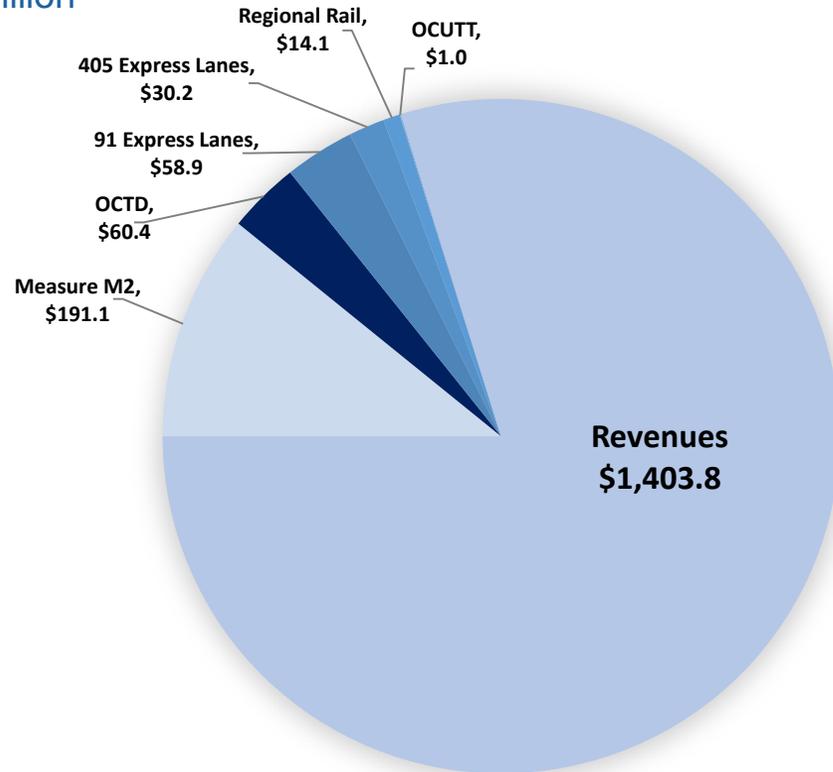
- **Measure M2 (M2) Commitment**

- Delivering M2 Next 10 Delivery Plan as promised
- Funding for cities and County on track through formula and competitive programs

# Budget Overview

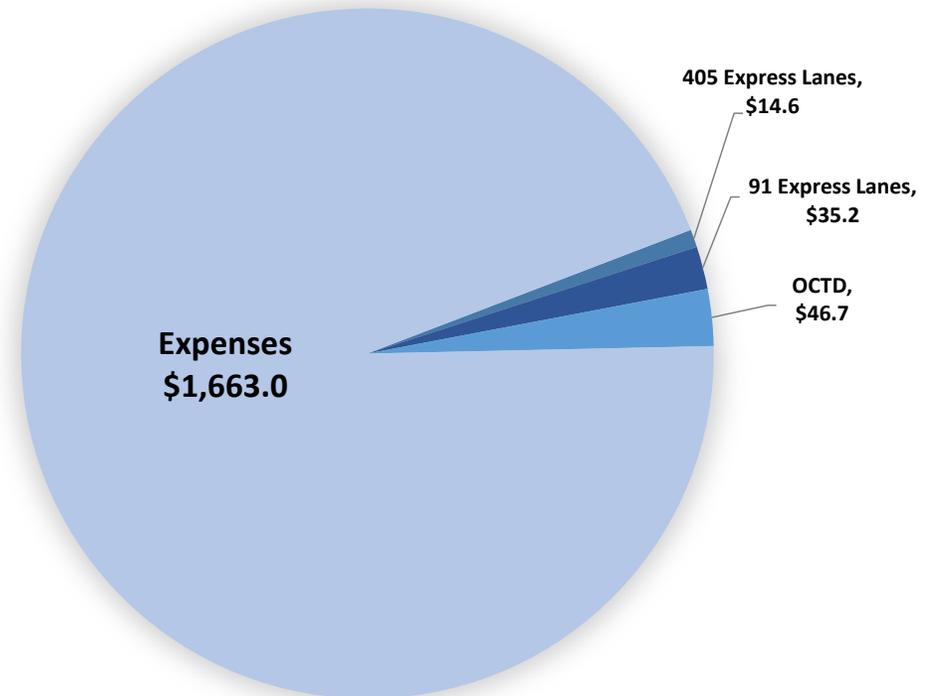
Use of Prior Year Designations  
\$355.7 million

## Source of Funds \$1,759.5 million



## Use of Funds \$1,759.5 million

Designations  
\$96.5 million



OCUTT - Orange County Unified Transportation Trust  
OCTD - Orange County Transit District

# Budget Sources & Uses

In Millions	FY 2023-24	FY 2024-25	Change
Sources	Approved Budget	Proposed Budget	\$
Revenues	\$ 1,303.7	\$ 1,403.8	\$ 100.1
Use of Prior Year Designations	394.8	355.7	(39.1)
<b>Total Revenue / Use of Designations</b>	<b>\$ 1,698.5</b>	<b>\$ 1,759.5</b>	<b>\$ 61.0</b>
Uses			
Salaries and Benefits	\$ 208.5	\$ 212.0	\$ 3.5
LOSSAN Funded Salaries and Benefits	4.1	4.5	0.4
Services and Supplies	475.6	471.9	(3.7)
Contributions to Other Agencies	211.7	227.2	15.5
Interest/Debt Service	77.8	75.3	(2.5)
Capital	673.0	672.1	(0.9)
Designations	47.8	96.5	48.7
<b>Total Expenditures / Designations</b>	<b>\$ 1,698.5</b>	<b>\$ 1,759.5</b>	<b>\$ 61.0</b>

FY – Fiscal Year  
LOSSAN - Los Angeles – San Diego – San Luis Obispo Rail Corridor Agency

# Sales Tax Revenues

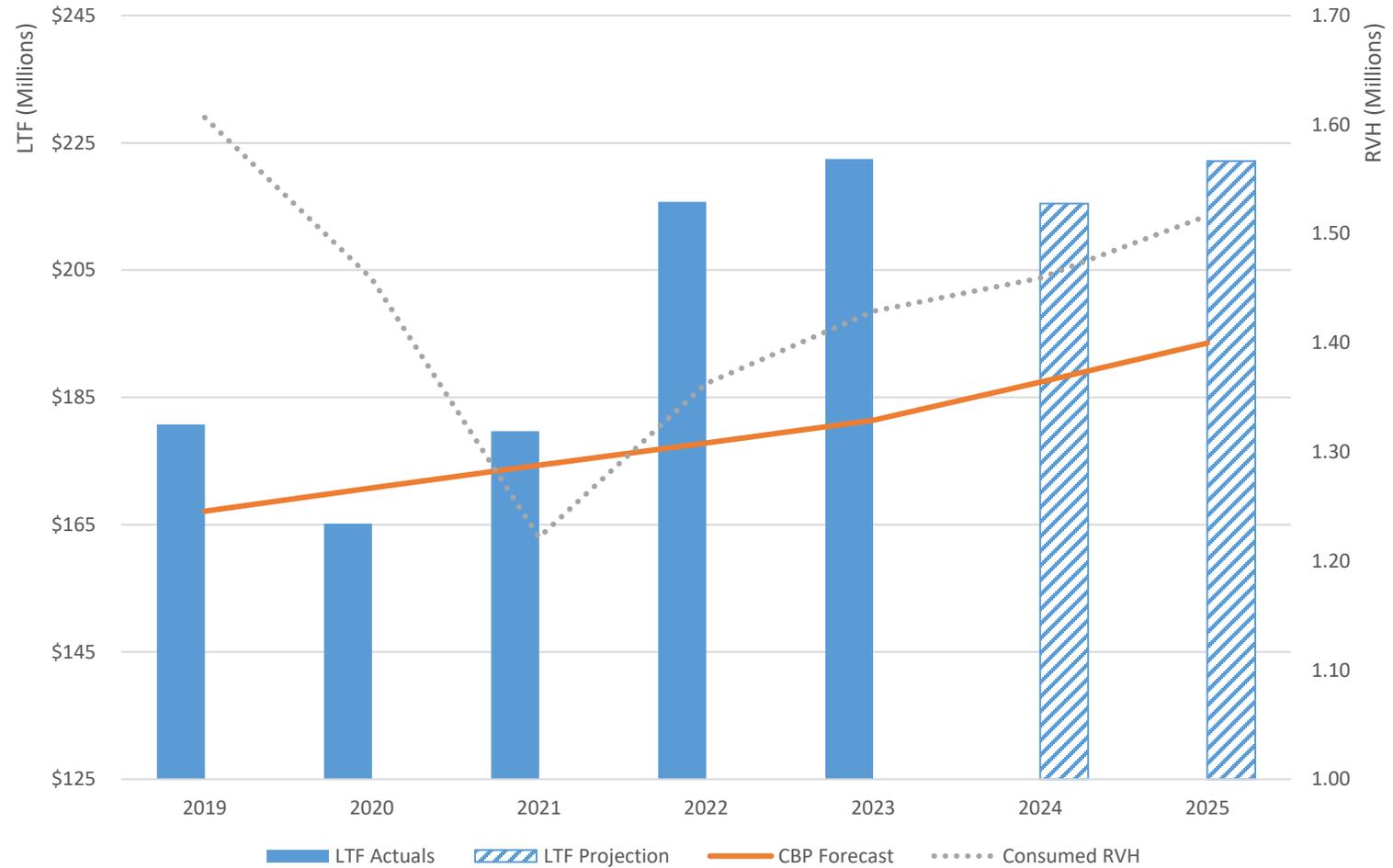
In Millions

## Sales Tax

		LTA		LTF
FY 2023-24 Approved Budget	\$	461.6	\$	230.7
FY 2023-24 Year-End Estimate		427.8		215.5
<b>FY 2024-25 Sales Tax Growth Rate</b>		<b>3.3%</b>		<b>3.1%</b>
<b>FY 2024-25 Proposed Budget</b>	<b>\$</b>	<b>441.9</b>	<b>\$</b>	<b>222.2</b>

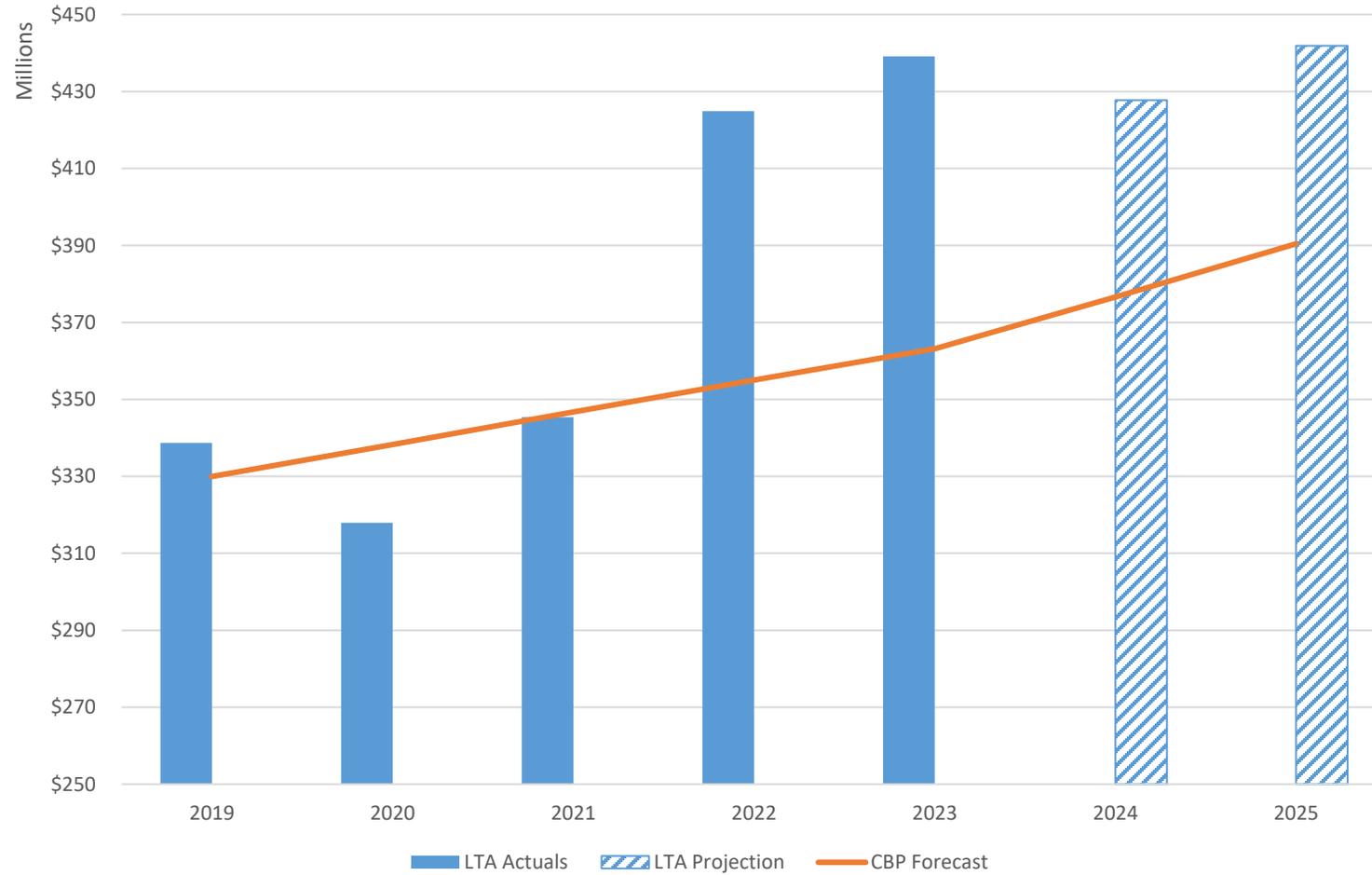
LTA - Local Transportation Authority  
LTF - Local Transportation Fund

# LTF Sales Tax Revenue History

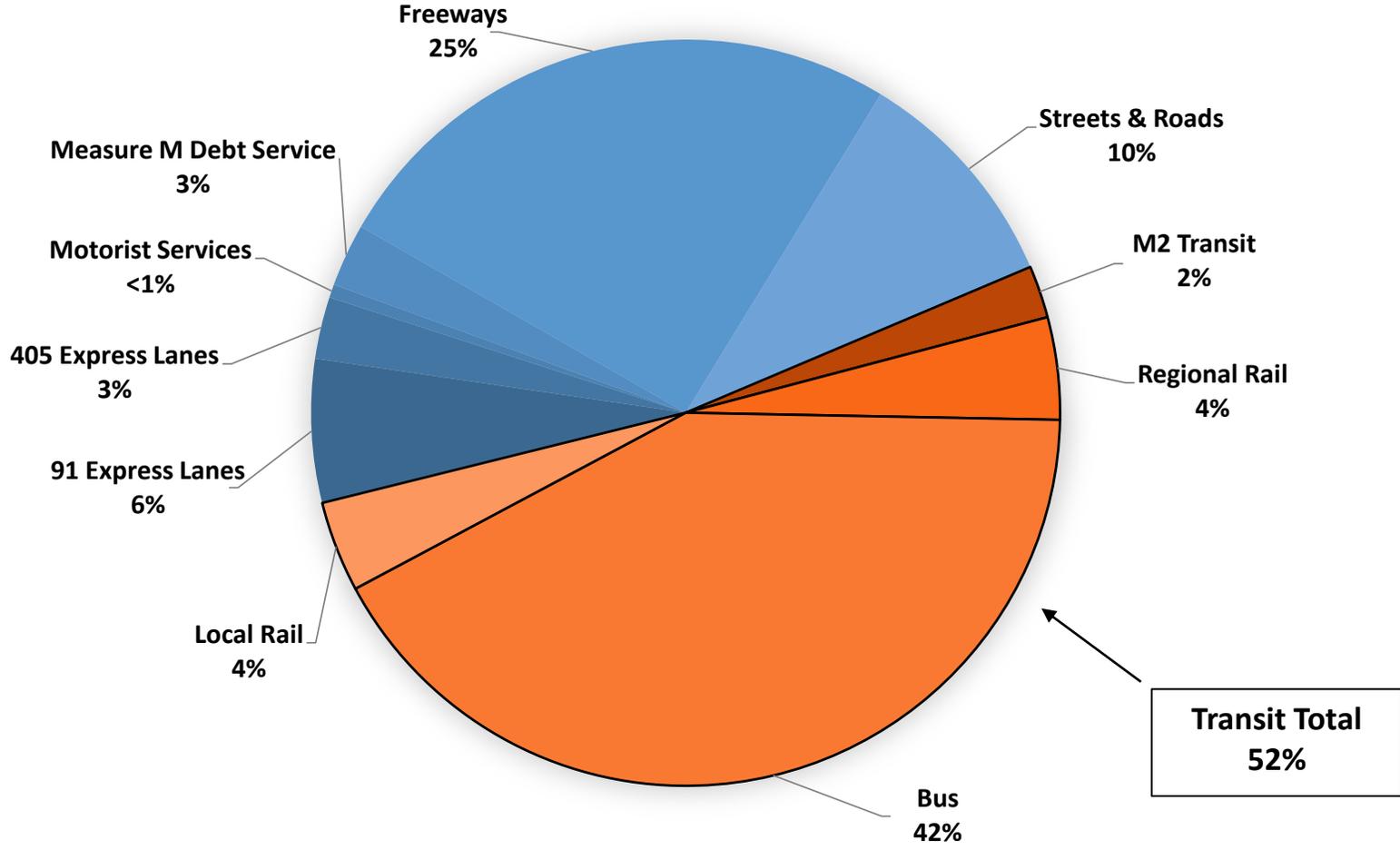


CBP – Comprehensive Business Plan  
RVH – Revenue Vehicle Hours

# LTA Sales Tax Revenue History



# Total Budget by Program



# Next Steps

- Budget Workshop Presentation – Board May 13
- Committee meetings and one-on-one meetings with Board Members May 13 - June 9
- Public Hearing Preview – Finance & Administration Committee May 22
- Public Hearing – Board (Public Hearing and approval) June 10
- Back-up Public Hearing – Board (Public Hearing and approval) June 24