

SUMMARY OF AGREED-UPON PROCEDURES REPORTS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2024

ATTACHMENT A

City	Result	City Management Response
City of Garden Grove (Garden Grove)	Garden Grove reported maintenance of effort (MOE) expenditures of \$18,362,299; however, actual MOE expenditures, per the general ledger, were \$18,338,943, a variance of \$23,356.	Management acknowledges the \$23,356 variance in MOE expenditures, which resulted from an Excel formula error. This clerical error did not impact compliance with the MOE benchmark. To prevent similar issues, management will enhance its review procedures.
	Testing identified \$11,233 in MOE expenditures that were reported as direct expenditures, rather than indirect expenditures.	Management acknowledges the charges were classified as direct MOE expenditures instead of indirect costs. Going forward, management will ensure that such charges are properly reported.
City of Huntington Beach (Huntington Beach)	Testing identified \$4,456,129 in MOE expenditures that were reported as direct expenditures, rather than indirect expenditures.	Management will evaluate its reporting methods and adopt measures to ensure MOE expenditures are properly classified in future reports.
	Testing identified \$78,490 in MOE expenditures that were reported as indirect expenditures, rather than direct expenditures.	
	Testing identified \$10,229,622 in indirect MOE expenditures that were not supported by a documented methodology representing a fair and reasonable allocation of costs. After these allocated charges were removed from the MOE expenditures, Huntington Beach continued to meet its MOE benchmark.	Management will review its financial reporting processes methodology used to allocate MOE costs and implement procedures to ensure that expenditures are correctly classified in future reports.
	Huntington Beach uses generic project titles on their expenditure report, making it difficult to trace these projects to projects as listed in their Capital Improvement Program (CIP) report.	
	Testing identified \$29,249 in Local Fair Share (LFS) expenditures that were not properly classified or allowable per the Measure M2 (M2) Ordinance.	Management will undertake a comprehensive review of its financial reporting protocols and establish enhanced internal controls to ensure the accurate classification of LFS expenditures in all subsequent financial reports. A journal entry in the amount of \$29,249 has been completed to refund the erroneously charged LFS funds.
	Testing identified \$1,466 in LFS expenditures that were reported as indirect expenditures, rather than direct expenditures.	Management will review its financial reporting processes and implement procedures to ensure LFS expenditures are correctly classified in future reports.
City of La Habra	None	
City of Laguna Hills	None	
City of Mission Viejo	Testing identified \$368,250 in MOE expenditures that were reported as indirect expenditures, rather than direct expenditures.	Going forward, directly identifiable payroll and contracted services expenditures associated with Measure M2 projects will be reported as direct costs.
	Testing identified \$31,591 in LFS expenditures that were reported as indirect expenditures, rather than direct expenditures.	Going forward, labor costs directly identifiable as street and road project inspection costs will be reported as direct costs.
City of San Clemente (San Clemente)	Testing identified \$1,313,908 in MOE expenditures that were reported as indirect expenditures, rather than direct expenditures.	Management will allocate payroll charges to the appropriate direct cost line items in future expenditure reports.
	San Clemente uses generic project titles on their expenditure report, making it difficult to trace these projects to projects as listed in their CIP report.	Public Works is updating the CIP and, going forward, will include a listing of street projects that are funded by LFS that will also be included on the expenditure report.
	Testing identified \$20,718 in LFS expenditures that were reported as indirect expenditures, rather than direct expenditures.	Management concurs and will allocate payroll charges to the appropriate projects as direct cost line items in future expenditure reports.

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City	Result	City Management Response
City of Seal Beach (Seal Beach)	Testing identified \$124,658 in MOE expenditures that were reported as indirect expenditures, rather than direct expenditures.	
	Testing identified \$315 in indirect MOE expenditures for employee meals that were deemed unallowable. Testing also identified \$561,449 in indirect MOE expenditures that were not supported by a documented methodology representing a fair and reasonable allocation of costs. As such, these expenditures were removed from the MOE. After these expenditures were removed from the MOE expenditures, Seal Beach continued to meet its MOE benchmark.	Seal Beach met the MOE benchmark and included both direct and indirect costs. However, the indirect costs were allocated without a formal cost allocation plan. Seal Beach will exclude these costs until a written cost allocation plan is in place. Management will also implement procedures to properly report noted expenses going forward.
City of Westminster (Westminster)	Testing identified \$63,951 in MOE expenditures that were reported as indirect expenditures, rather than direct expenditures.	Management will verify expenditures are properly classified as indirect or direct on the expenditure report in the current and future years.
	Testing identified five LFS expenditures totaling \$126,791 related to City Street Sweeping, which was not listed as a project in Westminster's CIP.	Management will update the CIP to include the Citywide Street Sweeping Project as a part of the reporting process that will be presented to the Westminster City Council in June 2025.
	Westminster reported \$81,395 in interest on its expenditure report, which did not agree to actual interest earned of \$81,401, a variance of \$6. We recomputed interest based on the interest allocation methodology without exception.	The variance of \$6 will be allocated to the M2 LFS fund in the current year.
County of Orange	None	