

SUMMARY OF AGREED-UPON PROCEDURES REPORTS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2023

ATTACHMENT A

City	Result	City Management Response
City of Aliso Viejo (Aliso Viejo)	Aliso Viejo reported 16 direct maintenance of effort (MOE) expenditures, totaling \$54,447, as indirect costs on its Expenditure Report.	Aliso Viejo concurs that costs were incorrectly categorized and will ensure future expenditure reports properly identify any indirect costs.
City of Anaheim (Anaheim)	Testing of direct MOE expenditures identified one expenditure related to parking structure rent, for \$44,528 that should have been reported as indirect.	Anaheim agreed that the expenditure, an internal governmental service charge, should have been reported as an indirect cost and will be reported properly going forward.
	Testing identified \$26,147 in indirect costs that Anaheim allocated based on a written cost allocation plan that was developed in 2016. While the methodology used is reasonable, the plan was based on an analysis of activities that took place over eight years ago.	Anaheim intends to review and update the MOE allocation plan, as necessary, and intends to do this every five years going forward.
	Testing identified 25 Local Fair Share (LFS) expenditures totaling \$34,188, that were reported by Anaheim as indirect expenditures, rather than direct expenditures, on their expenditure report.	Anaheim will report these expenses correctly going forward.
City of Buena Park (Buena Park)	Testing identified indirect costs and chargebacks that were not supported by a documented, reasonable methodology. These allocated costs and chargebacks were removed from the MOE, except for the allocated salary of one street maintenance superintendant who works exclusively on street and road related projects. After these adjustments, Buena Park continued to meet its MOE benchmark.	Buena Park provided one response to both exceptions, as follows: Buena Park accepts that its cost allocation methodology is no longer accepted by the Orange County Transportation Authority (OCTA), but maintains that the methodology is the same used and deemed acceptable during a prior review of the city in 2018. Buena Park has sample documentation to support that staff spent time working on street projects; however, the documentation was not accepted by the auditors due to challenges in quantifying the time spent. Buena Park maintains that it has provided compelling evidence of the resources dedicated and feels that disallowing the entirety of the costs is unreasonable. Buena Park will revise its indirect cost methodology to align with OCTA standards and recognizes the significance of ensuring the fair and reasonable allocation of resources while fulfilling Measure M2 (M2) objectives.
	Testing of LFS indirect expenditures identified \$387,576 in labor charges that were not supported by a documented, reasonable methodology. The allocated percentages for employee labor were based on a managerial assumption, rather than historical or current data. As such, sufficient information was not available to confirm these costs as fair and reasonable, and these allocations, except for the allocated salary of one street maintenance superintendant who works exclusively on street and roads-related projects, were not deemed allowable.	
City of Costa Mesa	None	None
City of Orange (Orange)	Testing identified a total of \$793,608 in indirect expenditures that were reported as direct expenditures.	Orange will implement procedures to ensure proper reporting of direct and indirect expenditures.
	Testing identified unsupported indirect cost allocations totaling \$1,576,443 to the MOE. After removing the unsupported costs, Orange no longer met its MOE benchmark.	Going forward, Orange will ensure that indirect charges are supported, documented, and use a reasonable allocation methodology.
	Testing identified 25 indirect expenditures totaling \$300,014, that should have been reported as direct.	Orange will implement procedures to ensure proper reporting of direct and indirect expenditures.
City of Santa Ana (Santa Ana)	Santa Ana reported MOE expenditures totaling \$14,667,250; however, the general ledger reflected total MOE expenditures of \$15,035,321, a variance of \$368,071. The variance was due to an error in not reporting the full transaction amount of eligible MOE expenditures.	Santa Ana will continue to review and monitor department procedures to ensure proper identification and tracking of MOE expenditures.
	Santa Ana's LFS fund balance of \$14,831,604 was reported on its expenditure report as \$14,831,335, a variance of \$269. The variance was due to Santa Ana not properly recording interest in the prior year.	Going forward, Santa Ana will ensure the beginning balance is accurately derived from the prior year report.

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City	Result	City Management Response
City of Santa Ana (Santa Ana)	Testing identified 25 indirect expenditures totaling \$483,501, that should have been reported as direct.	Santa Ana will continue to verify and classify expenditures as indirect in accordance with M2 LFS guidelines.
City of Stanton	None	None