



May 21, 2026

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 Huntington Beach

Overview

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to a settlement agreement between the City of Huntington Beach and the Orange County Transportation Authority. Based on the procedures performed, the City of Huntington Beach obtained an unmodified 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

Direct staff to monitor to ensure submission of an updated Fiscal Year 2024-25 Expenditure Report from the City of Huntington Beach.

Background

On May 5, 2025, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Huntington Beach (City) ineligible to receive 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) 2023-24, found that the City could not sufficiently support their use of \$29,249 in M2 Local Fair Share (LFS) funds.

A written settlement agreement, dated July 24, 2025, 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 \$29,249 in misspent LFS funds, obtain an unmodified opinion on its Annual

Comprehensive Financial Reports (ACFR) for FY 2024-25 through FY 2028-29, 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 (auditors) was engaged to apply AUPs to determine the City's compliance with requirements of the settlement agreement and the Ordinance for FY 2024-25.

Discussion

The auditors confirmed the City's ACFR reflected an unmodified opinion, tested a sample of MOE and LFS expenditures for FY 2024-25, and found the City met the minimum MOE benchmark and LFS expenditures complied with Ordinance requirements.

The auditors noted the LFS expenditure was overstated on the City's Expenditure Report and the City acknowledged the finding and stated that it has updated its year-end reporting checklist to include a secondary review and formal reconciliation before submission. The City also indicated that the FY 2024-25 Expenditure Report will be revised and resubmitted.

The detailed AUP report can be found in Attachment A.

Summary

The auditors have applied AUPs related to the settlement agreement between the City and OCTA for FY 2024-25.

Attachment

- A. Orange County Local Transportation Authority Measure M2 Local Fair Share City of Huntington Beach Agreed-Upon Procedures Report Year Ended June 30, 2025

Approved by:



Janet Sutter
Executive Director, Internal Audit
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