

**SUMMARY OF AGREED-UPON PROCEDURES REPORTS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2025**

City	Result	City Management Response
City of Anaheim (Anaheim)	Testing identified \$2,463,356 in maintenance of effort (MOE) expenditures that were reported as direct, rather than indirect expenditures. These expenditures related to the allocation of liability coverage expenses.	Anaheim responded that they reported these expenses as direct because they are ultimately assigned to specific programs; however, Anaheim agreed to report these as indirect expenses in future Expenditure Reports.
City of Brea (Brea)	Brea overreported total MOE expenditures in its Expenditure Report, by \$5,343.	Brea has taken steps to improve its process in reviewing expenditures in the general ledger to ensure agreement with the M2 Expenditure Report.
City of Costa Mesa (Costa Mesa)	Testing identified \$1,701,417 in MOE expenditures that were reported as direct, rather than indirect expenditures. These expenditures related to the allocation of landscape, tree, and equipment maintenance service charges.	Costa Mesa acknowledges the observation and will allocate these costs as indirect going forward.
City of Garden Grove (Garden Grove)	Testing identified \$90,975 in unallowable MOE expenditures; however, after removal of these charges from total MOE expenditures, Garden Grove continued to meet its MOE requirement.	Garden Grove acknowledges the finding and has reassigned these costs to ensure they are no longer reported as street and road expenditures.
	Testing identified \$231,411 in MOE expenditures that were reported as as indirect, rather than direct expenditures. The expenditures represented engineering labor costs charged directly to projects.	Garden Grove acknowledges these costs were incorrectly classified and has updated the general ledger to reflect these costs as direct costs moving forward. Garden Grove will continue to monitor cost classification to prevent similar issues in future reporting periods.
	Testing identified one project funded with Local Fair Share (LFS) funds that was not listed on Garden Grove's Capital Improvement Project plan.	Garden Grove acknowledges the finding and will implement a review process to ensure all active, ongoing projects are carried forward in the CIP.
City of Irvine (Irvine)	Testing identified \$3,113,608 in charges that were reported as direct, rather than indirect. In addition, testing identified \$360,065 in unallowable MOE expenditures; however, after removal of these charges from total MOE expenditures, Irvine continued to meet its MOE requirement.	Irvine will implement a secondary review process to validate that charges are eligible and attributable to MOE and will review cost allocation rates and classify these as indirect costs going forward.
City of Lake Forest	None	
City of Placentia	None	
City of Santa Ana	None	
City of Tustin	None	