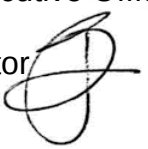




April 23, 2025

To: Finance and Administration Committee

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

Subject: Independent Accountants' Report on Applying Agreed-Upon Procedures, City of Buena Park

Overview

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to a settlement agreement between the City of Buena Park and the Orange County Transportation Authority. Based on the procedures performed, the City of Buena Park repaid misspent Local Fair Share funds, obtained an unmodified (clean) opinion on its Annual Comprehensive Financial Report for the year ended 2024, spent sufficient funds to meet required minimum maintenance of effort expenditures, and its Local Fair Share expenditures were allowable per the Measure M2 Ordinance.

Recommendation

Receive and file as an information item.

Background

On May 28, 2024, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Buena Park (City) ineligible to receive or apply for Measure M2 (M2) revenues for a period of five years after agreed-upon procedures (AUP) applied by an independent accounting firm for fiscal year (FY) 2022-23, found that the City could not sufficiently support their use of \$387,576 in M2 Local Fair Share (LFS) funds.

A written settlement agreement, dated July 10, 2024, was executed between OCTA and the City that outlined requirements for the City to re-establish eligibility. Per the settlement agreement, the City was required to repay \$387,576 in misspent LFS funds, obtain an unmodified (clean) opinion on its Annual Comprehensive Financial Report (ACFR) for the year ended 2024 (FY 2023-24),

and continue to meet all M2 eligibility requirements, including meeting its annual maintenance of effort (MOE) benchmark, and ensuring any expenditures against the City's LFS fund balance comply with M2 Ordinance (Ordinance) requirements.

Crowe LLP (auditor) was engaged to apply AUP to determine the City's compliance with requirements of the settlement agreement and the Ordinance for FY 2023-24.

Discussion

Auditors confirmed misspent funds were repaid and the City's ACFR reflected an unmodified opinion. Auditors tested a sample of MOE and LFS expenditures for FY 2023-24 and found the City met the minimum MOE benchmark and LFS expenditures complied with Ordinance requirements.

The City reported total MOE expenditures of \$4,995,502, and the auditors tested \$2,535,809, about 50 percent of these. The auditors identified one MOE expenditure of \$21,450 for a water collection software application that was not allowable per the Ordinance; however, after removing the expenditure from total MOE expenditures, the City continued to meet its MOE benchmark. Auditors also identified \$607,426 in MOE indirect costs that were misreported as direct costs. Auditors tested \$868,634, or 99 percent of total LFS expenditures of \$878,509, and determined the expenditures were properly classified and in compliance with the Ordinance. The City responded that management would implement necessary adjustments to ensure the proper classification of expenditures going forward.

The detailed AUP report can be found in Attachment A.

Summary

The auditors have applied AUP related to the settlement agreement between the City and OCTA for FY 2023-24.

Attachment

- A. Orange County Local Transportation Authority Measure M2 Local Fair Share City of Buena Park FY24 Agreed-Upon Procedures Report Year Ended June 30, 2024

Approved by:



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