



Crowe LLP
Independent Member Crowe Global

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

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), related to the City of Buena Park's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2023. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the City's compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2023. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and activity number. The City recorded its MOE expenditures in its General Fund (101) and expenditures are identified by various 6-digit activity numbers. No exceptions were found as a result of this procedure.

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

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2023, were \$5,142,741 (see Schedule A), which exceeded the MOE benchmark requirement of \$4,184,754. We agreed the total expenditures of \$5,142,741 to the amount reported on the City's Expenditure Report (Schedule 3, line 18). No exceptions were found as a result of this procedure.

(Continued)

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

Findings: We selected 25 direct MOE expenditures totaling \$1,033,865, which represented approximately 29% of direct MOE expenditures of \$3,606,939 for fiscal year ended June 30, 2023. Crowe agreed the dollar amount listed on the general ledger to supporting documentation provided by the City. Crowe determined that the expenditures were properly classified as a local street and road expenditure and is allowable per the ordinance. No exceptions were found as a result of this procedure.

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

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

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2023 and agree to the balance as listed on the Eligible Jurisdiction's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt or within five years, if an extension was granted. Explain any differences.

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

6. Describe which fund the Eligible Jurisdiction used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2023. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

Findings: The City tracks its LFS expenditures in its Measure M2 Fund (25). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2023 was \$2,055,113 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

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

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven Year CIP, without any exception. We selected 5 Measure M2 Local Fair Share direct expenditures for inspection totaling \$1,528,585 representing approximately 92% of total Measure M2 direct Local Fair Share expenditures of \$1,639,630 for the fiscal year ended June 30, 2023. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

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

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$415,484 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$243,581 representing 59% of the total LFS indirect costs. Upon inspection, we determined these charges were labor cost allocations. For indirect costs, the methodology used to allocate the actual costs to projects should be documented and represent a fair and reasonable allocation of costs. We requested the City to provide the documented methodology used to support the labor cost allocations and the City was unable to provide such documentation. It was noted that the allocation percentages for each employee were based on the Public Works managerial assumption of the time being spent on each account and was not based on historical or current data. As such, sufficient information was not available to confirm these costs as fair and reasonable, and the entirety of these allocations, except for the allocated salary of one Street Maintenance Superintendent that worked exclusively on street and road related projects, were not deemed allowable per the Ordinance. The total disallowed was \$387,576. No other exceptions were found as a result of this procedure.

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

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$43,807 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

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

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

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

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

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

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



Crowe LLP

Costa Mesa, California
April 9, 2024

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

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

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

Exhibit 1

April 9, 2024

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Buena Park as of and for the fiscal year ended June 30, 2023.

Procedure #4

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

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

City's Response:

See Procedure #8 response.

Procedure #8

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

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$415,484 in indirect costs for LFS for the fiscal year ended June 30, 2023. We selected 25 indirect costs for inspection with a total amount of \$243,581 representing 59% of the total LFS indirect costs. Upon inspection, we determined these

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

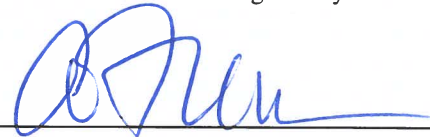
City's Response:

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

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

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

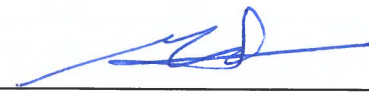
We acknowledge the need to revise our indirect cost methodology to align with OCTA standards and recognize the significance of ensuring fair and reasonable allocation of resources while fulfilling Measure M2 LFS objectives. As a part of this initiative, the City will begin using timecards to track direct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



Aaron France, City Manager



Sung Hyun, Director of Finance



Mina Mikhael, Director of Public Works