



April 24, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director,
Internal Audit Department

Subject: Orange County Local Transportation Authority Measure M2
Maintenance of Effort, Agreed-Upon Procedures Report, City of
Cypress, Year Ended June 30, 2023

Overview

BCA Watson Rice LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 maintenance of effort expenditures by the City of Cypress for the fiscal year ended June 30, 2023. Based on the procedures performed, the City of Cypress spent sufficient funds to meet the required minimum expenditures as outlined in a settlement agreement between the City of Cypress and the Orange County Transportation Authority.

Recommendation

Direct staff to develop recommendation(s) for Board of Directors' action related to the status of the City of Cypress' Measure M2 eligibility.

Background

On May 22, 2023, the Orange County Transportation Authority (OCTA) Board of Directors (Board) found the City of Cypress (City) ineligible to receive or apply for Measure M2 revenues after agreed-upon procedures (AUP) performed for fiscal year (FY) 2021-22 found that the City had not met the minimum maintenance of effort (MOE) requirement of the Measure M2 Ordinance (Ordinance).

Due to the significance of the shortfall amount, the Board agreed to allow the City up to two years, through FY 2023-24, to make-up the shortfall amount. A written settlement agreement, dated August 14, 2023, was executed between OCTA and the City, that outlined requirements for the City to re-establish

eligibility. Among other items, the settlement agreement required the City to undergo, and pay for, AUPs of FY 2022-23 and FY 2023-24, to determine compliance with MOE requirements, including expenditures equaling the MOE minimum plus the shortfall amount identified during the FY 2021-22 AUP.

Discussion

BCA Watson Rice LLP, tested a sample of MOE expenditures for FY 2022-23, and found the City met the minimum MOE requirement and the shortfall amount identified in the FY 2021-22 AUP.

Per the settlement agreement, the City was required to spend \$4,988,926 in MOE, which included the minimum annual MOE plus the \$1,381,048 shortfall identified during the FY 2021-22 AUP. The City reported total MOE expenditures of \$5,108,162, and the auditors tested \$3,724,004, or 73 percent of those. No ineligible or questioned costs were identified.

The detailed AUP report can be found at Attachment A.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 MOE expenditures by the City for FY 2022-23.

Attachment

- A. City of Cypress, Measure M2 Maintenance of Effort, Independent Accountant's Report on Applying Agreed-Upon Procedures, for the Year Ended June 30, 2023

Prepared by:



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