

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2022

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2022

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, 2022. Please refer to the individual divider tab for our report on each Agency.

Cypress

Irvine

Laguna Beach

Los Alamitos

Rancho Santa Margarita

San Juan Capistrano

Villa Park

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

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 Cypress's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. 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 account number. The City recorded its MOE expenditures in its General Fund (111), Storm Drainage Fund (261), Capital Projects Fund (415) and various account numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

(Continued)

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022, were \$3,892,903 (see Schedule A) which originally exceeded the MOE benchmark requirement of \$3,607,878. We agreed the total expenditures of \$3,892,903 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. However, after removal of indirect costs, outlined at Procedure #4, the City no longer met the minimum MOE benchmark requirement. No other 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 \$949,195, which represented approximately 42% of direct MOE expenditures of \$2,247,663 for the fiscal year ended June 30, 2022. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation, and through discussion with the City's accounting personnel, we identified one expenditure related to a retirement lunch for a public works maintenance employee in the amount of \$97, which was not properly classified as a local street and road expenditure and is not allowable per the Ordinance. We selected an additional five direct MOE expenditures totaling \$535, which were comprised of \$48 for a grilling tools set, \$53 for reimbursement of a phone case and a screen protector, \$143 for an annual renewal fee to South Coast Air Quality Management District, \$269 for membership dues to American Public Works Association, and \$22 for picture frames. We found these expenditures were also not properly classified as local street and road expenditures, nor are they allowable per the Ordinance. We also identified \$20,201 of direct charges that should have been reported as indirect costs. They represented charges for pump station support, National Pollutant Discharge Elimination System (NPDES) annual license fee, data acquisition service, water quality permit fees, and other water quality contract services that were allocated 5% as direct charges. After removing the transactions above from total direct MOE expenditures, the City continued to meet the MOE benchmark requirement; however, if indirect costs were removed as outlined at Procedure #4 the City would no longer met the minimum MOE benchmark requirement. 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 agreed the total indirect expenditures of \$1,645,240 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. We selected 25 indirect MOE costs for inspection totaling \$223,883, representing 14% of the total indirect MOE costs of \$1,645,240. During testing of direct expenditures, we also identified \$20,201 of direct costs that should have been reported as indirect costs. Refer to Procedure #3 above. The City applied internal service allocations based on fiscal year 2022 budget amounts for various indirect/overhead expenses. These expenses included payroll and benefits, liability insurance, monthly print shop/mail/phone charges, monthly office rental charges, monthly tools and equipment maintenance/replacement charges, monthly computer website maintenance charges, monthly vehicle replacement charges and various other charges. 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 was unable to provide a documented methodology used to support the allocation of charges for the samples selected, including the \$20,201, identified in Procedure #3, that should have been reported as indirect costs.

(Continued)

We then requested the City to provide a documented methodology used to support the allocation of the remaining indirect costs and the City was unable to provide documentation to support these allocations. As such, we lack information necessary to confirm these costs as fair and reasonable. After removing ineligible direct costs at Procedure #3, if unsupported indirect costs were removed from MOE, the City would no longer meet the benchmark requirement. The shortfall would amount to \$1,381,048.

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, 2022 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 \$3,002,853 for the past three fiscal years ended June 30, 2020, 2021 and 2022. We agreed the fund balance of \$1,553,813 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, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and account number. The City recorded its LFS expenditures in its Measure M Fund and in various account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the Fiscal Year ended June 30, 2022 were \$693,309 (see Schedule A), which agreed to the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected five direct Measure M2 Local Fair Share expenditures for inspection totaling \$489,656 representing approximately 71% of total direct Measure M2 Local Fair Share expenditures of \$693,309 for the Fiscal Year ended June 30, 2022. 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.

(Continued)

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, 2022. 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 \$6,864 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 (FY22) 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 13, 2023

CITY OF CYPRESS, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,645,240
Construction & Right-of-Way	
Street Reconstruction	736,174
Pedestrian Ways & Bikepaths	193,933
Maintenance	
Overlay & Sealing	58,627
Street Lights & Traffic Signals	93,371
Other Street Purpose Maintenance	<u>1,165,558</u>
Total MOE Expenditures	<u>\$ 3,892,903</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Residential Street Resurfacing	\$ 600,000
Traffic Signal Improvements	<u>93,309</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 693,309</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 4,586,212</u></u>

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



CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 www.cypressca.org

April 13, 2023

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 Local Fair Share program for the City of Cypress as of and for the fiscal year ended June 30, 2022.

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 vouchers 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 \$949,195, which represented approximately 42% of direct MOE expenditures of \$2,247,663 for the fiscal year ended June 30, 2022. We agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation, and through discussion with the City's accounting personnel, we identified one expenditure related to a retirement lunch for a public works maintenance employee in the amount of \$97, which was not properly classified as a local street and road expenditure and is not allowable per the Ordinance. We selected an additional five direct MOE expenditures totaling \$535, which were comprised of \$48 for a grilling tools set, \$53 for reimbursement of a phone case and a screen protector, \$143 for an annual renewal fee to South Coast Air Quality Management District, \$269 for membership dues to American Public Works Association, and \$22 for picture frames. We found these expenditures were also not properly classified as local street and road expenditures, nor are they allowable per the Ordinance. We also identified \$20,201 of direct charges that should have been reported as indirect costs. They represented charges for pump station support, National Pollutant Discharge Elimination System (NPDES) annual license fee, data acquisition service, water quality permit fees, and other water quality contract services that were allocated 5% as direct charges. After removing the transactions above from total direct MOE expenditures, the City continued to meet the MOE benchmark requirement; however, if indirect costs were removed as outlined at Procedure #4 the City

Anne Hertz-Mallari, Mayor

Scott Minikus, Mayor Pro Tem

David Burke, Council Member

Frances Marquez, Ph.D., Council Member

Bonnie Peat, Council Member

would no longer met the minimum MOE benchmark requirement. No other exceptions were found as a result of this procedure.

City's Response:

We accept the determination these expenditures are not eligible to be classified as direct local street and road 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 the total indirect expenditures of \$1,645,240 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. We selected 25 indirect MOE costs for inspection totaling \$223,883, representing 14% of the total indirect MOE costs of \$1,645,240. During testing of direct expenditures, we also identified \$20,201 of direct costs that should have been reported as indirect costs. Refer to Procedure #3 above. The City applied internal service allocations based on fiscal year 2022 budget amounts for various indirect/overhead expenses. These expenses included payroll and benefits, liability insurance, monthly print shop/mail/phone charges, monthly office rental charges, monthly tools and equipment maintenance/replacement charges, monthly computer website maintenance charges, monthly vehicle replacement charges and various other charges. 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 was unable to provide a documented methodology used to support the allocation of charges for the samples selected, including the \$20,201, identified in Procedure #3, that should have been reported as indirect costs. We then requested the City to provide a documented methodology used to support the allocation of the remaining indirect costs and the City was unable to provide documentation to support these allocations. As such, we lack information necessary to confirm these costs as fair and reasonable. After removing ineligible direct costs at Procedure #3, if unsupported indirect costs were removed from MOE, the City would no longer meet the benchmark requirement. The shortfall would amount to \$1,381,048.

City's Response:

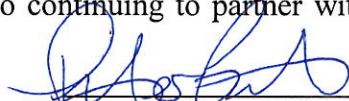
We acknowledge the above finding. The City uses internal service funds to allocate a variety of service costs to those departments/programs that utilize the services. This is a standard practice in municipal government and we assert the allocation methodology is documented and represents a fair and reasonable allocation of costs. Despite using this allocation methodology since Measure M was passed in 1990, it appears the City's documentation (which is largely based on the annual budget and historical trends) is no longer sufficient for OCTA. OCTA audit representatives have indicated documentation, such as a formal cost allocation plan and/or time and motion studies, would meet its needs. However, this was not previously requested of the City and the City has not had the need for such a plan to be prepared, nor is there sufficient time to prepare such a plan during the timeline for this audit. Further, the City calculates its MOE expenditures annually using

the same methodology that OCTA has repeatedly audited without any findings. In fact, during the FY 2017 audit, the costs that OCTA now identifies as undocumented, were specifically reviewed and reclassified (for reporting purposes) to the indirect cost line item at the suggestion of OCTA's auditor. No other suggestions or concerns were raised as part of the 2017 audit or during any previous audit review process. However, despite these facts we agree an update to our allocation methodology is appropriate to ensure the documentation is sufficient to meet OCTA standards.


Even though the City's documentation of its method of allocating indirect costs can be improved upon, a determination to potentially remove all indirect costs is not reasonable. For more than 30 years, the current indirect cost allocation documentation has been accepted. These indirect costs (\$1.6 million) represents more than 45% of Cypress' Maintenance of Effort (MOE) benchmark. Many of these costs are considered indirect because of how they are recorded in the City's general ledger (in separate internal service funds). For example, all fleet costs associated with street and right-of-way maintenance (including fuel, repairs, and vehicle replacement) are recorded as indirect costs and excluding these costs from the MOE calculation would not be appropriate. These costs are directly related to MOE activities and should be included for MOE purposes.

The City recognizes auditing standards and processes have evolved since the MOE benchmark was established; however, the documentation standard for determining if indirect costs are fair and reasonable does not appear clear and obvious. As Cypress' situation demonstrates, this determination may have significant impacts and requires a reasonable, common sense-based response and implementation. The City requests OCTA allow the current methodology for indirect costs until the City can complete a cost allocation study in the next 12 months. This study would provide the basis for an updated methodology for determining MOE eligible costs.

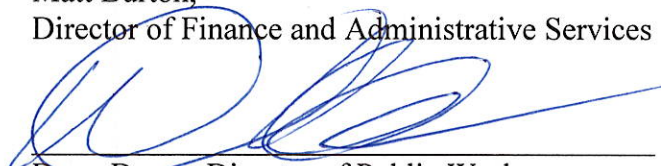
Cypress is one of the most financially stable cities in Orange County and takes great pride in the quality of its streets and roads. The City has not changed its cost allocation methodology in attempts to meet its MOE and it has always been a forthright, enthusiastic partner to OCTA. We appreciate and value the audit process and simply ask OCTA to provide the City the opportunity and necessary time to update past practices that have been consistently applied, reviewed and audited over the years. We look forward to continuing to partner with OCTA to address these concerns.



Peter Grant, City Manager



Matt Burton,
Director of Finance and Administrative Services



Doug Dancs, Director of Public Works

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

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 Irvine's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. 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 codes, section codes, and object codes. The City records its MOE expenditures in its General Fund (001) and is identified by a 14-digit account number composed of a 2-digit fund code, 3-digit section code, 3-digit service code, and a 4-digit object 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, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. 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, 2022 were \$20,295,487 (see Schedule A), which exceeded the MOE benchmark requirement of \$8,001,915. We agreed the total expenditures of \$20,295,487 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$2,770,758, which represented approximately 21% of direct MOE expenditures of \$13,386,551 for the fiscal year ended June 30, 2022. 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, 2022. We agreed \$6,908,936 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$1,211,831 representing 18% 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 salaries for accountants for LFS related projects. 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, 2022 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 \$16,588,159 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$6,076,723 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, 2022. 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, organization codes, and object codes. The City recorded LFS expenditures in its Measure M2 Fund (154) and is identified by 10-digit organization codes, and 4-digit object codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022, were \$5,493,136 (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.

(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 selected eight direct Measure M2 Local Fair Share expenditures for inspection totaling \$5,279,788 representing approximately 96% of total direct Measure M2 Local Fair Share expenditures of \$5,460,527 for the fiscal year ended June 30, 2022. We agreed the dollar amount to supporting documentation. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP and per discussion with the City's accounting personnel and the Public Works and Transportation department, Crowe was unable to trace four expenditures to specific projects included in the City's 7-year CIP. After further inspection, Crowe identified these four expenditures should have been reported as indirect costs. They relate to contracted services of \$39,385, wages for transportation analysts of \$7,238, and Public Works and Transportation employees benefits of \$3,001. No other exceptions were found as a result of this procedure.

8. Identify whether indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. 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, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2022. We agreed \$32,609 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 samples for inspection with a total amount of \$22,733 representing 70% of the total indirect Local Fair Share costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. Upon inspection of the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect Local Fair Share costs and were allowable per the Ordinance. In addition, the indirect LFS costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No exceptions were found as a result of this procedure.

9. 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 (\$239,869) listed on the City's Expenditure Report (Schedule 2, line 4). The interest earned and the market value loss was \$93,427 and (\$333,296), respectively. We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. Crowe found that the interest was negative due to the unrealized loss of investment market value at year end, as required by government accounting standards. 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.

(Continued)

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

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

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

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

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

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



Crowe LLP

Costa Mesa, California
March 28, 2023

CITY OF IRVINE, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 6,908,936
Maintenance	
Overlay & Sealing	\$ 5,955,937
Street Lights & Traffic Signals	965,635
Other Street Purpose Maintenance	<u>6,464,979</u>
Total MOE Expenditures	<u>\$ 20,295,487</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
M2 Fairshare Administrative	\$ 82,233
M2 Fairshare Operation And Maintenance	120,316
FY21 Slurry Seal/Local Streets	4,092,137
FY22 Slurry Seal/Local Streets Rehab	1,171,932
Walnut Pavement Rehabilitation (Harvard Culver)	<u>26,518</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 5,493,136</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 25,788,623</u>

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



March 28, 2023

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 Irvine as of and for the fiscal year ended June 30, 2022.

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 whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected eight direct Measure M2 Local Fair Share expenditures for inspection totaling \$5,279,788 representing approximately 93% of total direct Measure M2 Local Fair Share expenditures of \$5,700,395 for the fiscal year ended June 30, 2022. We agreed the dollar amount to supporting documentation. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP and per discussion with the City's accounting personnel and the Public Works and Transportation department, Crowe was unable to trace four expenditures to specific projects included in the City's 7-year CIP. After further inspection, Crowe identified these four expenditures should have been reported as indirect costs. They relate to contracted services of \$39,385, wages for transportation analysts of \$7,238, and Public Works and Transportation employees benefits of \$3,001.

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

City's Response:

The above finding is merely a reporting observation and no impact to MOE benchmark. The City will immediately implement the reporting of any direct expenditures to Local Fair Share (LFS) funding besides the Capital Improvement Program (CIP) in the upcoming Seven-Year report that will be submitted to Orange County Transportation Authority (OCTA) in June 2023. In addition, staff will report these types of expenditures in the indirect LFS costs section in future Measure M2 expenditure report (Schedule 3). Public Works and Transportation and Finance staff will incorporate these updates to OCTA procedural and methodological reporting for the Seven-Year CIP and Measure M2 expenditure reports.

Signed:  _____

Name: Oliver C. Chi

Title: City Manager

Signed:  _____

Name: Dahle Bulosan

Title: Director of Administrative Services

Signed:  _____

Name: Jaimee Bourgeois

Title: Director of Public Works & Transportation

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, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. 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 codes, and object codes. The City records its MOE expenditures in its General Fund (110), Capital Improvement Fund (116), Gas Tax Fund (132), and Street Lighting Fund (134) and identified by a 4-digit department code, and a 4-digit 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, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 18). Explain any differences.

(Continued)

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2022 were \$7,555,442 (see Schedule A), which exceeded the MOE benchmark requirement of \$1,806,353. Actual MOE expenditures per the general ledger expenditure detail totaled \$8,269,834, a variance of \$714,392. The variance was due to an indirect cost charge of \$330,597 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of \$383,795 that was not accounted for in the Expenditure Report. No other 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 \$3,594,052, which represented approximately 50% of direct MOE expenditures of \$7,211,957 for the fiscal year ended June 30, 2022. 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 selected 25 indirect MOE costs for inspection totaling \$142,485, representing 41% of the total indirect MOE costs of \$343,485. These charges include payroll and benefits, monthly group insurance, copier charges, 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 was unable to provide a documented methodology used to support the allocations mentioned above. As a result, the entire amount of indirect costs were removed from MOE expenditures. After removing these costs from total MOE expenditures, the City continued to meet the MOE benchmark requirement. 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, 2022 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 \$1,432,868 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$0 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2022. 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.

(Continued)

Findings: The LFS expenditures were tracked in the City's general ledger by fund number, department Number, program Number, and various object codes. The City recorded its LFS expenditures in its Gas Tax Fund (132). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022 were \$536,756, 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 seven direct Measure M2 Local Fair Share expenditures for inspection totaling \$275,623 representing approximately 51% of total direct Measure M2 Local Fair Share expenditures of \$536,756 for the Fiscal Year ended June 30, 2022. 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, 2022. 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 \$6,824 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 (FY22) by inspecting the OCLTA Board agenda and action items.

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

(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.

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 31, 2023

CITY OF LAGUNA BEACH, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 343,485
Construction & Right-of-Way	
New Street Reconstruction	\$ 824,098
Signals, Safety Devices & Street Lights	101,055
Pedestrian Ways & Bikepaths	223,302
Storm Drains	2,074,045
Maintenance	
Patching	\$ 2,774,593
Overlay & Sealing	964,174
Street Lights & Traffic Signals	41,817
Other Street Purpose Maintenance	<u>208,874</u>
Total MOE Expenditures	<u>\$ 7,555,442</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Slurry Seal & Rehab Zone 2,3,5	\$ 536,756
Total Measure M2 Local Fair Share Expenditures	<u>\$ 536,756</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 8,092,198</u></u>

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



March 31, 2023

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Laguna Beach as of and for the fiscal year ended June 30, 2022.

Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. 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, 2022 were \$7,555,442 (see Schedule A), which exceeded the MOE benchmark requirement of \$1,806,353. Actual MOE expenditures per the general ledger expenditure detail totaled \$8,269,834, a variance of \$714,392. The variance was due to an indirect cost charge of \$330,597 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of \$383,795 that was not accounted for in the Expenditure Report. No other exceptions were found as a result of this procedure.

City's Response:

The City inadvertently included the indirect costs of \$330,597 as both MOE undistributed engineering and administration and maintenance costs in the report. The City has identified this discrepancy, which will be corrected in future reporting related to the Measure M2 Local Fair Share Program. In addition, the City can refile the Measure M2 report with the adjustments to correct the current year report.

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 \$142,485, representing 41% of the total indirect MOE costs of \$343,485. These charges include payroll and benefits, monthly group insurance, copier charges, 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 was unable to provide a documented methodology used to support the allocations mentioned above. As a result, the entire amount of indirect costs were removed from MOE expenditures. After removing these costs from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City believes the methodology used to calculate the indirect Maintenance of Effort costs as submitted is fair and reasonable. However, since the indirect cost rate allocation methodology was not approved by a third-party and documented in writing, the City can refile the Measure M2 report, excluding the administrative overhead expenditures. The City plans to document the indirect cost allocation methodology for future submittals or exclude it from the reporting. After removing indirect MOE costs, City's MOE expenditures for the fiscal year ended June 30, 2022, far exceeded the Maintenance of Effort benchmark requirement of approximately \$1.8 million.



Gavin Curran, Acting City Manager



Gavin Curran, Assistant City Manager/CFO



Mark McAvoy, Public Works Director

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

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 Los Alamitos's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. 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 account numbers. The City records its MOE expenditures in its General Fund (10) and is identified by 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, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. 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 reported total MOE expenditures of \$694,824 on its Expenditure Report (Schedule 3, line18) for fiscal year 2022, which exceeded the MOE benchmark requirement of \$182,250. Actual MOE expenditures per the general ledger expenditure detail totaled \$655,511, a variance of \$39,313. The variance was primarily due to an indirect cost charge of \$47,880 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of (\$8,567) that was not accounted for in the Expenditure Report. No other exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$330,719, which represented approximately 54% of direct MOE expenditures of \$607,631 for the fiscal year ended June 30, 2022. 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 City's Expenditure Report, we noted that no indirect costs were reflected on Schedule 3, Line 1. After further investigating the direct expenditure detail from the City's general ledger and through discussion with City personnel, we noted that a \$47,880 of indirect costs were included in total direct costs on Schedule 3, line 15 of the City's M2 Expenditure Report for the fiscal year ended June 30, 2022. Crowe selected 8 MOE indirect expenditures with a total amount of \$47,880 representing 100% of the total indirect costs. Upon inspection of supporting documentation, we determined that the entirety of the indirect costs were not developed using a reasonable methodology. However, after removing these expenditures from total MOE expenditures, the City continued to meet the MOE benchmark requirement. 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, 2022 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 \$759,956 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$593,413 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, 2022. 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 in its Measure M2 Fund (26). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022 were \$201,146 (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.

(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 selected 10 Measure M2 Local Fair Share direct expenditures for inspection totaling \$148,681 representing approximately 74% of total Measure M2 direct Local Fair Share expenditures of \$201,146 for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation. When comparing the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, we noted that two expenditures in the amount of \$72,058, relating to the Suburbia Rehab and Cerritos Guardrail projects, were not listed on the City's Seven-Year CIP. Although projects related to the expenditure samples are not shown on the current year Seven-Year CIP, Crowe notes that the projects were shown in prior year's Seven-Year CIPs' but not rolled forward to the current year. No other exceptions were noted 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, 2022. 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 \$4,052 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 (FY22) by inspecting the OCLTA Board agenda and action items.

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

(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.

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

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

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

Crowe LLP

Costa Mesa, California
March 22, 2023

CITY OF LOS ALAMITOS, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 47,880
Maintenance	
Other Street Purpose Maintenance	<u>607,631</u>
Total MOE Expenditures	<u>\$ 655,511</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
ADA Access Ramps	\$ 39,533
Surbrbia Rehab	49,978
Cerritos Ave Guardrail	55,540
St Signs at Intersections	950
Strret Marking/Striping	12,067
Tree Palnting Citywide	42,149
Speed Survey	540
Catch Basin CPS Project	<u>389</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 201,146</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 856,657</u></u>

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



Exhibit 1

March 22, 2023

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 Los Alamitos as of and for the fiscal year ended June 30, 2022.

Procedure #2

Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. 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 reported total MOE expenditures of \$694,824 on its Expenditure Report (Schedule 3, line 18) for fiscal year 2022. Actual MOE expenditures per the general ledger expenditure detail totaled \$655,511, a variance of \$39,313. The variance was primarily due to an indirect cost charge of \$47,880 that was counted twice when preparing the City's Expenditure Report. The remaining variance was due to a prior year audit adjustment of (\$8,567) that was not accounted for in the Expenditure Report. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the auditor's finding. City management maintains that the number represented in Schedule 3, Line 18 is for the purpose of reference to verify that expenditures exceed the MOE benchmark. Since expenditures after the noted adjustment exceed the established MOE benchmark by \$464,694 (254%), the error is of little consequence. For future reporting, the City will record indirect and direct costs separately so that OCTA has a clear delineation of the City's MOE expenditures.

Procedure #4

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

Findings: Based upon inspection of the City's Expenditure Report, we noted that no indirect costs were reflected on Schedule 3, Line 1. After further investigating the direct expenditure detail from the City's general ledger and through discussion with City personnel, we noted that a \$47,880 of indirect costs were included in total direct costs on Schedule 3, line 15 of the City's M2 Expenditure Report for the fiscal year ended June 30, 2022. Crowe selected 8 MOE indirect expenditures with a total amount of \$47,880 representing 100% of the total indirect costs. Upon inspection of supporting documentation, we determined

that the entirety of the indirect costs were not developed using a reasonable methodology. However, after removing these expenditures from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the auditors finding. City management is not aware of any written cost allocation methodology for calculating indirect cost allocation. Further, City management believes the methodology that is being used is sound based on best practices. The City has engaged a consultant to conduct a cost recovery study, including review of internal service fund cost allocation methodology. Once the study has been completed, City management will request that the consultant also draft written procedures to support internal cost allocation that will be compliant with SCO and OCTA.

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 whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 10 Measure M2 Local Fair Share direct expenditures for inspection totaling \$148,681 representing approximately 74% of total Measure M2 direct Local Fair Share expenditures of \$201,146 for the fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation. When comparing the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, we noted that two expenditures in the amount of \$72,058, relating to the Suburbia Rehab and Cerritos Guardrail projects, were not listed on the City's Seven-Year CIP. Although projects related to the expenditure samples are not shown on the current year Seven-Year CIP, Crowe notes that the projects were shown in prior year's Seven-Year CIPs' but not rolled forward to the current year. No other exceptions were noted as a result of this procedure.

City's Response:

The City agrees with the auditor's finding. City management has discussed this process with the City's Engineer. Partially completed projects appearing on the prior year's Seven-Year CIP list will be noted as such and carried forward for inclusion in the subsequent year's Seven-Year CIP list, as well as inclusion for the Measure M2 Local Fair Share direct expenditures accordingly.

 3/22/23
Craig Koehler, Finance Director Dated

R. Noda 03/22/2023
Ron Noda, Development Services Director Dated

 3-22-23
Chet Simmons, City Manager Dated

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

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 Rancho Santa Margarita's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. 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 codes, and various other codes. The City records its MOE expenditures in its General Fund (100) and CIP Fund (410) and is identified by a 3-digit department number, and various other 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, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. 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, 2022, were \$688,337 which exceeded the MOE benchmark requirement of \$428,337. We agreed the total expenditures of \$688,337 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: The City does not separately account for MOE and LFS expenditures, rather, the City accumulates all expenditures in one account and then allocates expense amounts to LFS and MOE at the end of each year. City staff advised that all expenditures are both MOE and LFS eligible expenditures. Crowe selected 15 direct expenditures from the total population of expenditures for inspection. Expenditures inspected totaled \$662,388, representing 52% of the total population of LFS and MOE direct expenditures of \$1,265,098. We agreed the dollar amount to supporting documentation and the expenditures tested were allowable under both the MOE and LFS guidelines. No exceptions were found.

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, 2022. 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, 2022 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 \$2,440,211 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$698,914 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, 2022. 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 (212). Total Measure M2 Local Fair Share expenditures per the general ledger during the Fiscal Year ended June 30, 2022 was \$576,761 (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.

(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 any exception. The City does not separately account for MOE and LFS expenditures, rather, the City accumulates all expenditures in one account and then allocates expense amounts to LFS and MOE at the end of each year. City staff advised that all expenditures are both MOE and LFS eligible expenditures. Crowe selected 15 direct expenditures from the total population of expenditures for inspection. Expenditures inspected totaled \$662,388, representing 52% of the total population of LFS and MOE direct expenditures of \$1,265,098. The expenditures tested were allowable under both the MOE and LFS guidelines. 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, 2022. 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 (\$4,135) 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. Crowe found that the interest was negative due to unrealized losses of investment market value at year end, as required by government accounting standards. 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 (FY22) by inspecting the OCLTA Board agenda and action items.

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

(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.

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 28, 2023

CITY OF RANCHO SANTA MARGARITA, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:

Maintenance

Street Lights & Traffic Signals	\$ 260,000
Other Street Purpose Maintenance	<u>428,337</u>

Total MOE Expenditures \$ 688,337

Measure M2 Local Fair Share Expenditures (Schedule 4):

Antonio Parkway Gateway Improvements 410-900-916.003	\$ 20,130
Traffic Signal Enhancements 410-900-921.005	107,155
Traffic Signal System Maintenance 410-900-921.009	10,203
Street Maintenance	326,746
Traffic Signal Maintenance	<u>112,527</u>

Total Measure M2 Local Fair Share Expenditures \$ 576,761

Total MOE and Measure M2 Local Fair Share Expenditures \$ 1,265,098

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

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF SAN JUAN CAPISTRANO

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 San Juan Capistrano's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. 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, division codes, account codes, and department codes. MOE expenditures are identified in the General Fund (01) followed by a 5-digit division code, 5-digit account code, and a 3-digit department 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, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. 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, 2022, were \$2,577,297 (see Schedule A), which exceeded the MOE benchmark requirement of \$492,518. We agreed the total expenditures of \$2,577,297 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 direct MOE expenditures totaling \$490,015, which represented approximately 37% of direct MOE expenditures of \$1,335,394 for the fiscal year ended June 30, 2022. 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, 2022. We agreed \$1,241,903 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 18 charges for inspection with a total amount of \$268,206 representing 22% 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 maintenance 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, 2022 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 \$2,080,345 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$1,057,844 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, 2022. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and Account Number. The City recorded its LFS expenditures in its Capital Projects Fund (50) and various account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022 were \$229,913 (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.

(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 any exception. We selected 20 Measure M2 Local Fair Share direct expenditures for inspection totaling \$134,914 representing approximately 64% of total Measure M2 direct Local Fair Share expenditures of \$211,756 for the fiscal year ended June 30, 2022. 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, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2022. We agreed \$18,157 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 15 charges for inspection with a total amount of \$9,415 representing 52% of the total indirect Local Fair Share costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included allocated general city and department/divisional overhead. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect Local Fair Share costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. In addition, the indirect LFS costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No exceptions were found as a result of this procedure.

9. 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 (\$17,192) 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. Crowe found that the interest was negative due to the unrealized loss of investment market value at year end, as required by government accounting standards. 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.

(Continued)

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY22) by inspecting the OCLTA Board agenda and action items.

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

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

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

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



Crowe LLP

Costa Mesa, California
March 23, 2023

CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,241,903
Maintenance	
Patching	\$ 188,544
Street Lights & Traffic Signals	487,945
Storm Damage	69,719
Other Street Purpose Maintenance	<u>589,186</u>
Total MOE Expenditures	<u>\$ 2,577,297</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Camino Capistrano Pavement Rehabilitation	\$ 181,104
Indirect Cost Administration Overhead	18,157
Pavement Management Program	<u>30,652</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 229,913</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 2,807,210</u>

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

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF VILLA 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 Villa 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, 2022. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2022. 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 codes, division codes, and object codes. The City records its MOE expenditures in its General Fund (001) and is identified by an 8-digit account number composed of a 2-digit department code, 2-digit division code, and 4-digit object 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, 2022 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2021/2022. 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, 2022, were \$480,163 (see Schedule A, which exceeded the MOE benchmark requirement of \$373,104. We agreed the total expenditures of \$480,163 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 21 direct MOE expenditures totaling \$298,050, which represented approximately 70% of direct MOE expenditures of \$424,877 for fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation and through discussion with the City's accounting personnel, Crowe found that one expenditure related to the City-wide electricity bill in the amount of \$1,535 was mistakenly inputted into the MOE expenditure detail under traffic and street lights. Per our discussion with the City, this expenditure does not relate to the traffic and street lights as it only relates to the Civic Center. As a result, this amount is considered disallowed, and should be removed from the total MOE expenditures. However, after removing this transaction from total MOE expenditures, the City continued to meet the MOE benchmark requirement. 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 15 indirect MOE costs for inspection totaling \$36,042, representing 65% of the total indirect MOE costs of \$55,286. The City contracts with a vendor to provide staff augmentation for various engineering services and allocated 50% of the contract costs to MOE; however, the City did not provide supporting documentation for a reasonable methodology used to support this allocation. As a result, the total amount of indirect costs was removed from MOE expenditures. However, after removing these costs, the City continued to meet the MOE benchmark requirement. 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, 2022 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 \$300,380 for the past three fiscal years ended June 30, 2020, 2021, and 2022. We agreed the fund balance of \$135,608 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, 2022. 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.

(Continued)

Findings: The LFS expenditures were tracked in the City's general ledger by fund, department codes, division codes, and object codes. The City records its LFS expenditures in its Measure M2 Fund (05) and is identified by an 8-digit account number composed of a 2-digit department code, 2-digit division code, and 4-digit object code. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2022, were \$51,878, 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 three direct Measure M2 Local Fair Share expenditures for inspection totaling \$51,878 and representing 100% of total direct Measure M2 Local Fair Share expenditures of \$51,878 for the fiscal year ended June 30, 2022. We agreed the dollar amount 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 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, 2022. 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 (\$1,135) 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. Crowe found that the interest was negative due to the unrealized loss of investment market value at year end, as required by government accounting standards. 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. 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 (FY22) by inspecting the OCLTA Board agenda and action items.

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

(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.

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 22, 2023

CITY OF VILLA PARK, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2022
(Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 55,286
Construction & Right-of-Way	
Street Reconstruction	34,457
Maintenance	
Overlay & Sealing	\$ 90,945
Street Lights & Traffic Signals	24,802
Other Street Purpose Maintenance	<u>274,673</u>
Total MOE Expenditures	<u>\$ 480,163</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
FY 21-22 Street Slurry Seal Project	\$ 51,878
Total Measure M2 Local Fair Share Expenditures	<u>\$ 51,878</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 532,041</u>

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



City of Villa Park

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www.villapark.org

March 22, 2023

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 Villa Park as of and for the fiscal year ended June 30, 2022.

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 vouchers 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 21 direct MOE expenditures totaling \$298,050, which represented approximately 70% of direct MOE expenditures of \$424,877 for fiscal year ended June 30, 2022. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. After inspecting the supporting documentation and through discussion with the City's accounting personnel, Crowe found that one expenditure related to the City-wide electricity bill in the amount of \$1,535 was mistakenly inputted into the MOE expenditure detail under traffic and street lights. Per our discussion with the City, this expenditure does not relate to the traffic and street lights as it only relates to the Civic Center. As a result, this amount is considered disallowed, and should be removed from the total MOE expenditures. However, after removing this transaction from total MOE expenditures, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure

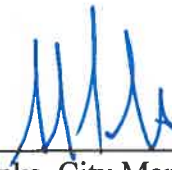
City's Response: The City agrees with the finding. The City has implemented procedures to ensure that transactions are entered and posted to general ledger accounts accurately.

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 15 indirect MOE costs for inspection totaling \$36,042, representing 65% of the total indirect MOE costs of \$55,286. The City contracts with a vendor to provide staff augmentation for various engineering services and allocated 50% of the contract costs to MOE; however, the City did not provide a written methodology used to support this allocation. As a result, the total amount of indirect costs were removed from MOE expenditures. However, after removing these costs, the City continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

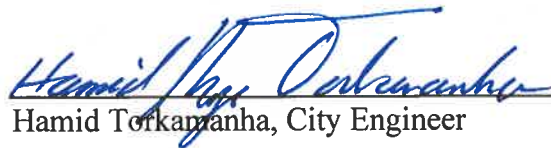
City's Response: The City has an on-going contract with consulting firm for engineering professional services to act in a staff capacity as City Engineer and Assistant Engineer in the areas of project management, construction inspections, surveying, grant management, pavement management, and any other engineering related matters for City's streets, storm drains, and other infrastructures. The City agrees with the finding. The City will develop a written methodology for allocation purposes.



Steve Franks, City Manager



Lee Siow, Finance Director



Hamid Torkamanha, City Engineer