



January 27, 2016

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Orange County Local Transportation Authority Measure M2
Agreed-Upon Procedures Reports, Year Ended June 30, 2015

Overview

Vavrinek, Trine, Day & Company, LLP, an independent accounting firm, has completed agreed-upon procedures related to Measure M2 Local Fair Share funds provided to the County of Orange and eight cities, and Senior Mobility Program funds provided to four cities, for the fiscal year ended June 30, 2015. The procedures identified expenditures at the City of Santa Ana that do not comply with the cooperative agreement and expenditures that could not be substantiated due to a lack of supporting documentation. The Internal Audit Department identified additional concerns related to expenditures for trips far outside the County of Orange, collection of fees by the City of Santa Ana which cannot be accounted for, and weaknesses in guidance and oversight provided by Orange County Transportation Authority program management staff.

Observations were also made relating to classification of Maintenance of Effort expenditures, inclusion of projects in the Seven Year Capital Improvement Program, and timeliness and accuracy of monthly activity reporting.

Recommendations

- A. Direct staff to monitor implementation of recommendations related to the classification of Maintenance of Effort expenditures, inclusion of projects in the Seven Year Capital Improvement Program, and timeliness and accuracy of monthly activity reporting.
- B. Direct staff to develop guidelines for the Senior Mobility Program, similar to other Measure M2 programs. Return to the Board of Directors for

approval, and incorporate the approved guidelines by reference in each Senior Mobility Program agreement.

- C. Direct staff to obtain reimbursement from the City of Santa Ana for expenditures not in compliance with the cooperative agreement and amend the cooperative agreement as appropriate.
- D. Direct staff to implement recommendations by the Internal Audit Department.
- E. Receive and file the Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2015, and the Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2015.

Background

Annually, the Audit Subcommittee (Subcommittee) of the Taxpayers Oversight Committee selects a sample of cities receiving Measure M2 funding for review to determine the cities' level of compliance with provisions of the Measure M2 Ordinance (Ordinance). For the fiscal year (FY) ended June 30, 2015, the Subcommittee selected eight cities and the County of Orange (County) for review of Local Fair Share (LFS) program funding and four cities for review of Senior Mobility Program (SMP) funding. The agreed-upon procedures applied for these reviews were approved by the Subcommittee.

The LFS program is a formula-based allocation provided to eligible jurisdictions for use on allowable transportation planning and implementation activities. Since the LFS program is intended to augment, not replace, existing transportation expenditures, each jurisdiction is required to maintain a minimum level of local street and roads expenditures to conform to a defined maintenance of effort (MOE) requirement.

The SMP funds local community transportation services for seniors. This program provides 80 percent of the funding allocation, and participating local jurisdictions provide a 20 percent match. A cooperative agreement is executed between the local jurisdiction and the Orange County Local Transportation Authority (OCLTA) to outline requirements of the program and required matching funds.

Discussion

Vavrinek, Trine, Day & Company, LLP, (auditors) conducted the agreed-upon procedures, including site visits to each of the selected cities, and conducted interviews of city finance and program-related staff. Procedures also included sample testing of expenditures for compliance with related program requirements.

Agreed-Upon Procedures: Senior Mobility Program Funds

The Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2015 (Attachment A), examined the cities of Anaheim, Garden Grove, Huntington Beach, and Santa Ana.

No exceptions were noted based on the procedures performed at the cities of Garden Grove and Huntington Beach.

At the City of Anaheim (Anaheim), auditors tested monthly reports submitted for four out of the twelve months and found none of the reports were submitted to OCLTA within 30 days of month end, as required. Anaheim asserted that the reports had been sent timely via fax, but evidence of the faxed reports was not retained and OCLTA staff did not receive the reports. Anaheim responded that evidence of submissions will be retained going forward.

At the City of Santa Ana (Santa Ana), auditors found that four of five monthly reports tested were not submitted within 30 days of month end, as required, and three of the five reports reflected amounts that did not agree to amounts recorded in the general ledger. As a result, total expenditures were overstated by \$1,953. Santa Ana asserted that the discrepancies related to the timing of invoice processing and committed to make every effort to improve the timing of processing expenses and to submit amended reports if necessary. Santa Ana also responded that staff shortages caused the late submission of reports and that back-ups have since been assigned to ensure all reports are submitted timely.

Auditors also identified expenditures at Santa Ana that do not comply with the cooperative agreement and expenditures that could not be substantiated because supporting documentation was not retained. Further, the Internal Audit Department (Internal Audit) noted that certain expenditures, for trips outside the County, do not appear consistent with the SMP as described by the Ordinance.

The Ordinance states that SMP funding is "...to continue and expand the existing Senior Mobility Program provided by the Authority...pursuant to criteria and requirements for the SMP adopted by the Authority." Attachment A to the Ordinance describes the SMP program as "...local community van service..." The Orange County Transportation Authority (OCTA) website, informational materials and the Board of Directors-approved staff report establishing the Measure M2 Project U Senior/Disabled Program Funding and Policy Guidelines, all characterize the SMP as local, community-based transportation services. Cooperative Agreement No. C-1-2486 (Agreement) between OCTA and Santa Ana states that the funding shall be provided for, "...door-to-door service to Santa Ana fragile senior residents to and from the two Senior Centers, Southwest and Santa Ana Senior Center..."

The Ordinance, Section 10, Part 4 also states, "No Net Revenues shall be used by a jurisdiction for other than transportation purposes authorized by the Ordinance. Any jurisdiction which violates this provision must fully reimburse the Authority for the Net Revenues misspent and shall be deemed ineligible to receive Net Revenues for a period of five (5) years."

The following issues were identified related to Santa Ana's expenditures:

- Santa Ana provides trips to local markets, parks, shopping venues, and museums that are not allowed by the Agreement.
- Santa Ana provides trips that appear inconsistent with the Ordinance, as the destinations are far outside the County limits. Destinations identified included trips to Balboa Park, casinos, and wineries in San Diego County, and to Solvang.
- Trip logs for transportation services provided by Santa Ana that may comply with both the Ordinance and the Agreement, cannot be substantiated because the supporting records are not retained.
- Santa Ana collects a \$5 fee from senior participants for trips outside the County, but does not record the revenue nor retain receipts to evidence how the money was spent. Inaccurate information was provided by Santa Ana staff about when fees are collected and how the funds are spent. See Attachment B for additional detail.

As it relates to OCTA's Transit Division project management, the following weaknesses were identified:

- Trips provided by Santa Ana that do not appear consistent with the Ordinance and do not comply with the Agreement are outlined on monthly SMP reports submitted to OCTA, but were never questioned by OCTA staff.

- Guidance relating to parameters of qualified trips, eligible cost allocation, adequate supporting documentation, required retention, and collection and reporting of program fees, has not been developed or is inadequate.
- Staff has not developed appropriate oversight procedures to monitor cities' compliance with the Ordinance and related cooperative agreements. Current monitoring procedures focus primarily on monitoring of Santa Ana's match requirement and performing annual visits to discuss the program.

Internal Audit has provided supplemental recommendations at Attachment B related to these weaknesses.

Agreed-Upon Procedures: Local Fair Share Program Funds

The auditors noted no exceptions based on the procedures performed at the cities of Huntington Beach, La Palma, Laguna Hills, Tustin, and the County (Attachment C).

At the cities of Anaheim and Garden Grove, the auditors identified expenditures related to projects not included in the cities' Seven Year Capital Improvement Programs (CIP), as required by the ordinance. At the City of Garden Grove, the auditors identified \$99,000 in expenditures related to the Harbor Landscape Improvement project and at Anaheim, the auditors identified \$243,390 in expenditures related to the Santa Ana River Trail project. Both cities responded that amended CIP's would be submitted and, in the future, will implement procedures to amend CIP's as appropriate.

At the cities of Brea and Mission Viejo, the auditors identified expenditures that were not properly classified as MOE expenditures. After the amounts from the MOE were deducted, both cities continued to meet the required minimum. The cities responded that corrective actions have been taken.

Summary

The auditors have completed agreed-upon procedures related to Measure M2 LFS funds provided to the County and eight cities, and SMP funds distributed to four cities for the FY ended June 30, 2015.

Attachments

- A. Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Report Year Ended June 30, 2015
- B. Memorandum to Beth McCormick, General Manager, Transit, dated January 19, 2016
- C. Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2015

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY
MEASURE M2 SENIOR MOBILITY PROGRAM
AGREED-UPON PROCEDURES REPORTS
Year Ended June 30, 2015**

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 SENIOR MOBILITY PROGRAM

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2015

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2015. Please refer to the individual divider tab for our report on each Agency.

City of Anaheim

City of Garden Grove

City of Huntington Beach (as of City's fiscal year end, September 30, 2015)

City of Santa Ana



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES – CITY OF ANAHEIM**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Anaheim’s (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in its General Fund (Fund 101), under unit 7278 (Senior Citizens Centers). During the fiscal year ended June 30, 2015, the City reported total program expenditures of \$298,771, which included the City’s match. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Senior Mobility Program as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$674,123 over the past three fiscal years of Measure M2 Senior Mobility Program funds. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 50,991

No exceptions were noted.

4. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$59,754, which is approximately 24% of the total annual formula allocation of \$251,998. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$298,771 in expenditures was tested, representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015 did not include indirect costs. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
 - a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracts with a third party service provider, Western Transit Systems, to provide shuttle services for the Senior Mobility Program. We verified that Western Transit Systems was selected using a competitive procurement process through review of the City’s Request for Proposal, City Council minutes, and the executed agreement with Western Transit Systems. Per review of the contract agreement we noted that wheelchair accessible vehicles are available and used as needed. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City’s contractor (if applicable) and we performed the following:
 - a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracts with a third party service provider, Western Transit Systems, to provide shuttle services for the Senior Mobility Program. We obtained and reviewed the insurance coverage for Western Transit Systems, and noted the requirements established in the Cooperative Agreement were met. Additionally, we noted the current year proof of insurance was submitted and on file with OCLTA. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through review of the City’s monthly summary reports, it was noted that the City’s monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA. However, for the four reports tested we noted that they were not submitted within 30 calendar days of month end. The City asserted all submissions were made timely via fax to OCLTA, but OCLTA staff asserted no reports were received via fax within the required deadlines, and the City did not maintain evidence of those submissions. OCLTA staff confirmed that reports were received via fax on the following dates:

Reporting Month	Date Submitted	Days Late	Amount Reported
November-14	3/5/2015	65	\$ 19,656
January-15	3/5/2015	3	22,823
February-15	7/9/2015	101	22,823
May-15	7/9/2015	9	24,024

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015



City of Anaheim
FINANCE DEPARTMENT
 Accounting Division

December 18, 2015

Board of Directors

Orange County Local Transportation Authority
 and the Taxpayers Oversight Committee of the
 Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Senior Mobility Program for the City of Anaheim as of and for the fiscal year ended June 30, 2015.

Procedure #10

We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results:

Through review of the City's monthly summary reports, it was noted that the City's monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA. However, for the four reports tested we noted that they were not submitted within 30 calendar days of month end. The City asserted all submissions were made timely via fax to OCLTA, but OCTLA staff asserted no reports were received via fax within the required deadlines, and the City did not have evidence of those submissions. OCTLA staff confirmed that reports were received via fax on the following dates:

Reporting Month	Date Submitted	Days Late	Amount Reported
November-14	3/5/2015	65	\$ 19,656
January-15	3/5/2015	3	22,823
February-15	7/9/2015	101	22,823
May-15	7/9/2015	9	24,024

City's Response:

The City continues to assert that all monthly summary reports were submitted to OCLTA in a timely fashion via fax, but has no evidence of those submissions. The City maintains that the "Date Submitted" noted in the Procedure #10 Results section are actually the dates where the City resubmitted the monthly summary reports to OCTLA. Effective immediately, the City will maintain evidence of its monthly submissions to OCLTA via electronic mail.

Sincerely,

Signature:  _____

Paul Emery
City Manager

Signature:  _____

Deborah A. Moreno
Director of Finance

Signature:  _____

Terry Lowe
Director of Community Services



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES – CITY OF GARDEN GROVE**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Garden Grove's (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in its Measure M2 CTFP Fund (424), under the Senior Mobility Program Package 4601 (project code). The City records the match expenditures in the General Fund (111) and Federal Grant Fund (359). During the fiscal year ended June 30, 2015, the City reported total program expenditures of \$204,920, which included the City's match. The City match expenditures totaled \$56,100 in the General Fund and \$21,168 in the Federal Grant Fund. The Federal Grant Fund monies were funded through a separate grant, Senior Serv Grant from the County of Orange Office on Aging, but as the costs are part of the City's Senior Mobility Program, the City reports amounts to OCLTA as part of the match expenditures. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Senior Mobility Program as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$746,649 over the past three fiscal years of Measure M2 Senior Mobility Program funds, including a settlement with a prior vendor of \$332,265, which will be used toward future senior mobility program costs. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 382,438

No exceptions were noted.

4. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$77,268 which is approximately 53% of the total annual formula allocation of \$145,431. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$194,619 in expenditures was tested, representing 95% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015 did not include indirect costs. However, indirect costs were charged as match expenditures. Indirect match expenditures tested totaled \$56,100. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
 - a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracted with a third party service provider, California Yellow Cab, to provide transportation services for the Senior Mobility Program. We verified that California Yellow Cab was selected using a competitive procurement process through review of the City's Request for Proposal, bidding documents, and the executed agreement with California Yellow Cab. Per review of the contract agreement we verified that wheelchair accessible vehicles are available and used as needed. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City's contractor (if applicable) and we performed the following:
 - a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.


Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracts with a third party service provider, California Yellow Cab, to provide transportation services for the Senior Mobility Program. We obtained and reviewed the insurance coverage for California Yellow Cab, and noted the requirements established in the Cooperative Agreement were met. As required in the Cooperative Agreement, we noted the current year proof of insurance for the City was submitted and on file with OCLTA, while the City's contractors' insurance was on file with the City. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through inspection of a sample of four monthly summary reports, it was noted that the City's monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA within 30 days of month end. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES – CITY OF HUNTINGTON BEACH**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Huntington Beach’s (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, September 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended September 30, 2015.

Results: The City’s expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in Fund 963, Senior Mobility Program Fund. The match expenditures are recorded in Fund 103, Donations Fund, under business unit 10345502. During the fiscal year ended September 30, 2015, the City reported total program expenditures of \$220,383, which did not include the City’s match. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Senior Mobility Program as of September 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$616,223 over the past three fiscal years of Measure M2 Senior Mobility Program funds. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 10,886

No exceptions were noted.

4. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$74,801, which is approximately 38% of the total annual formula allocation of \$196,922. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$30,839 in expenditures was tested, representing 10% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended September 30, 2015 did not include indirect costs. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
 - a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City did not contract with a third party service provider for senior transportation service. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City's contractor (if applicable) and we performed the following:
 - a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.


Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City did not contract with a third party service provider for senior transportation service. However, per review of the City's Cooperative Agreement, the City was required to maintain insurance coverage. We obtained and reviewed the insurance coverage for the City, and noted the requirements established by the Cooperative Agreement were met. Additionally, we noted the current year proof of insurance was submitted and on file with OCLTA. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through inspection of a sample of four monthly summary reports, it was noted that the City's monthly expenditures reported agreed to supporting documentation, and reports were submitted to OCLTA within 30 days of month end. No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES – CITY OF SANTA ANA**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Santa Ana's (City) compliance with the provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained and read the Cooperative Agreement for the Senior Mobility Program between OCLTA and the City to determine that the agreement was properly approved and executed.

Results: No exceptions were noted as a result of our procedures.

2. We documented which fund(s) the City used to track expenditures relating to the Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's expenditures are tracked in the general ledger by fund and object. The City records its Senior Mobility Program expenditures in its General Fund (011), under accounting unit 01113230 (\$37,241) and Recreation Grants Fund (169), under accounting unit 16913202 (\$172,194) for total program expenditures of \$209,435, for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

3. We obtained a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Senior Mobility Program as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$510,906 over the past three fiscal years of Measure M2 Senior Mobility Program funds. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Senior Mobility (M2)	\$ 7,114

No exceptions were noted.

4. We reviewed the City’s interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Senior Mobility Program Fund.

Results: No exceptions were noted as a result of our procedures.

5. We verified that the City satisfied the requirement of a twenty percent (20%) match of the total annual formula allocation.

Results: The total match expenditures amounted to \$37,241, which is approximately 21% of the total annual formula allocation of \$179,308. No exceptions were noted as a result of our procedures.

6. We selected a sample of Measure M2 Senior Mobility Program expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which would have included a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
- b. Verified that the expenditures selected were exclusively for the Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Results: A total of \$57,035 in expenditures was tested, representing 27% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015. We noted the following types of expenditures in our sample:

- \$24,378 or 43% of our sample, represented costs incurred for senior transportation services provided by third party service providers. Review of supporting documentation noted that \$15,778 were for transportation services not within the Scope of Work (SOW) of the Cooperative Agreement (Agreement). The SOW specifies “door to door service to Santa Ana fragile senior residents to and from the two Senior Centers”. These expenditures related to trips to and from the two senior centers to destinations outside of Orange County, such as Balboa Park, Solvang, and casinos in San Diego County. We were unable to determine whether the remaining \$8,600 in expenditures complied with the Agreement, as the invoices provided by the vendor lacked detail as to the trips provided; however, the City asserted the services were for trips to and from the seniors’ homes to each of the City’s senior centers.
- \$21,112 or 37% of our sample, represented fuel charges and internal service charges for City-owned vehicles used to provide senior transportation services by City employees. The City asserted the two vehicles are used exclusively for the senior transportation program; however travel logs supporting the trips were not retained. As such, we were unable to validate the charges and assess compliance with the Agreement.

- \$10,820 or 19% of our sample, represented payroll charges of employees who provide senior transportation services as part of the City's senior transportation program, including drivers and program coordinators assigned to the two senior centers (Southwest and Santa Ana Senior Centers). However, as noted above, some of the transportation services provided do not comply with the SOW.
 - \$725 or 1% of our sample, was for vehicle signage purchased for City-owned vehicles used to provide senior transportation services. No exceptions were noted.
7. We identified whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2015 did not include indirect costs. No exceptions were noted as a result of our procedures.

8. We determined if the City contracts with a third party service provider for senior transportation service, and performed the following:
- a. Verified that the contractor was selected using a competitive procurement process.
 - b. Reviewed the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracted with two third party service providers, Certified Transportation and JFK Transportation Company Inc., to provide senior transportation services, in addition to services provided by City employees. We verified that Certified Transportation and JFK Transportation Company Inc., were selected using a competitive procurement process through review of the City's Invitation for Bid, City Council minutes, and the City's bid ratings. Per review of the contract agreements and related bid documentation for Certified Transportation and JFK Transportation Company Inc., we noted that wheelchair accessible vehicles are available and used as needed. No exceptions were noted as a result of our procedures.

9. We obtained proof of insurance coverage for the City's contractor (if applicable) and we performed the following:
- a. Reviewed the insurance coverage to ensure the terms satisfy the requirements established in the Cooperative Agreement.
 - b. Verified the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Results: Based on our review of the general ledger expenditure detail and discussion with City accounting personnel, the City contracted with Certified Transportation and JFK Transportation Company Inc. to provide senior transportation services. We obtained and reviewed the insurance coverage for Certified Transportation and JFK Transportation Company Inc., and noted the requirements established in the Cooperative Agreement were met. As required in the Cooperative Agreement, we noted the current year proof of insurance for the City was submitted and on file with OCLTA, while the City's contractors' insurance was on file with the City. No exceptions were noted as a result of our procedures.

10. We obtained and sampled monthly summary reports, and determined the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Results: Through review of the City’s monthly summary reports, it was noted that in three of five monthly reports expenditures did not agree to the City’s supporting documentation. Total expenditures were over-reported by \$1,953, or 2% of the actual general ledger balances. The City asserted the differences were related to the timing of invoice processing, which were recorded in the general ledger subsequent to the monthly report submission. In addition, as noted below, we identified that four of five reports tested were not submitted within 30 days.

Reporting Month	Date Submitted	Days Late	Amount Reported
July-14	9/4/2014	5	\$ 11,143
September-14	10/31/2014	1	22,101
December-14	2/4/2015	5	13,332
April-15	6/2/2015	3	13,970
June-15	7/30/2015	0	60,325

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Senior Mobility Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City’s responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City’s responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.

Varrinck Train, Dwyer & Co., LLP

Laguna Hills, California
January 20, 2016

MAYOR
Miguel A. Pulido
MAYOR PRO TEM
Vincent F. Sarmiento
COUNCILMEMBERS
Angelica Amezcua
P. David Benavides
Michele Martinez
Roman Reyna
Sal Tinajero



CITY MANAGER
David Cavazos
CITY ATTORNEY
Sonia R. Carvalho
CLERK OF THE COUNCIL
Maria D. Huizar

CITY OF SANTA ANA
FINANCE AND MANAGEMENT SERVICES AGENCY
20 Civic Center Plaza M-17 • P.O. Box 1988
Santa Ana, California 92702
714-647-5420
www.santa-ana.org

January 20, 2016

Orange County Local Transportation Authority
Ms. Janet Sutter, Executive Director – Internal Audit
550 South Main Street
P.O. Box 14184
Orange, CA 92863-1584

Ms. Sutter:

Below is the City of Santa Ana herein referred to after as “City” responses to the Agreed Upon Procedures report (“AUP”) of the Measure M2 Senior Mobility Program (“SMP”) for the fiscal year-ended June 30, 2015.

#6 Management Response:

(a):

The City is committed to providing its seniors the opportunity to enjoy mobility through its various transportation program in compliance with existing and future rules and regulations as required by the Senior Mobility Program (“SMP”).

In accordance with the SMP requirements, the City has submitted monthly reports to OCTA evidencing the usage of funds including the expenditures in question as noted in this report. However during this filing process no communication was received by the City from OCTA that the expenditures in question are unallowable as described in the agreed upon scope of work.

If communication was provided by OCTA to the City, the issue would have been immediately reviewed and rectified or clarification would have been requested. Please note program expenditures were reviewed during the most recently completed examination of the program (fiscal year 2012) however the City was also not notified of non-compliance with the agreed upon scope of work.

(b):

As previously described the City seeks to adhere to the program’s existing rules and regulations. However, the City was not provided by OCTA specific guidelines related to record retention. Going forward the City has communicated to its affected Departments records should be retained for a period of five years, in turn they would become available for inspection by OCTA or its designee.

SANTA ANA CITY COUNCIL

Miguel A. Pulido Mayor mpulido@santa-ana.org	Vincent F. Sarmiento Mayor Pro Tem, Ward 1 vsarmiento@santa-ana.org	Michele Martinez Ward 2 mmartinez@santa-ana.org	Angelica Amezcua Ward 3 aamezcua@santa-ana.org	P. David Benavides Ward 4 dbenavides@santa-ana.org	Roman Reyna Ward 5 rreyna@santa-ana.org	Sal Tinajero Ward 6 stinajero@santa-ana.org
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(c):

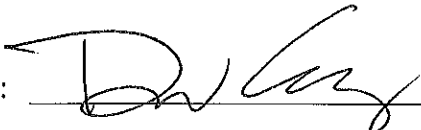
All employees listed are assigned to the Senior Transportation program and their time is fully charged to the grant via timesheets. Based on the City's interpretation of the SOW, the City asserts that the transportation services provided complied with the Agreement and payroll charges of the employees tested were eligible expenditures.

Going forward, the City will retain records for a period of five years.

#10 Management Response:

The monthly SMP reports that were submitted with discrepancies were due to the fact that program related expenses for said months were not charged or paid for until after the report was submitted. The City is making every effort to pay all program related expenses within the reporting period and will send a revised report if need be in the future. The reports that were not submitted within the 30 days were a result of the transitioning of program supervision and or staff shortages causing delays in the report being completed and submitted on time.

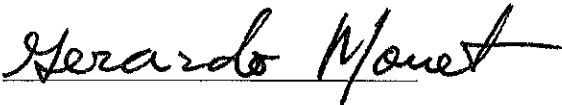
As of July 1, 2015, staff are assigned as back-ups to the program supervisor to ensure that reports are submitted on time. In addition, the City will send a preliminary report by the due date and submit the final revised report once completed after the fact if need be.

Signature: 

Title: City Manager

Signature: 

Title: Executive Director of Finance and Management Services Agency

Signature: 


Title: Executive Director of Parks, Recreation and Community Services Agency



INTEROFFICE MEMO

January 19, 2016

To: Beth McCormick, General Manager
Transit

From: Janet Sutter, Executive Director
Internal Audit 

Subject: **City of Santa Ana, Senior Mobility Program**

At the direction of the Taxpayer's Oversight Committee of the Orange County Local Transportation Authority (OCLTA), the independent auditing firm Vavrinek, Trine, Day & Company, LLP, (auditors) has completed agreed-upon procedures reviews related to the Measure M2 Senior Mobility Program (SMP) funds distributed to the City of Santa Ana (City) for the year ended June 30, 2015. The auditors tested a total of \$57,035 in expenditures, representing 28 percent of total SMP expenditures. The procedures identified expenditures at the City that do not comply with the cooperative agreement and expenditures that cannot be substantiated due to a lack of supporting documentation. Some of the expenditures, for trips outside the County of Orange, do not appear to comply with the M2 Ordinance.

As a result of the issues identified by the auditor, the Internal Audit Department (Internal Audit) conducted interviews with City staff and a few SMP participants, and reviewed selected available documents. Internal Audit also interviewed Transit Division staff responsible for oversight of the SMP and reviewed the Measure M2 Ordinance, the Orange County Transportation Authority (OCTA) website, program informational materials, SMP related staff reports, and monthly reports submitted by the City.

Based on the additional procedures performed, the following concerns were identified:

1. City staff does not record fees collected from SMP participants and could not provide documentation as to how monies were spent.

Seniors participating in trips to destinations outside of Orange County are charged a fee of \$5 per person. These fees are collected by senior center personnel and are sometimes listed on event registration logs as "transportation program fees" but are never recorded as revenue to the program.

There are also no records or receipts to evidence how the monies are spent. City staff asserted that the monies are spent on refreshments for the seniors on the trip and to pay fees related to the trips, such as museum entrance fees and/or group tour costs. Internal Audit contacted a few of the trip participants who indicated that refreshments are not provided and that, once at the destination, the seniors are free to go where they like but pay themselves to visit museums, buy lunch, etc. When further questioned, City staff elaborated that monies are also used to buy name tags, hand sanitizers, and cleaning supplies for the program buses.

Registration logs for trips to casinos do not reflect collection of the fee and Internal Audit was originally told that fees are not collected for these trips; however, interview with a senior participant indicated that fees are paid. When further questioned, the senior center supervisor indicated that he was not aware they had been charging for these trips.

Recommendation: Internal Audit recommends that management take the following actions:

- Advise City staff that fees collected relating to SMP trips must be recorded as revenue to the program and monitor to ensure compliance.
- Revise monthly report forms to include reporting of revenues.
- Develop and implement requirements for collection and recording of program related revenues.

Management Response:

Management agrees with the recommended actions. The initial term of the SMP agreements expires June 30, 2016. Staff will review the current agreement language and scopes of work for each SMP. Language in the agreement and/or scopes of work will be revised to address the collection and recording of program fees/revenue. In addition, the SMP monthly report template will be revised to specifically document fares/revenue received, the source of city contributions, and documentation to identify how revenues collected are used to support the program. During the annual visit, staff will review the process used to collect and report fares/revenues received.

2. SMP guidance and oversight is not adequate.

In the course of reviewing the issues identified by the auditors, Internal Audit identified weaknesses related to SMP administration and oversight, as follows:

- Trips provided by the City that do not comply with the Ordinance and/or the agreement are outlined on the City's monthly SMP reports but were not questioned by OCLTA staff. Per interview, the Department Manager believed the trips to be allowable and stated that cooperative agreements with the cities could be amended to allow these types of trips.
- Guidance relating to parameters of qualified trips, eligible cost allocation, adequate supporting documentation, required retention, and collection and reporting of program fees, has not been developed or is inadequate.
- Staff has not developed appropriate oversight procedures to monitor cities' compliance with the Ordinance and related cooperative agreements. Current monitoring procedures focus primarily on monitoring of the City's match requirement (per amounts reported by the City on their monthly reports) and performing annual visits to discuss the program.

Recommendation: To ensure proper stewardship over the SMP, Internal Audit recommends that management take the following actions:

- Develop detailed program guidelines, including but not limited to, definition of allowable trip types, requirements for collection and reporting of revenues, acceptable methods for allocation of costs, and retention of adequate supporting documents (for both revenues and expenditures).
- Amend cooperative agreements to include detailed information on program requirements.
- Provide training to cities and exercise oversight to determine whether activities comply with the Ordinance, cooperative agreements, and program guidelines.

Management Response:

Management agrees with the recommended actions. While other Measure M2 programs have formal board-adopted guidelines, (i.e. CTFP, Project V) no such guidelines were established for the SMP when the program funding transitioned from Transportation Development Act funding

to Measure M2 funding in 2011. In the absence of formal guidelines, there has been a long standing practice of “excursion” trips being made for the seniors from the senior centers. These trips have been reported on the monthly reports submitted by the City. Some of the trips that have been made were to destinations outside of Orange County. Management agrees that these trips were not within the established intent of the program and that going forward, special event service, if included in a scope of work, shall be limited to destinations within Orange County or a reasonable distance from senior centers that may be located near the Orange County border. Criteria for such trips will be established and included in the program guidelines.

As mentioned previously, the language in the SMP agreements and scopes of work will be reviewed to ensure that language adequately addresses current program parameters for each city. Program guidelines will be developed to more specifically outline program requirements, including eligible trip types, collection and reporting of program revenue, submission and retention of supporting documentation, and requirements for allocation of indirect costs or internal service charges. Such guidelines will ensure that either direct costs are identified as appropriate or a reasonable methodology to allocate costs to the SMP is employed. Guidelines will be incorporated into the cooperative agreements with the cities by reference and updated as needed.

All of the SMP agreements expire on June 30, 2016. Amendments will be prepared for each program to include the modifications identified in this memo.

Training will be provided at least annually through a workshop for all SMP program administrators. This workshop is scheduled to be conducted on February 2, 2016. During this workshop, staff will present information on changes to the program guidelines, including reporting requirements, eligible trips, record retention, and the amendments to the existing agreements to be effective July 1, 2016. Upon notification that a SMP program contact has changed, OCTA staff will conduct a one-on-one training with new SMP staff to review all program requirements. Additional workshops and individual training will be scheduled during the year as needed.

To ensure oversight activities are adequate and that program activities comply with the Ordinance, cooperative agreements, and program guidelines, Community Transportation Services staff are developing a document to be used during the annual visits to capture information

regarding expenditures and compliance with SMP program requirements. Prior to the annual visit, selected documents will be requested from SMP for review and a standard monitoring document will be used for the on-site visit to address preliminary findings, clarify information submitted, review and update the program scope of work, and identify areas where additional training may be needed.

c: Darrell Johnson
Kenneth Phipps

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY
MEASURE M2 LOCAL FAIR SHARE
AGREED-UPON PROCEDURES REPORTS
Year Ended June 30, 2015**

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2015

The cities listed below were selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures for the fiscal year ended June 30, 2015. Please refer to the individual divider tab for our report on each Agency.

City of Anaheim

City of Brea

City of Garden Grove

City of Huntington Beach (as of City's fiscal year end, September 30, 2015)

City of Laguna Hills

City of La Palma

City of Mission Viejo

City of Tustin

County of Orange



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF ANAHEIM**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Anaheim's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$8,127,913 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund, program, and activity. The City recorded its MOE expenditures in its General Fund (101) and Sanitation Enterprise Fund (590), under Department 412. No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$8,664,773 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$2,318,626, representing approximately 27% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$440,768. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$9,057,339 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Local Fair Share (M2)	\$ 2,045,860

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 271, Traffic Improvement - Measure M2 Fund. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$8,341,603 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$6,485,138 representing approximately 78% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. We noted \$243,390 of the expenditures tested related to the Santa Ana River Trail project, which was not included in the City’s approved Seven-Year CIP, as required.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF ANAHEIM, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Sign and Safety Devices	\$ 676,915
Sidewalk and Curb Maintenance	1,077,040
Right of Way Landscaping and Maintenance	1,751,886
Traffic System Services	3,039,709

Construction:

Street Construction	546,568
Engineering Design	380,897
Traffic Engineering	221,318
Engineering Inspection and Survey	1,266,202

Administrative/Other:

Engineering Administration	1,385,778
Traffic (Systems & Commuter Services)	744,761

Less: MOE Exclusions	<u>(2,426,301)</u>
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Total MOE Expenditures	<u>8,664,773</u>
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Measure M2 Local Fair Share Expenditures:

Pavement Rehabilitation Projects	2,908,927
ARTIC	4,720,298
Santa Ana River Trail (not on Seven-Year CIP)	480,438
Administrative Expenditures - all approved projects	<u>231,940</u>

Total Measure M2 Local Fair Share Expenditures	<u>8,341,603</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 17,006,376</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of Anaheim and were not audited.



City of Anaheim
DEPARTMENT OF PUBLIC WORKS

December 18, 2015

Board of Directors
 Orange County Local Transportation Authority
 and the Taxpayers Oversight Committee of the
 Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance Agreed-upon Procedures report for the City of Anaheim as of and for the fiscal year ended June 30, 2015.

Procedure #8

We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:

- a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
- b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

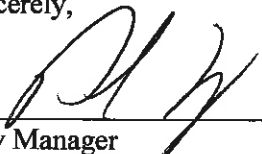
Results:

Measure M2 Local Fair Share expenditures tested totaled \$6,485,138 representing approximately 78% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. We noted \$243,390 of the expenditures tested related to the Santa Ana River Trail project, which was not on the approved Seven-Year CIP, as required.


City's Response:

We will submit an amended Seven-Year CIP to OCLTA for consideration. We will implement procedures going forward to ensure M2 Local Fair Share expenditures are only incurred for projects listed on the approved Seven-Year CIP.

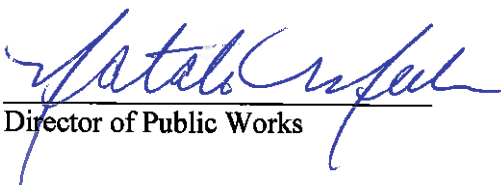
Sincerely,



 City Manager



 Director of Finance



 Director of Public Works



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF BREA**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Brea's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$703,000 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (110) and its Capital Improvement Fund (510). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$1,768,773 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$812,961, representing approximately 46% of total MOE expenditures for the fiscal year ended June 30, 2015. We noted two expenditures, totaling \$38,163, were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from total MOE expenditures, we noted the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$186,797. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$2,429,896 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2013/2014	Local Fair Share (M2)	\$ 320,127
2014/2015	Local Fair Share (M2)	\$ 730,888

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 260, Measure M Transportation Fund and Fund 510, Capital Improvement Fund. The City maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share, between both funds, which reconciles to the general ledger. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$272,159 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$242,010 representing approximately 89% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. Indirect Measure M2 Local Fair Share expenditures tested totaled \$7,793. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.


11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015

CITY OF BREA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Maintenance	\$ 1,451,314
Parkway Trees	146,260
Slurry Seal Program	<u>171,199</u>
Total MOE Expenditures	<u>1,768,773</u>

Measure M2 Local Fair Share Expenditures:

Lambert Road Rehabilitation (Phase 2)	5,804
Wildcat Way Rehabilitation	256,038
Administrative Expenditures - all approved projects	<u>10,318</u>
Total Measure M2 Local Fair Share Expenditures	<u>272,159</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 2,040,932</u></u>

Note:

The above amounts were taken directly from the financial records of the City of Brea and were not audited.



City of Brea

December 18, 2015

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Brea as of and for the fiscal year ended June 30, 2015.

Procedure #4b.

Verified that the expenditure amount listed on the general ledger to supporting documentation, which may include check copy or wire transfer, vendor invoice, payroll registers and timecards, journal entry or other appropriate supporting documentation.

Results:

MOE Expenditures tested totaled \$812,961, representing approximately 46% of total MOE expenditures for the fiscal year ended June 30, 2015. We noted two expenditures, totaling \$38,163 were not properly classified as local street and road expenditures, nor were the costs allowable per the Ordinance. After removing the amounts from the MOE expenditures, we noted the City continued to meet the minimum MOE requirement.

City's Response:

The City corrected the finding via journal entry to remove the expenditures from the Street Maintenance Program during the fiscal year ended June 30, 2015. To avoid this from happening in the future, the City will create the Parking Lot Maintenance Program for the future coding of such expenditures

Sincerely,

Title: City Manager/
Administrative Services Director

Title: Public Works Director

City Council

Christine Marick
Mayor

Cecilia Hupp
Mayor Pro Tem

Glenn Parker
Council Member

Marty Simonoff
Council Member

Steven Vargas
Council Member



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF GARDEN GROVE**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Garden Grove's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$2,823,522 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (111). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$5,397,017 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$1,231,070, representing approximately 23% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$105,351. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$6,246,116 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2014/2015	Local Fair Share (M2)	\$ 211,566

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 422. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$1,906,520 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$1,335,834 representing approximately 70% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. Per Schedule A, we noted \$99,000 of expenditures were incurred for a project not included in the City’s Seven-Year CIP, as required.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF GARDEN GROVE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street M/S/P	\$ 40,726
Seal Coating	282,939
Asphalt Maintenance Overlay	532,394
Concrete Maintenance	282,690
Graffiti Removal	171,395
R/W & St. Cleaning	942,354
Spill Cleanup	78,142
Tree Maintenance	913,833
Traffic Maintenance M/S/P	10,238
Traffic Sign Maintenance	154,573
Traffic Painting	167,319
Traffic Signal Maintenance	94,922
R/W Lndsc Mnt M/SP	29,709
Median Maintenance	391,853

Construction:

Concrete Repl/Capital	235,267
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Administrative/Other:

Traffic Engineering	365,790
Capital Improvement Planning	81,318
Special Projects	139,884
Operation Engineering	104,027
Public Works General Administration	136,650
NPDES Program	240,994

Total MOE Expenditures	5,397,017
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Measure M2 Local Fair Share Expenditures:

Harbor/Twintree High Intensity Activated Crosswalk (HAWK)	1,443
Harbor Boulevard Median Curb Upgrade	1,207
Arterial Highway Rehabilitation Program	10,745
Traffic Management Center/Citywide Fiber Interconnect	(2,323)
Intersection of Harbor Boulevard and Garden Grove Boulevard	(1,503)
Magnolia Street Reconstruction	5,280
Fairview/Trask Intersection Improvement	145
Harbor Landscape Improvement - Phase 2 (Not on Seven-Year CIP)	99,000
Local Street Improvement Program	5,180
Proposition 1B State Local Partnership Program (SLPP) Projects	77,182
Brookhurst Street Rehabilitation	1,709,967
Brookhurst Hazard - Westminster	197
Total Measure M2 Local Fair Share Expenditures	1,906,520
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 7,303,537

Note:

The above amounts were taken directly from the financial records of the City of Garden Grove and were not audited.



CITY OF GARDEN GROVE

December 18, 2015

Board of Directors and Taxpayer Oversight Committee of
Orange County Local Transportation Authority (OCLTA)
550 S. Main Street
Orange, CA 92863

Bao Nguyen
Mayor

Steven R. Jones
Mayor Pro Tem

Christopher V. Phan
Council Member

Phat Bui
Council Member

Kris Beard
Council Member

Subject: City's Response to OCLTA's Measure M2 Agreed-Upon Procedures Report

This letter is in response to the Orange County Transportation Authority's FY14-15 Measure M2 Local Fair Share Agreed-Upon Procedures Report - Procedure No. 8. It has been noted that \$99,000 of expenditures were incurred for a project not listed on the City's Seven-Year Capital Improvement Plan (CIP).

The City of Garden Grove will submit an amended Seven-Year Capital Improvement Plan to OCLTA for their consideration. Please note, the \$99,000 in question were eligible transportation expenses per Measure M2 Ordinance No. 3 criteria. The City of Garden Grove will implement procedures that will facilitate amendments to the Seven-Year CIP, as initial project submittals for this Report are based on estimates at the beginning of a fiscal year, and these may change due to construction schedules and availability of new grant funding, among other factors.

Sincerely,

Dan Candelaria, P.E., T.E.
City Engineer

Kingsley Okereke
Assistant City Manager/Finance Director

Scott C. Stiles
City Manager



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF HUNTINGTON BEACH**

Board of Directors

Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Huntington Beach's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, September 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$4,954,235 in MOE expenditures during the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (100). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended September 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended September 30, 2015 were \$10,187,301 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$1,248,614, representing approximately 12% of total MOE expenditures for the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended September 30, 2015. Indirect MOE expenditures tested totaled \$121,633. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of September 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$8,733,806 for the past three fiscal years ended September 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2013/2014	Local Fair Share (M2)	\$ 1,541,279
2014/2015	Local Fair Share (M2)	\$ 2,999,191

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended September 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 213, Measure M Fund. The City maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share, compared to other M2 funded projects, which reconciles to the general ledger. Total Measure M2 Local Fair Share expenditures during the fiscal year ended September 30, 2015 were \$1,318,184 (see Schedule A). Based on inquiry with City management including public works, the City asserted there are two business units used to report M2 Local Fair Share expenditures related to the City’s Arterial Rehabilitation project: 21390008 – Arterial Highway Rehab and 21385201 – Engineering Design/Construction. No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$445,661 representing approximately 34% of total Measure M2 Local Fair Share expenditures for the fiscal year ended September 30, 2015. As noted under procedure 7, the City reports expenditures within two business units, both related to the Arterial Rehabilitation project on the Seven-year CIP. The City uses Business Unit 21391008 to track portions of the project that the City budgets for and intends to capitalize, while Business Unit 21385201 is a combination of construction, design, and engineering labor costs incurred by City personnel for the project. No exceptions were noted.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended September 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

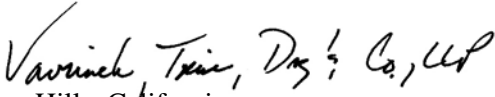
Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.


Laguna Hills, California
December 18, 2015

CITY OF HUNTINGTON BEACH, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended September 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance	
Traffic Signs/Striping and Signals	\$ 1,102,895
Street Maintenance	1,427,543
Hazardous Materials	164,337
Street Cleaning	909,678
Storm Drain Maintenance	315,093
Landscape and Tree Maintenance	2,144,016
Fleet and Equipment Maintenance	1,052,082
Construction:	
Design/Construction	717,930
Development Processing	267,102
Traffic Engineering	1,146,653
Administrative/Other:	
Public Works, Maintenance and General Services Admin	707,525
Storm Drain Pollution Control	232,447
	<hr/>
Total MOE Expenditures	10,187,301
	<hr/>

Measure M2 Local Fair Share Expenditures:

Arterial Rehabilitation (BU 21390008)	479,899
Engineering Design and Construction - for Arterial Rehabilitation (BU 21385201)	838,285
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Total Measure M2 Local Fair Share Expenditures	1,318,184
	<hr/>
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 11,505,485
	<hr/> <hr/>

Note:

The above amounts were taken directly from the financial records of the City of Huntington Beach and were not audited.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF LAGUNA HILLS**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Laguna Hills' (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$269,339 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (100) and CIP Fund (600). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$1,104,430 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$308,033, representing approximately 28% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$136. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$1,422,369 for the past three fiscal years ended June 30, 2013, 2014 and 2015. We noted no remaining cash balance. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 212, Measure M Fund, as a transfer out to Fund 100, General Fund. Specific invoices are identified by the City as M2 Local Fair Share, recorded within accounts 100-250-720.400 (Street Maintenance) and 100-250-720.420 (Traffic Signal Maintenance). Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$535,808 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$389,087 representing approximately 73% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF LAGUNA HILLS, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Sweeping	\$ 131,653
Signal Maintenance Contract	29,900
Utilities	446,575
Personnel	114,718
Miscellaneous Contract and Other Maintenance	251,052

Construction:

Street, Signals and Lighting	2,824,485
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Administrative/Other:

Operating Expenditures	10,265
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Less: MOE Exclusions	(2,704,218)
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Total MOE Expenditures	1,104,430
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Measure M2 Local Fair Share Expenditures:

Public Works Maintenance and Operations	535,808
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Total Measure M2 Local Fair Share Expenditures	535,808
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Total MOE and Measure M2 Local Fair Share Expenditures	\$ 1,640,238
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Note:

The above amounts were taken directly from the financial records of the City of Laguna Hills and were not audited.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF LA PALMA**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of La Palma's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$173,004 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (001) and Capital Outlay Reserve Fund (035). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$540,653 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$289,999, representing approximately 54% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$45,671. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$765,201 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2013/2014	Local Fair Share (M2)	\$ 30,589
2014/2015	Local Fair Share (M2)	\$ 209,091

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 012. This fund is also used to record M2 Comprehensive Transportation Funding Program grants. The City maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$0 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: As noted in procedure 7, the City did not report Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: As noted in procedure 7, the City did not report Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

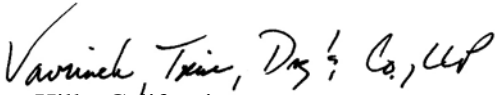
Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF LA PALMA, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Engineering	\$ 39,769
Street Maintenance	321,485
Street Trees & Medians	108,599

Construction:

Arterial Pavement Management Program	<u>70,800</u>
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Total MOE Expenditures	<u>540,653</u>
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Measure M2 Local Fair Share Expenditures:

N/A - none noted	<u>-</u>
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Total Measure M2 Local Fair Share Expenditures	<u>-</u>
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Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 540,653</u></u>
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Note:

The above amounts were taken directly from the financial records of the City of La Palma and were not audited.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF MISSION VIEJO**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Mission Viejo's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$2,247,610 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its General Fund (101). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$4,604,438. As described in procedure 4, we noted an exception with respect to an expenditure not allowable per the Ordinance. Subsequent to fieldwork the City corrected the MOE expenditures for the exception and further revised the total MOE expenditures to \$4,492,237 (see Schedule A), which continued to exceed the requirement.

4. We selected a sample of MOE expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$1,747,172, representing approximately 39% of total revised MOE expenditures for the fiscal year ended June 30, 2015. During testing of the original MOE expenditures, we noted one expenditure, totaling \$28,428, which was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. The City corrected its MOE for the \$28,428, and further removed costs totaling \$83,773. After removing the amounts from total MOE expenditures, we noted the City continued to meet the minimum MOE requirement.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as MOE expenditures for the fiscal year ended June 30, 2015. Indirect MOE expenditures tested totaled \$5,158. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$3,910,917 for the past three fiscal years ended June 30, 2013, 2014 and 2015. We noted no remaining cash balance. No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City's Measure M2 Local Fair Share expenditures are recorded in Fund 267, Measure M2 Sales Tax Apportionment Fund. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$2,595,282 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$2,225,642 representing approximately 86% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

At the request of OCLTA, the City's responses to certain findings are included in Exhibit 1. The responses are included for the purposes of additional information and were not subjected to the procedures described above. Accordingly, we did not perform any procedures on the City's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF MISSION VIEJO, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Street Lighting	\$ 996,642
Street Maintenance	2,235,517
Signal Maintenance	486,053
Environmental Maintenance	462,884
Marguerite Resurface/Median Rehabilitation	2,750

Construction:

City Wide EVP Device Install	5,381
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Administrative/Other:

Public Works - Admin	33,394
Engineering	24,990
Transportation Planning	104,182
Traffic Operations	83,803
Traffic Safety	56,641

Total MOE Expenditures	4,492,237
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Measure M2 Local Fair Share Expenditures:

210 - Marguerite Parkway Pavement Rehabilitation (Traffic Signal Synchronization)	19,912
221 - Marguerite Parkway Pavement Rehabilitation (Trabucco Road to Alicia Parkway)	387,375
215 - Citywide Emergency Vehicle Pre-emption System	32,800
837 - Arterial Highway Resurfacing Program	1,746,861
217 - Muirlands Blvd/Barranca Pkwy Corridor Regional Traffic Signal Synchronization	1,979
838 - Residential Resurfacing	401,418
219 - Trabucco Road Corridor Regional Traffic Signal Synchronization	4,117
223 - La Paz Road Corridor Regional Traffic Signal Synchronization	820

Total Measure M2 Local Fair Share Expenditures	2,595,282
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Total MOE and Measure M2 Local Fair Share Expenditures	\$ 7,087,519
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Note:

The above amounts were taken directly from the financial records of the City of Mission Viejo and were not audited.



City of Mission Viejo

Administrative Services Department

Cathy Schlicht
Mayor

Greg Rath
Mayor Pro Tem

Wendy Bucknum
Council Member

Edward Sachs
Council Member

Frank Ury
Council Member

December 18, 2015

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Transportation Ordinance for the City of Mission Viejo as of and for the fiscal year ended June 30, 2015.

Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail and verify the expenditures are properly classified as a local street and road expenditure and are allowable per the Ordinance.

Results:

One expenditure totaling \$28,428 was not properly classified as a local street and road expenditure, nor was the cost allowable per the Ordinance. After removing the amount from total MOE expenditures, the City continues to meet the minimum MOE requirement.

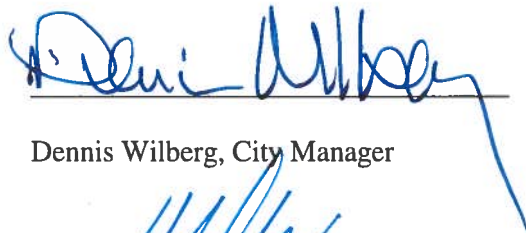
City's Response:

The City provided preliminary, unaudited numbers for the MOE agreed upon procedures. After auditor fieldwork, the ineligible expenditures were removed from our MOE, annual street report, and Measure M2 report. Our MOE report has since been modified and corrective procedures have been put in place. The City still meets the minimum MOE requirement after the removal of the ineligible expenditures.



Board of Directors
December 18, 2015
Page two

Sincerely,

A handwritten signature in blue ink, appearing to read "Dennis Wilberg", written over a horizontal line. The signature is cursive and somewhat stylized.

Dennis Wilberg, City Manager

A handwritten signature in blue ink, appearing to read "Mark Chagnon", written over a horizontal line. The signature is cursive and somewhat stylized.

Mark Chagnon, Director of Public Works

A handwritten signature in blue ink, appearing to read "Cheryl Dyas", written over a horizontal line. The signature is cursive and somewhat stylized.

Cheryl Dyas, Director of Finance



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — CITY OF TUSTIN**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the City of Tustin's (City) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the City.

Results: The City was required to spend \$1,222,756 in MOE expenditures during the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

2. We documented which funds the City used to track all street and road expenditures and inquired how the City identifies MOE expenditures in its general ledger.

Results: All MOE expenditures are tracked in the general ledger by fund and activity. The City recorded its MOE expenditures in its Land Sale Proceeds Fund (189) – Department 80 (Architect-Engineering Services), a subfund of the General Fund, and Capital Projects Fund (200) – Department 40 (Public Works). No exceptions were noted as a result of our procedures.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the City met the minimum MOE requirement.

Results: The City's MOE expenditures for the fiscal year ended June 30, 2015 were \$3,107,260 (see Schedule A), which exceeded the requirement. No exceptions were noted as a result of our procedures.

4. We selected a sample of MOE expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: MOE expenditures tested totaled \$2,166,578, representing approximately 70% of total MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: Based on our review of the general ledger expenditure detail and discussion with the City’s accounting personnel, we noted no indirect MOE expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculated the amount the City received for the past three fiscal years. We obtained the cash balance of the City’s Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The City received \$3,494,337 for the past three fiscal years ended June 30, 2013, 2014 and 2015. The remaining cash balance of these funds was as follows:

<u>Allocation Year</u>	<u>Funding Source</u>	<u>Remaining Cash Balance</u>
2012/2013	Local Fair Share (M2)	\$ 612,993
2013/2014	Local Fair Share (M2)	\$ 1,311,059
2014/2015	Local Fair Share (M2)	\$ 1,146,029

No exceptions were noted as a result of our procedures.

7. We documented which fund the City used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The City’s Measure M2 Local Fair Share expenditures are recorded in Fund 139 (Measure M – Fair Share). Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$609,641 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the City’s Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the City’s general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the City’s Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$430,838 representing approximately 71% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the City's accounting personnel, indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. Indirect Measure M2 Local Fair Share expenditures tested totaled \$3,388. No exceptions were noted as a result of our procedures.

10. We reviewed the City's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the City was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the City was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

CITY OF TUSTIN, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Maintenance of Effort (MOE) Expenditures:

Maintenance:

Overlay & Sealing	1,249,616
Street Lights & Traffic Signals	105
Other Street Purpose Maintenance	51,370

Construction

New Street Construction	1,067,914
Street Reconstruction	438,941

Administrative/Other:

Labor	299,314
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Total MOE Expenditures	3,107,260
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Measure M2 Local Fair Share Expenditures:

Battery Backup System Installations (40079)	360,639
Traffic Signal Controller Equipment Upgrades and Replacements (40080)	46,828
Biofiltration Retrofit - Edinger/Red Hill/Valencia/Kensington Park Quadrant (50041)	64,079
Annual Roadway and Public Infrastructure Maintenance (70014)	55,325
Jamboree Road, Warner Avenue, and Tustin Avenue Signal Synchronization Projects (40081)	12,677
First Street/Bolsa Avenue Signal Synchronization Project (40082)	5,920
Newport Avenue Synchronization Project (40085)	9,290
17th Street Synchronization Project*	203
Warner Avenue Extension: Red Hill Avenue to Tustin Ranch Road (70202)	54,680

Total Measure M2 Local Fair Share Expenditures	609,641
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Total MOE and Measure M2 Local Fair Share Expenditures	\$ 3,716,901
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Note:

The above amounts were taken directly from the financial records of the City of Tustin and were not audited.

* The 17th Street Synchronization Project was not included in the FY 14/15 CIP plan. The project was approved by City Council through Resolution No. 14-66 on November 18, 2014, and added to FY 15/16 CIP plan on June 16, 2015.



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES — COUNTY OF ORANGE**

Board of Directors
Orange County Local Transportation Authority
and the Taxpayers Oversight Committee of the
Orange County Local Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA), solely to assist you in evaluating the County of Orange's (County) level of compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of, and for the fiscal year ended, June 30, 2015. The County's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the OCLTA Maintenance of Effort (MOE) Calculation Report and identified the required minimum amount to be spent on MOE expenditures by the County.

Results: OCLTA has determined that the MOE is not applicable for the County.

2. We documented which funds the County used to track all street and road expenditures and inquired how the County identifies MOE expenditures in its general ledger.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

3. We obtained the detail of MOE expenditures for the fiscal year ended June 30, 2015 and determined whether the County met the minimum MOE requirement.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

4. We selected a sample of MOE expenditures from the County's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal voucher or other appropriate supporting documentation.
 - b. Verified that the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

5. We identified whether or not indirect costs were charged as MOE expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and supporting documentation for reasonableness and appropriate methodology.

Results: The County did not have an MOE requirement for the fiscal year ended June 30, 2015. As a result, this procedure was not applicable.

6. We obtained a listing of Measure M2 Local Fair Share payments made from OCLTA to the County and calculated the amount the County received for the past three fiscal years. We obtained the cash balance of the County's Measure M2 Local Fair Share Fund as of June 30, 2015 and determined whether funds were expended within three years of receipt.

Results: The County received \$8,079,670 for the past three fiscal years ended June 30, 2013, 2014 and 2015. We noted no remaining cash balance. No exceptions were noted as a result of our procedures.

7. We documented which fund the County used to track expenditures relating to Measure M2 Local Fair Share monies in its general ledger and the amount spent during the fiscal year ended June 30, 2015.

Results: The County's Measure M2 Local Fair Share expenditures are recorded in Fund 115, Road Fund. The County maintains a spreadsheet which details the total amount for Measure M2 Local Fair Share. Total Measure M2 Local Fair Share expenditures during the fiscal year ended June 30, 2015 were \$3,032,673 (see Schedule A). No exceptions were noted as a result of our procedures.

8. We obtained the County's Seven-Year Capital Improvement Program (CIP) and selected a sample of Measure M2 Local Fair Share expenditures from the County's general ledger expenditure detail. For each item selected, we performed the following:
 - a. Agreed the dollar amount listed on the general ledger to supporting documentation, which may include a check copy or wire transfer, vendor invoice, payroll registers and timecards, journal vouchers or other appropriate supporting documentation.
 - b. Verified that the expenditures selected in (a) above were related to projects included in the County's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Results: Measure M2 Local Fair Share expenditures tested totaled \$2,787,746 representing approximately 92% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

9. We identified whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, we selected a sample of charges. We reviewed the amounts charged and reviewed supporting documentation for reasonableness and appropriate methodology.

Results: Based upon our review of the general ledger expenditure detail and discussion with the County's accounting personnel, we noted no indirect costs were charged as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2015. No exceptions were noted as a result of our procedures.

10. We reviewed the County's interest allocation methodology to ensure the proper amount of interest was credited to the Measure M2 Local Fair Share Fund.

Results: No exceptions were noted as a result of our procedures.

11. We determined the County was found eligible by the TOC Eligibility Subcommittee.

Results: We reviewed the minutes of the TOC and verified that the TOC Eligibility Subcommittee found the County was eligible to receive Measure M2 Local Fair Share funds. As a result, no exceptions were noted.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records, any indirect cost allocation plans and compliance with the provisions of the Measure M2 Local Transportation Ordinance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Orange County Local Transportation Authority and the Taxpayers Oversight Committee and is not intended to be, and should not be, used by anyone other than those specified parties.



Laguna Hills, California
December 18, 2015

COUNTY OF ORANGE, CALIFORNIA
Schedule of Measure M2 Local Fair Share Expenditures
Year Ended June 30, 2015
(Unaudited)

Measure M2 Local Fair Share Expenditures:	
"A" Street	\$ 1,985,881
Moulton Parkway Widening Segment 3 Phase II	<u>1,046,792</u>
Total Measure M2 Local Fair Share Expenditures	<u><u>\$ 3,032,673</u></u>

Note:

The above amounts were taken directly from the financial records of the County of Orange and were not audited.