



April 22, 2020

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director,
Internal Audit Department

Subject: Orange County Local Transportation Authority Measure M2
Agreed-Upon Procedures Reports, Year Ended June 30, 2019

Overview

Crowe LLP, an independent accounting firm, has applied agreed-upon procedures related to Measure M2 Local Fair Share funds provided to nine cities and the County of Orange, and Senior Mobility Program funds provided to five cities, for the fiscal year ended June 30, 2019. Local Fair Share program reports include observations of ineligible maintenance of effort expenditures, misreporting of indirect cost charges, and misreporting of fund balance. Senior Mobility Program reports include observations relating to late submission of monthly reports, lack of evidence of competitive procurement of third-party vendors, missing contract provisions, and inadequate tracking of ineligible trips.

Recommendations

- A. Direct staff to monitor implementation of corrective actions proposed by the cities.
- B. Direct staff to review observations and develop recommendations, as appropriate, for Board of Directors' consideration related to the City of Anaheim's compliance with the Measure M2 Ordinance and Eligibility Guidelines.

Background

Annually, the Audit Subcommittee (Subcommittee) of the Taxpayers Oversight Committee selects a sample of local jurisdictions receiving Measure M2 (M2) funding for audit, to determine the local jurisdictions' level of compliance with provisions of the M2 Ordinance. For the fiscal year (FY) ended June 30, 2019,

the Subcommittee selected nine cities and the County of Orange for review of Local Fair Share (LFS) program funding, and five cities for review of Senior Mobility Program (SMP) funding. The agreed-upon procedures (AUP) 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 road expenditures to conform to a defined maintenance of effort (MOE) requirement. Cities are required to submit copies of their Seven-Year Capital Improvement Plan, reflecting projects that will be funded with LFS.

The SMP funds local community transportation services for seniors. This program provides up to 80 percent of the funding, and participating local jurisdictions provide a 20 percent match. Seniors must be age 60 or older to be eligible to participate in the program. A cooperative agreement, along with a written service plan, is executed between the local jurisdiction and the Orange County Local Transportation Authority (OCLTA), to outline requirements of the program and to describe services to be provided. Cities are required to submit monthly SMP activity reports within 30 days of month end.

All M2 revenues, interest earned on net revenues, expenditures, and expenditures of earned interest are required to be reflected on an annual expenditure report. The expenditure report requires certification by the respective city's finance director and must be adopted by the city council and filed with OCLTA within six months of FY end.

Discussion

Crowe LLP (auditors), conducted interviews of city finance and program-related staff, and applied the AUP, including testing of expenditures for compliance with program requirements, review of indirect costs for adequate support and reasonableness, testing to ensure allocation of interest, and testing of annual expenditure reports for accuracy.

Agreed-Upon Procedures: LFS Program Funds

The auditors examined the cities of Anaheim, Dana Point, Garden Grove, Huntington Beach, La Habra, Mission Viejo, San Clemente, Seal Beach, and Westminster. The auditors also examined the County of Orange. No observations resulted from the audits of the City of Garden Grove or the County of Orange.

At two cities, the auditors identified expenditures that were not properly classified as MOE expenditures. The City of San Clemente continued to meet the minimum MOE requirement after removal of the ineligible amounts. However, after removal of ineligible amounts for the City of Anaheim (Anaheim), the city no longer met the minimum MOE requirement. Anaheim staff responded that they believed the expenditures, which are allowable costs against LFS, would also qualify as MOE. However, guidelines require MOE expenditures comply with California State Constitution Article XIX street and road expenditures, while LFS expenditures may be used for other transportation needs. In addition, Anaheim noted that they recorded allowable MOE expenditures, sufficient to meet their MOE requirement, against LFS.

In total, four cities misreported the amount of indirect costs on their expenditure report, and four cities misreported their LFS fund balance on their expenditure report.

A summary of all findings and city management responses can be found at Attachment A, and the detailed reports, along with written management letters, can be found at Attachment B.

Agreed-Upon Procedures: SMP Funds

The auditors examined the cities of Dana Point, Fountain Valley, La Habra, San Clemente, and Tustin. No observations resulted from the audit of the City of San Clemente.

Late submission of required reports was identified at three cities, and two cities lacked documentation to evidence that their transportation service provider was competitively procured. Service provider contracts at those two cities also lacked a required provision to ensure wheelchair accessibility. One city also provides transportation services to persons under age 60 but did not have an adequate process in place to ensure costs related to these ineligible trips were not funded by SMP.

A summary of all findings and city management responses can be found at Attachment C, and the detailed reports, along with written management letters, can be found at Attachment D.

Summary

The auditors have completed AUP related to M2 LFS and SMP funds provided to twelve cities for the FY ended June 30, 2019.

Attachments

- A. Summary of Results of Agreed-Upon Procedures Audits Orange County Local Transportation Authority Measure M2 Local Fair Share for the Year Ended June 30, 2019
- B. Orange County Local Transportation Authority Measure M2 Local Fair Share Agreed-Upon Procedures Reports Year Ended June 30, 2019
- C. Summary of Results of Agreed-Upon Procedures Audits Orange County Local Transportation Authority Measure M2 Senior Mobility Program for the Year Ended June 30, 2019
- D. Orange County Local Transportation Authority Measure M2 Senior Mobility Program Agreed-Upon Procedures Reports Year Ended June 30, 2019

Prepared by:



Janet Sutter
Executive Director, Internal Audit
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SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2019

City	Result	City Management Response
Anaheim	Testing of maintenance of effort (MOE) expenditures identified thirteen expenditures related to Anaheim Regional Transportation Intermodal Center (ARTIC) operations, totalling \$2,468,620, that were not properly classified as street and road expenditures.	Local Fair Share (LFS) funds were used for the land, construction, and some operating costs of ARTIC. Management believed that ARTIC operating costs were eligible for MOE. In fiscal year (FY) 2019, LFS funds were used to pay for approximately \$2 million in MOE-eligible, street and road expenditures. As such, the City of Anaheim (Anaheim) did meet the MOE requirement and is requesting that OCTA allow Anaheim to restate these expenditures. Alternatively, Anaheim has an additional \$2 million in eligible expenditures that were not reported.
Dana Point	The City of Dana Point (Dana Point) reported a LFS fund balance of \$718,967 on its expenditure report; the actual fund balance was \$717,853, a difference of \$1,114. The prior audit of Dana Point, for FY 2018, also noted a variance in the reported fund balance.	The difference represents an expenditure that was processed prior to closing the books for FY 2019, but was not deducted from the fund balance reported on the expenditure report. A revised expenditure report will be submitted.
Garden Grove	No exceptions were noted.	
Huntington Beach	The City of Huntington Beach (Huntington Beach) reported a fund balance of \$1,819,187 on its expenditure report; the actual fund balance was \$1,788,766, a difference of \$30,421.	Huntington Beach will review its closing and financial reporting process and implement procedures to ensure these variances do not occur in future reports.
	Huntington Beach reported \$1,065,100 in indirect salary charges to the LFS fund as direct costs on its expenditure report, rather than indirect costs.	Huntington Beach will review its closing and financial reporting process and implement procedures to ensure that LFS expenditures are correctly classified in future reports.
La Habra	Testing of MOE expenditures identified thirteen expenditures totalling \$1,951 that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of La Habra (La Habra) continued to meet the MOE requirement. The prior audit of La Habra for FY 2018, also identified two expenditures that were not properly classified.	Staff will ensure that these ineligible expenditures are excluded from future reporting.
	La Habra reported \$113,357 in indirect salary charges to the LFS fund as direct costs on its expenditure report, rather than indirect costs. The prior audit of La Habra for FY 2018 also identified indirect costs that were not properly reported.	La Habra will ensure these expenditures are properly reported in the future.
Mission Viejo	Testing of MOE expenditures identified six expenditures totalling \$589, that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of Mission Viejo (Mission Viejo) continued to meet the MOE requirement.	In the future, Mission Viejo will remove expenditures that are not in accordance with Gas Tax Guidelines from MOE.
	Mission Viejo reported a fund balance of \$874,713 on its expenditure report; the actual fund balance was \$934,676, a difference of \$59,963.	Mission Viejo has identified and corrected the discrepancies.
San Clemente	Testing of MOE expenditures identified two expenditures totalling \$429,089, that were not properly classified as street and road expenditures. However, after removing the amounts from total MOE expenditures, the City of San Clemente (San Clemente) continued to meet the MOE requirement.	San Clemente mistakenly included these expenditures against MOE, and is considering actions to better identify and remove ineligible costs.

SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS
Orange County Local Transportation Authority
Measure M2 Local Fair Share for the Year Ended June 30, 2019

City	Result	City Management Response
Seal Beach	The City of Seal Beach (Seal Beach) reported \$9,566 in MOE direct salary charges as indirect costs on its expenditure report. In addition, one expenditure of \$991 was not properly classified as an MOE indirect cost. However, after removing the amount, Seal Beach continued to meet the MOE requirement.	Seal Beach will ensure that indirect charges are properly reported in the future.
	Seal Beach reported a fund balance of \$1,545,089 on its expenditure report; the actual fund balance was \$841,764, a difference of \$703,325.	Seal Beach will ensure that all expenses will be taken into account in the future when reporting ending fund balance.
Westminster	The City of Westminster (Westminster) reported \$120,911 in MOE indirect salary charges as direct costs on its expenditure report, rather than indirect costs.	Westminster will move Public Works Administration salaries to the indirect cost line in the future.
County of Orange	No exceptions were noted.	

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY
MEASURE M2 LOCAL FAIR SHARE
AGREED-UPON PROCEDURES REPORTS
Year Ended June 30, 2019**

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 LOCAL FAIR SHARE

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2019

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, 2019. Please refer to the individual divider tab for our report on each Agency.

City of Anaheim

City of Dana Point

City of Garden Grove

City of Huntington Beach

City of La Habra

City of Mission Viejo

City of San Clemente

City of Seal Beach

City of Westminster

Orange County

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
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Anaheim's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$10,058,292 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked and identified in the general ledger by fund and unit. The General Fund (Fund 101) and various units were used to distinguish MOE eligible expenditures from other types of General Fund expenditures. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$11,048,172 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$11,048,172 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$3,593,794, which represented approximately 33% of total MOE expenditures for the fiscal year ended June 30, 2019. We identified 13 expenditures relating to transfers to the Anaheim Regional Transportation Intermodal Center (ARTIC), totaling \$2,468,620 that were not properly classified as local street and road expenditures, nor were they allowable per the Ordinance. After removing the unallowable amounts from total MOE expenditures, the City's MOE expenditures totaled was \$8,579,552, which is \$1,478,740 lower than the minimum MOE requirement of \$10,058,292. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$988,735 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$140,264 representing 14% of the total MOE indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included allocated management salaries for the Public Works department and quarterly information system connectivity. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$7,859,130 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We agreed the fund balance of \$295,758 to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: All expenditures relating to Measure M2 Local Fair Share monies were tracked in Fund 271 – Fair share. Fund 271 Measure M2 – Fair share was established exclusively for OCTA M2 – Fair share projects. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$2,351,685 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: Compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. Measure M2 Local Fair Share expenditures selected totaled \$1,962,245, representing approximately 83% of total Measure M2 Local Fair Share expenditures of \$2,351,685 for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed \$140,426 as indirect cost per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 30 charges for inspection with a total amount of \$75,838 representing 54% of the total Local Fair Share indirect costs. We recomputed the selected indirect costs charges using City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries for involvement in Local Fair Share projects. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as Local Fair Share indirect costs and are allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

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This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.



Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF ANAHEIM, CALIFORNIA
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
 Year ended June 30, 2019
 (Unaudited)

	SCHEDULE A
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead – Schedule 3, line 1	\$ 988,735
Construction & Right-of-Way	
Signals, Safety Devices, & Street Lights	884,972
Maintenance	
Street Lights & Traffic Signals	3,960,275
Other Street Purpose Maintenance	2,745,570
ARTIC Operations	<u>2,468,620</u>
Total MOE Expenditures	\$ 11,048,172
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Capital Project Administration	\$ 140,426
General Agency Coordination	42,755
ARTIC	138,927
Blue Gum St & Miraloma Pavement Rehab	72,515
Lincoln Ave Pavement Rehab (State College to Sunkist)	376,188
Orangewood Ave Pavement Rehab (Haster to Lewis)	8,933
La Palma & Magnolia Pavement Rehab	92,138
Orangewood Ave Pavement Rehab (Harbor to Haster)	24,249
Orange Ave Pavement Rehab (Western to Dale)	471,784
Weir Canyon Road Pavement Rehab (Serrano-Parkglen)	25,313
Euclid St Pavement Rehab (GlenOak to 91 Freeway)	58,933
Lincoln & Rio Vista Pavement Rehab	467,126
Arterial Slurry Group 2	252,275
La Palma Pavement Rehab (East to Acacia)	94,035
State College Pavement Rehab (Kimberly to City Limits)	2,140
Central Anaheim Pavement Rehab at County Limits	14,244
Euclid Pavement Rehab (Orangewood to Broadway)	1,699
Orangethorpe Pavement Rehab (Lakeview to Imperial)	7,108
LA Palma Pavement Rehab (Lakeview to Imperial)	6,731
Broadway Pavement Rehab (Gilbert to Greenwich)	<u>54,166</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 2,351,685</u>
Total MOE and Measure M2 Local Fair Share Expenditures	\$ 13,399,857

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

Exhibit 1



March 26, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Anaheim as of and for the fiscal year ended June 30, 2019.

Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$3,593,794, which represented approximately 33% of total MOE expenditures for the fiscal year ended June 30, 2019. We identified 13 expenditures relating to transfers to the Anaheim Regional Transportation Intermodal Center (ARTIC), totaling \$2,468,620 that were not properly classified as local street and road expenditures, nor were they allowable per the Ordinance. After removing the unallowable amounts from total MOE expenditures, the City's MOE expenditures totaled \$8,579,552, which is \$1,478,740 lower than the minimum MOE requirement of \$10,058,292. No other exceptions were found as a result of this procedure.

City's Response:

ARTIC is a joint project of regional significance involving OCTA and the City of Anaheim (Anaheim). Fair Share funds were used for the project land, construction and some operating costs. Anaheim counted a portion of the ARTIC operating cost towards the MOE requirement in the belief that this transportation purpose was an eligible MOE expense. In FY 2019, Anaheim also used Fairshare to pay for approximately \$2 million in MOE eligible street reconstruction expenditures, but could just have easily used the General Fund to pay these expenditures.

Each jurisdiction is required to maintain a minimum level of local streets and roads expenditures to conform to the MOE requirement and what is important is that Anaheim did meet this requirement.

On Schedule 3 of the M2 Expenditure Report for the FY June 30, 2019, Anaheim reported in Column Q (Fairshare) \$2,029,577 of Street Reconstruction expense. Anaheim also reported in the MOE column, \$2,468,620 of expense for ARTIC operating (as stated in the finding). If Anaheim is permitted to restate these expenditures by changing the column so that the Street Reconstruction expenditures are reported in the MOE column and an equal amount of ARTIC expenditures are reported in Column Q (Fairshare), then Anaheim is demonstrating that the MOE has been met. This minor change would not impact the total expenditures by fund but would clarify the types of expenditures by fund.

In addition, Anaheim has \$2 million in MOE eligible expenditures that were not reported on the MOE reporting form but, if allowed, Anaheim would update the expenditure report to show these expenditures.



Rudy Emami, Director of Public Works



Deborah Moreno, Finance Director/City Treasurer



Chris Zapata, City Manager

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF DANA POINT

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Dana Point's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$1,313,011 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and various program codes. The City recorded its MOE expenditures in its General Fund (01) under the Street Maintenance (2350), Street Sweeping (2490), and Storm Drains (2510) program codes. The City also used Capital Projects Fund (11) under the Slurry Seal (3110) and Arterial Roadways-Pavement Preservation (3110) program codes. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$6,030,795 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$6,030,795 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

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4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 MOE expenditures totaling \$4,311,401, which represented approximately 72% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,717,175 for the past three fiscal years ended June 30, 2017, 2018 and 2019. City of Dana Point reported Local Fair Share fund balance of \$718,967 as of June 30, 2019 on the Expenditure Report (Schedule 1, Line 20); however, from inspecting the general ledger detail, the fund balance amount was \$717,853, a difference of \$1,114. We determined funds were expended within three years of receipt, without any exception. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: We inspected the general ledger detail of the total Local Fair Share expenditures of \$0 to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4) of \$0. No exceptions were found as a result of this procedure.

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: Since the City did not have any expenditures during the year for Local Fair Share projects, we did not select a sample of Measure M2 Local Fair Share expenditures. We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.


Crowe LLP

Costa Mesa, California
April 1, 2020



March 16, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Dana Point as of and for the fiscal year ended June 30, 2019.

Procedure #6

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,717,175 for the past three fiscal years ended June 30, 2017, 2018 and 2019. City of Dana Point reported Local Fair Share fund balance of \$718,967 as of June 30, 2019 on the Expenditure Report (Schedule 1, Line 20); however, from inspecting the general ledger detail, the fund balance amount was \$717,853, a difference of \$1,114. We determined funds were expended within three years of receipt, without any exception. No other exceptions were found as a result of this procedure.

City's Response:

The City processed a transfer of \$1,114 to cover eligible expenditures prior to closing the books at June 30, 2019. That eligible use of funds was not reflected on the Expenditure Report. The City agrees and has amended its reconciliation and review procedures for the M2 Expenditure Report. A revised Expenditure Report will be submitted to OCTA.



Mark Denny, City Manager

Michael Killebrew, Director of Finance

Matt Sinacori, Director of Public Works & Engineering

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
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Garden Grove's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$3,378,344 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked in general ledger by fund and packages. The City recorded its MOE expenditures in its General Fund (111) and by various packages (cost centers). No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$5,389,909 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$5,389,909 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures for inspection totaling \$2,045,827, which represented approximately 38% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1); Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$1,233,538 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$705,830 representing 57% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and did not identify any exceptions. The indirect costs inspected included allocated vehicle maintenance, personnel, and information system charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$7,577,028 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We reconciled the fund balance of \$1,547,170 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The Local Fair Share expenditures were tracked in general ledger by fund. The City recorded its Local Fair Share expenditures in its General Fund (111). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$3,169,265 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 20 Measure M2 Local Fair Share expenditures for inspection totaling \$3,166,374, representing approximately 99% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.



Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF GARDEN GROVE, CALIFORNIA
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
 Year ended June 30, 2019
 (Unaudited)

SCHEDULE A

Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead – Schedule 3, line 1	\$ 1,233,538
Maintenance	
Overlay and sealing	874,451
Street lights and traffic signals	146,089
Other street purpose maintenance	<u>3,135,831</u>
Total MOE Expenditures	\$ 5,389,909
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Ahpalt Mnt/ Overlay	20,567
9th/ GG Blvd/ Lft Trn	50,003
Magnlia/ Orngwd L TR	28,909
Ped Signl Head Hsip	15,568
Chapman Coordinatn	316,773
Westmnstr Coordinatn	45,184
Lewis Recnstr	646
Euclid Rehab	231,987
Brookhurst Rehab	12,741
Fairviw Slurry Seal	68,353
Euc Reh (Lamp-Chap)	5,100
19/20 Cdbg Local St	410
Magnolia St Reconst	204
Chapman Rehab	2,021,087
GG Rehab-Bkhrst-NLS	72,922
Euclid (Hzrd-Wstmst)	278,709
Wstmstr Rehab-Match	<u>102</u>
Total Measure M2 Local Fair Share Expenditures	\$ 3,169,265
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 8,559,174</u>

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

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
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Huntington Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$5,607,203 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked and identified in the general ledger by fund and unit. The City's MOE expenditures were recorded in the General Fund (100), Infrastructure Fund (314), and various units. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$12,805,164 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$12,805,164 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$4,055,575, which represented approximately 32% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$738,368 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$402,332 representing 54% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$9,155,187 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$1,788,766 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,819,187, identifying a difference of \$30,421. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: Expenditures relating to Measure M2 Local Fair Share were recorded in the General Fund (100) and Infrastructure Fund (314). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$4,938,457 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 15 Measure M2 Local Fair Share expenditures for inspection totaling \$1,498,176, representing approximately 30% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, line 1), and discussion with the City's accounting personnel, the City did not classify Local Fair Share indirect costs correctly. The City had recorded expenditures totaling \$1,065,100 for allocated salaries as direct charges rather than indirect charges. We selected 4 employees' salaries for inspection with a total amount of \$425,751 representing 40% of the total Local Fair Share indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated senior civil engineers' salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the Local Fair Share indirect costs were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No other exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Costa Mesa, California
April 1 2020

CITY OF HUNTINGTON BEACH, CALIFORNIA
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
 Year ended June 30, 2019
 (Unaudited)

	SCHEDULE A
Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead	\$ 738,368
Construction and right-of-way	
Street reconstruction	2,682,416
Signals, safety devices, and street sights	<u>617,106</u>
Total construction and right-of way	3,299,522
Maintenance	
Patching	1,969,482
Street lights and traffic signals	1,592,839
Other street purpose maintenance	<u>4,949,841</u>
Total maintenance	8,512,162
Other	<u>255,112</u>
Total MOE Expenditures	\$ 12,805,164
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Indirect and/ or overhead	1,065,100
Arterial Rehabilitation 16-17	3,368
Arterial Rehabilitation 17-18	1,627,500
Arterial Rehabilitation 18-19	1,377,982
Atlanta Avenue widening	500,000
General maintenance public works	<u>364,507</u>
Total Measure M2 Local Fair Share Expenditures	\$ <u>4,938,457</u>
Total MOE and Measure M2 Local Fair Share Expenditures	\$ <u>17,743,619</u>

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



CITY OF HUNTINGTON BEACH

Finance Department

March 11, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share Program for the City of Huntington Beach as of and for the fiscal year ended June 30, 2019.

Procedure #6

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt, explaining any differences.

Findings: The City received \$9,155,187.52 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$1,788,766 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,819,187, identifying a difference of \$30,421. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

City's Response:

The difference of \$30,421 was carried forward from prior fiscal years. The City will review its current closing and financial reporting processes and implement procedures to ensure these variances do not occur in future reports.

Procedure #9

Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as Indirect Cost for LFS for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified \$1,065,100 of charges for allocated salaries that should have been reported as indirect charges. Upon selection of the four employees' salaries for inspection with a total amount of \$425,751 representing 40% of the total LFS indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated Senior Civil Engineers' and Contract Administrator's salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the LFS indirect costs were allowable per the Ordinance and percentages allocated to LFS were justifiable. No other exceptions were found as a result of this procedure.

City's Response:

The City will review its financial reporting processes and implement procedures to ensure that Local Fair Share expenditures are correctly classified in future reports.



Dahle Bulosan, Acting Chief Financial Officer



Tom Herbel, Acting Public Works Director

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF LA HABRA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of La Habra's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$1,529,313 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and various object codes. The City recorded its MOE expenditures in its General Fund (113) under Engineering (152101), Traffic Management (1522301), Street Maintenance (17311), and Storm Drain (174101) object codes. Various categories were also used to track the expenditures. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$2,011,124 (see Schedule A), which exceeded the requirement. We agreed the total expenditures of \$2,011,124 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$248,127, which represented approximately 13% of total MOE expenditures (and 17% of total *required* MOE expenditures) for the fiscal year ended June 30, 2019. We identified 13 expenditures, totaling \$1,951 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$592,537 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$83,106 representing 14% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated vehicle maintenance and fuel and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$2,694,697 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We agreed the fund balance of \$2,167,540 to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The expenditures relating to Measure M2 Local Fair Share monies were tracked in the City's general ledger by fund and program. The City recorded its expenditures relating to Measure M2 Local Fair Share monies in Measure M2-Fairshare Fund (138) and various programs. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$645,858 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 20 Measure M2 Local Fair Share expenditures for inspection totaling \$547,386, representing approximately 85% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspecting the Expenditure Report (Schedule 3, line 1), the City reported \$0 as Indirect Cost for Local Fair Share for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified \$113,357 of charges for allocated salaries that should have been reported as indirect charges. Upon selection of the two employees' salaries for inspection with a total amount of \$113,357 representing 100% of the total Local Fair Share indirect costs, we recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated senior civil engineers' salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the Local Fair Share indirect costs were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No other exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Costa Mesa, California
April 1 2020

CITY OF LA HABRA, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or overhead	\$ 592,537
Maintenance	
Street lights and traffic signals	791,293
Storm damages	51,755
Other street purpose maintenance	<u>575,539</u>
Total maintenance	1,418,587
Total MOE Expenditures	\$ 2,011,124
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Lambert Road rehabilitation 2017-18	1,143
Alley improvement 2017-18	6,523
Residential street rehabilitation 2016-18	275,615
Alley improvement 2017-18	148,119
Environmental cleanup 2017-18	43,272
La Habra Boulevard pavement rehabilitation project	31,769
Residential street rehabilitation/slurry 2018-19	20,000
Union Pacific Railroad crossing improvement at Cypress	6,060
Measure M2 Fairshare administration	<u>113,357</u>
Total Measure M2 Local Fair Share Expenditures	\$ 645,858
Total Measure M2 MOE and Local Fair Share Expenditures	<u>\$ 2,656,982</u>

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



City of La Habra

"A Caring Community"

FINANCE DEPARTMENT

110 E. La Habra Boulevard
Post Office Box 785
La Habra, CA 90633-0785
Office: (562) 383-4050
Fax: (562) 383-4478

March 16, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of La Habra as of and for the fiscal year ended June 30, 2019.

Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures, which represented approximately 13% of total MOE expenditures (and 17% of total *required* MOE expenditures) for the fiscal year ended June 30, 2019. We identified 13 expenditures, totaling \$1,951 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

The MOE expenditure findings listed above have been brought to our attention and explained why they are not allowable per the Ordinance. Staff will ensure that expenditures within these categories will be excluded from future reporting.

Procedure #9

Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$0 as Indirect Cost for LFS for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified \$113,357 of charges for allocated salaries that should have been reported as indirect charges. Upon selection of the two employees' salaries for inspection with a total amount of \$113,357 representing 100% of the total LFS indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated Senior Civil Engineers' salaries for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the LFS indirect costs were allowable per the Ordinance and percentages allocated to LFS were justifiable. No other exceptions were found as a result of this procedure.

City's Response:

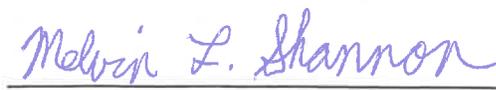
The duties performed by the City's Public Works Senior Civil Engineer and later by the Principal Engineer were deemed to be administrative indirect costs which were allowable per the Ordinance and not direct costs. These charges have no effect on the total expenditures but the City acknowledges that they were reported on the wrong line item. The City will ensure that these charges are reported as such on future reports.



James D. Sadro
City Manager



Elias Saykall
Director of Public Works



Melvin L. Shannon
Director of Finance

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
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Mission Viejo's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$2,538,900 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: MOE expenditures were tracked in the City's general ledger by fund and categories. The City recorded its MOE expenditures in its General Fund (101) and various categories. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$4,549,955 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$4,549,955 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$2,151,099, which represented approximately 47% of the total MOE expenditures for the fiscal year ended June 30, 2019. We identified six expenditures, totaling \$589 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$1,147,033 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$752,347 representing 66% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated utilities charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,769,169 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$934,676 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$874,713, noting a difference of \$59,963. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The City recorded its expenditures relating to Measure M2 Local Fair Share monies in General Fund (101) and Measure M2 Fund (267). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$1,443,319 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. M2 Local Fair Share expenditures selected totaled \$1,269,396 representing approximately 88% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed \$29,238 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$25,111 representing 86% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel charges. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as Local Fair Share indirect costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.

Crowe LLP

Crowe LLP

Costa Mesa, California

April 1, 2020

CITY OF MISSION VIEJO, CALIFORNIA
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
 Year ended June 30, 2019
 (Unaudited)

SCHEDULE A

Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead – Schedule 3, line 1	\$ 1,147,033
Maintenance	
Patching	1,961,033
Street lights and traffic signals	932,111
Other street purpose maintenance	<u>509,778</u>
Total MOE Expenditures	\$ 4,549,955
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Measure M2 street related (541267-6599)	
Maintenance- other street purpose maintenance	30,000
Alicia/Marguerite intersection (CIP 17232)	
street reconstruction	74,919
Santa Margarita Parkway/Marguerite intersection (CIP 17233)	
street reconstruction	34,940
TRAP- south of Crown Valley (CIP 18239)	
Maintenance- other street purpose maintenance	188,195
Los Alisos traffic signal synchronization project (19240)	
Administration	36
Arterial highway resurfacing and slurry (CIP 19837)	
Administration	4,091
Residential resurfacing (CIP 19838)	
Maintenance - overlay and sealing	1,244,287
Administration	25,111
Adjustments	
Reduce prior year expenditures for reimbursements received from other agencies	
Arterial highway resurfacing and slurry (CIP 19837)	
Maintenance - overlay and sealing	(53,925)
Residential resurfacing (CIP 19838)	
Maintenance - overlay and sealing	<u>(104,335)</u>
Total Measure M2 Local Fair Share Expenditures	\$ 1,443,319
Total MOE, and Measure M2 Local Fair Share Expenditures	<u>\$ 5,993,274</u>

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

(Continued)



City of Mission Viejo

Administrative Services Department

Brian Goodell
Mayor

Trish Kelley
Mayor Pro Tem

Wendy Bucknum
Council Member

Greg Raths
Council Member

Edward Sachs
Council Member

Exhibit 1

March 17, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Mission Viejo as of and for the fiscal year ended June 30, 2019.

Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:

- a. Agree 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; and
- b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$2,151,099, which represented approximately 47% of the total MOE expenditures for the fiscal year ended June 30, 2019. We identified six expenditures, totaling \$589 that were not allowable per the Ordinance. However, after removing the amounts from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response:

The City has consistently reported the same MOE expenditures on the Measure M2 report as what is reported on the annual street report. However, in conjunction with OCTA, Crowe has advised that only MOE expenditures that are in accordance with gas tax guidelines should be included as MOE expenditures on the Measure M2 report. The City will review MOE expenditures and remove expenditures related to training and memberships/dues in the future. The City has continued to meet the MOE requirement and exceeded this requirement by \$2M for 18/19.



City of Mission Viejo

Administrative Services Department

Brian Goodell
Mayor

Trish Kelley
Mayor Pro Tem

Wendy Bucknum
Council Member

Greg Raths
Council Member

Edward Sachs
Council Member

Procedure #6

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,769,169 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$934,676 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$874,713, noting a difference of \$59,963. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

City's Response:

The City has identified the fund balance discrepancies and has come up with a corrective plan as follows: \$29,732.69 in final Measure M1 revenue received from OCTA in 2016 will be recorded on the M2 report by adjusting the fund balance per direction received from OCTA. An additional \$40.05 was also identified as a reclassification of personnel costs that did not include the project string on our general ledger and will be removed from the 19/20 report fund balance. The remaining \$30,270.57 was moved from the Regional Capacity Program to Fairshare on the M2 Report for 16/17 at OCTA's instruction, but never corrected on the City's general ledger. This has now been reclassified on the City's general ledger.

Signature: _____

Title: City Manager

Signature: _____

Title: Director of Public Works

Signature: _____

Title: Director of Finance

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF SAN CLEMENTE

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of San Clemente's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$1,135,209 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and programs. The City recorded its MOE expenditures in its General Fund (001) and the following programs: Traffic Signals (611), Traffic Maintenance (612), Street Maintenance & Repair (614), Street Lighting (618), Major Street Maintenance (416), Public Works Admin (481), Overhead Charges (414), Traffic (413), and Street Engineering (415). No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$4,819,693 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$4,819,693 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 MOE expenditures totaling \$3,155,739, which represented approximately 65% of total MOE expenditures for the fiscal year ended June 30, 2019. Per inspection of MOE expenditures, we identified two vendor payments for Lyft Inc. and Butterfli Technologies, Inc. totaling \$429,089 that were not allowable per the Ordinance. However, after removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect the supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$1,215,413 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection with a total amount of \$152,900 representing 13% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel salaries. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as MOE indirect costs and were allowable per the Ordinance and percentages allocated to MOE were justifiable. No exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20) and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$2,916,804 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We reconciled the fund balance of \$1,062,205 from the general ledger detail to City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

(Continued)

Findings: The City used specific projects in the Street Improvement Fund (042) to track Measure M2 Local Fair Share expenditures. The projects for FY 2018-19 were as follows: 18327 (FY 2018 Street Improvement Projects), 27306 (As Needed Pavement Repairs), 17343 (South La Esperanza), 17345 (Via Cascadita), 16352 (Avenida Navarro), and 17341 Avenida Presidio. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$1,411,504 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine that the expenditures selected in (a) above were related to projects included in the City's Seven- Year CIP and were properly classified as Measure M2 Local Fair Share projects.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected four Measure M2 Local Fair Share expenditures for inspection totaling \$1,384,664 representing approximately 98% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

(Continued)

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.



Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF SAN CLEMENTE, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:	
Indirect and overhead	\$ 1,215,413
Street reconstruction	519,670
Maintenance	
Patching	376,830
Overlay and sealing	1,061,088
Street lights and traffic signals	<u>1,646,692</u>
Total maintenance	3,084,610
Total MOE Expenditures	\$ 4,819,693
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Street improvement projects	\$ 1,187,440
As needed pavement repairs	177,112
South La Esperanza	6,630
Via Cascadita	2,175
Avenida Navarro – Pico to Los Molinos	15,274
Avenida Presidio	<u>22,873</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 1,411,504</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 6,231,197</u>

Note: The above amounts were taken directly from the financial records of the City of San Clemente and were not audited.



March 5, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of San Clemente as of and for the fiscal year ended June 30, 2019.

Procedure #4

Select a sample of MOE expenditures from the City's general ledger expenditure detail and describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:

- a. Agree 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. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 25 MOE expenditures totaling \$3,155,739, which represented approximately 65% of total MOE expenditures for the fiscal year ended June 30, 2019. Per inspection of MOE expenditures, we identified two vendor payments for Lyft Inc. and Butterfli Technologies, Inc. with total amount of \$429,089.09 that were not allowable per the ordinance. However, after removing the amount from total MOE expenditures, San Clemente continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's response: The City's SCRides program costs were budgeted as a pilot program in the Traffic budget. The City mistakenly did not properly identify and remove those costs from the Maintenance of Effort reporting. The City is considering adding a separate program for transit related costs to breakout non-MOE eligible costs and better identify costs for reporting purposes.



Robert Dunek, City Manager



Erik Sund, Assistant City Manager/Director of
Administrative Services



Tom Bonigut, Public Works Director/ City Engineer

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF SEAL BEACH

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Seal Beach's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$551,208 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked and identified in the general ledger by fund and object codes. The City of Seal Beach MOE expenditures were recorded in the General Fund (100) under object codes: Engineering (42), Storm Drains (43), Street Maintenance (44), and Landscape Maintenance (49). No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$1,321,124 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$1,321,124 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures totaling \$491,447, which represented approximately 37% of the total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$567,714 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection totaling \$107,287 representing 19% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries, vehicle maintenance, project advertising, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that one of the expenditures totaling \$9,566 should have been coded to direct cost; therefore, was not properly classified as MOE indirect costs, but it was allowable per the Ordinance. However, one other expenditure selected for testing totaling \$991 for a file cabinet was not allowable per the Ordinance. After removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,310,883 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$841,764 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,545,089, identifying a difference of \$703,325. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: Expenditures relating to Measure M2 Local Fair Share were recorded in the Project X-Fund (80). Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$187,793 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. Measure M2 Local Fair Share expenditures selected totaled \$152,551 representing approximately 81% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4), explaining any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.

Crowe LLP
Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF SEAL BEACH, CALIFORNIA
 SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
 Year ended June 30, 2019
 (Unaudited)

	SCHEDULE A
Maintenance of effort (MOE) Expenditures:	
Indirect and/ or overhead	\$ 567,714
Construction and right-of-way	
Pedestrian Ways & Bikepaths	3,863
Storm Drains	<u>112,963</u>
Total construction and right-of way	116,826
Maintenance	
Patching	22,496
Overlay & Sealing	500
Street lights and traffic signals	40,243
Storm Drainage	32,094
Other street purpose maintenance	<u>541,251</u>
Total maintenance	636,584
Total MOE Expenditures	\$ 1,321,124
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Westminster Avenue Median Improvement Project No. ST-1509	20,383
Local Street Resurfacing Program Project No. ST-1602	3,901
Local Street Resurfacing Program Project No. ST-1702	1,333
Annual Concrete Repair Program Project No. ST-1802	75,000
New Traffic Signal Battery Back Up Project No. ST-1808	81,996
Lampson Avenue ATP Bike Lane Grant Project No. ST-1811	3,846
Local Street Resurfacing Program Project No. ST-1902	<u>1,334</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 187,793</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u>\$ 1,508,917</u>

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



March 27, 2020

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

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share Program for the City of Seal Beach as of and for the fiscal year ended June 30, 2019.

Procedure #5

Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as MOE expenditures for the fiscal year ended June 30, 2019. We agreed \$567,714 in indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 25 charges for inspection totaling \$107,287 representing 19% of the total indirect costs. We recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries, vehicle maintenance, project advertising, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that one of the expenditures totaling \$9,566 should have been coded to direct cost; therefore, was not properly classified as MOE indirect costs, but it was allowable per the Ordinance. However, one other expenditure selected for testing totaling \$991 for file cabinet was not allowable per the Ordinance. After removing the amount from total MOE expenditures, the City continued to meet the minimum MOE requirement. No other exceptions were found as a result of this procedure.

City's Response: The City concurs and will ensure that indirect charges are properly reported in the future

Procedure #6

Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$1,310,883 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$841,764 from the general ledger to the fund balance reported in the City's Expenditure Report (Schedule 1, line 20) of \$1,545,089, identifying a difference of \$703,325. We determined funds were expended within three years of receipt. No other exceptions were found as a result of this procedure.

City's Response: The City concurs and will ensure that the expenses will be taking into account in the future when reporting the ending fund balance.



Jill R. Ingram, City Manager

Name and Title of Responsible Party



Alayna Hoang, Interim Director of Finance

Name and Title of Responsible Party



Steve Myrter, Public Works Director

Name and Title of Responsible Party

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
CITY OF WESTMINSTER

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Westminster's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The City's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The City was required to spend \$1,548,761 in MOE expenditures during the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and various object codes. The City recorded its MOE expenditures in its General Fund (100) and various object codes. No exceptions were found as a result of this procedure.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the City met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the City's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2019 were \$4,049,921 (see Schedule A), which exceeded the minimum MOE requirement. We agreed the total expenditures of \$4,049,921 to the amount reported on the City's Expenditure Report (Schedule 3, line 18), with no differences. No exceptions were found as a result of this procedure.

(Continued)

4. Select a sample of MOE expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: We selected 40 MOE expenditures for inspection totaling \$1,366,202, which represented approximately 33% of total MOE expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$686,773 in indirect costs for MOE for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified an additional \$120,911 in indirect charges for Public Works Administration allocated salaries. We selected 25 indirect costs for inspection with a total amount of \$538,728 representing 67% of the total MOE indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel salaries, vehicle maintenance and fuel, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that the MOE indirect costs were allowable per the Ordinance and percentages allocated to MOE were justifiable. No other exceptions were found as a result of this procedure.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The City received \$4,406,532 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We agreed the fund balance of \$1,550,764 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the City's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The City's Measure M2 Local Fair Share expenditures were recorded in Fund 211 and 400, Measure M Capital Projects (55026) and Measure M Admin (55027) object codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$1,182,752 (see Schedule A), which agreed to the City's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

(Continued)

8. Obtain the City's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

Findings: We compared the projects listed on the City's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected four Measure M2 Local Fair Share expenditures for inspection totaling \$900,811 representing approximately 76% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the City's accounting personnel, indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. The City reported \$51,251 in indirect costs on the Expenditure Report. We selected 12 charges for inspection with a total amount of \$45,588 representing 89% of the total indirect costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated management salaries. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as Local Fair Share indirect costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to ensure the proper amount of interest was credited and the methodology is reasonable. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.

(Continued)

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.


Crowe LLP

Costa Mesa, California
April 1, 2020

(Continued)

CITY OF WESTMINSTER, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Maintenance of Effort (MOE) Expenditures:	
Indirect and Overhead	\$ 807,684
Street Reconstruction	1,461,540
Maintenance	783,745
Direct Engineering Administrative Salaries	<u>996,952</u>
Total MOE Expenditures	\$ 4,049,921
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Indirect and Overhead	51,251
City-wide Street improvements	854,110
Debt Service and Administration	220,773
Electricity charges for the City traffic signals	<u>56,618</u>
Total Measure M2 Local Fair Share Expenditures	\$ <u>1,182,752</u>
Total MOE and Measure M2 Local Fair Share Expenditures	\$ <u>5,232,673</u>

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

(Continued)



City of Westminster

8200 Westminster Boulevard, Westminster, CA 92683 714.898.3311
www.westminster-ca.gov

March 16, 2020

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

TRI TA
Mayor

KIMBERLY HO
Vice Mayor

SERGIO CONTRERAS
Council Member

TAI DO
Council Member

CHI CHARLIE NGUYEN
Council Member

SHERRY JOHNSON
Interim City Manager

The following response is being submitted to address results from the agreed upon procedures performed for the Measure M2 Local Fair Share program for the City of Westminster as of and for the fiscal year ended June 30, 2019.

Procedure #5

Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged, and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the Expenditure Report (Schedule 3, line 1), the City reported \$686,773 in indirect costs for MOE for the fiscal year ended June 30, 2019. However, after inspecting the general ledger expenditure detail and discussion with the City's accounting personnel, we identified an additional \$120,911 in indirect charges for Public Works Administration allocated salaries. We selected 25 indirect costs for inspection with a total amount of \$538,728 representing 67% of the total MOE indirect costs, we recomputed the selected indirect costs charges using the City's allocation methodology and identified no exceptions. The indirect costs inspected included allocated personnel salaries, vehicle maintenance and fuel, and information services charges. Upon inspecting the supporting documentation for the samples selected, we determined that the MOE indirect costs were allowable per the Ordinance and percentages allocated to MOE were justifiable. No other exceptions were found as a result of this procedure.

City's Response: The City will move Public Works Administration salaries to the indirect line on future reports.



Sherry Johnson, Interim City Manager



Marwan Youssef, Public Works Director



Erin Backs, Acting Finance Director

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
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the County of Orange's (County) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2019. The County's management is responsible for compliance with the Ordinance and for its cash, revenue and expenditure records. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

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

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

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

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

3. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2019 and determine whether the County met the minimum MOE requirement. Agree the total MOE expenditures to the amount reported on the County's Expenditure Report (Schedule 3, line 18). Explain any differences.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

4. Select a sample of MOE expenditures from the County's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditure was properly classified as a local street and road expenditure and is allowable per the Ordinance.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

5. Identify whether or not indirect costs were charged as MOE expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, obtain detail of indirect costs charged and select a sample of charges for inspection. Inspect supporting documentation for reasonableness and appropriate methodology.

Findings: The County did not have an MOE requirement for the fiscal year ended June 30, 2019. As a result, this procedure was not applicable.

6. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the County and calculate the amount the County received for the past three fiscal years. Obtain the fund balance of the County's Measure M2 Local Fair Share Fund as of June 30, 2019, agree to the balance as listed on the County's Expenditure Report (Schedule 1, line 20), and determine whether funds were expended within three years of receipt. Explain any differences.

Findings: The County received \$10,075,343 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We reconciled the fund balance of \$0 as of June 30, 2019 from the general ledger detail to the City's Expenditure Report (Schedule 1, line 20), with no differences. We determined funds were expended within three years of receipt. No exceptions were found as a result of this procedure.

7. Describe 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, 2019. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the County's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The County's Measure M2 Local Fair Share expenditures were recorded in Fund 115, OC Road Fund, under cost category 4, Services & Supplies. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2019 were \$3,596,067 (see Schedule A), which agreed to the County's Expenditure Report. (Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

8. Obtain the County's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the County's Expenditure Report (Schedule 4) to the Seven-Year CIP, explaining any differences. Select a sample of Measure M2 Local Fair Share expenditures from the County's general ledger expenditure detail. Describe the percentage of total expenditures selected. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine 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.

(Continued)

Findings: We compared the projects listed on the County's Expenditure Report (Schedule 4) to the Seven-Year CIP, without any exception. We selected 25 Measure M2 Local Fair Share expenditures totaling \$1,938,497, representing approximately 54% of total Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were related to projects included in the City's Seven-Year CIP and were properly classified as Measure M2 Local Fair Share projects. No exceptions were found as a result of this procedure.

9. Identify whether or not indirect costs were charged as Measure M2 Local Fair Share expenditures. If applicable, compare indirect costs identified to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges for inspection. Identify the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based upon inspection of the general ledger detail, the Expenditure Report (Schedule 3, Line 1), and discussion with the County's accounting personnel, no indirect costs were identified as Measure M2 Local Fair Share expenditures for the fiscal year ended June 30, 2019. No exceptions were found as a result of this procedure.

10. Inspect the amount of interest allocated to the Measure M2 Local Fair Share Fund to determine whether the proper amount of interest was credited. Agree the amount reflected to the amount of interest listed on the County's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.



Crowe LLP

Costa Mesa, California
April 1, 2020

COUNTY OF ORANGE, CALIFORNIA
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Measure M2 Local Fair Share Expenditures (Schedule 4)	
Pavement Management (Overlay/Sealing Various Sites)	\$ 21,424
Pavement Management & Other Maintenance (Various Sites)	<u>3,574,643</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 3,596,067</u>

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

SUMMARY OF RESULTS OF AGREED-UPON PROCEDURES AUDITS
Orange County Local Transportation Authority
Measure M2 Senior Mobility Program for the Year Ended June 30, 2019

City	Result	City Management Response
Dana Point	The City of Dana Point (Dana Point) contracts with Age Well Senior Services (Age Well) for its Senior Mobility Program (SMP) transportation. Dana Point staff asserted that Age Well was selected through a competitive process in 2013; however, there was no documentation to evidence this. Further, while Age Well indicates that wheelchair accessible vehicles are available, the contract with Age Well does not include the required language related to availability of accessible vehicles. The prior audit of Dana Point for fiscal year (FY) 2018 identified the same conditions.	Dana Point will conduct a competitive procurement of these services and include required language in the next contract. The current contract term is through June 30, 2021.
	One of the four monthly reports tested was not submitted within 30 days of month end, as required.	Dana Point has amended procedures to ensure monthly reports are submitted as required.
Fountain Valley	No exceptions were noted.	
La Habra	The City of La Habra (La Habra) indicated that services from Keolis Transit Services (Keolis) were procured through a piggyback of a City of Costa Mesa (Costa Mesa) procurement in June 2017; however, La Habra had not obtained evidence that the procurement was competitive, as required. In addition, the contract with Keolis does not include required language relating to provision of wheelchair accessible vehicles, as needed. This finding was observed in the audit of La Habra for FY 2018. It should be noted that the agreement with Keolis expires in April 2021, and includes two, one-year options.	Future contract awards will include written documentation to substantiate any discussion or analysis of the procurement and selection process. La Habra uses wheelchair-accessible vehicles and will ensure future contracts include the provision requiring these vehicles be available.
	One of the four monthly reports tested was not submitted within 30 days of month end, as required.	La Habra will set-up review procedures to ensure reports are submitted timely going forward.
San Clemente	No exceptions were noted.	
Tustin	The City of Tustin (Tustin) allows persons 55 years and older to participate in their senior transportation program. The Measure M2 (M2) Ordinance and SMP Guidelines require participants to be aged 60 or older. Tustin did not have an adequate process in place to ensure that costs related to ineligible trips are not funded by the SMP.	Tustin will implement controls to track trips separately for riders under and over the age of 60, to ensure that costs are segregated moving forward. It should be noted that for FY 2019, M2 funds paid for approximately 56 percent of total costs, and only one percent of participants are under the age of 60.
	Two of the four monthly reports tested were not submitted within 30 days of month end, as required.	Tustin has instituted measures to help prevent late submissions going forward.

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 SENIOR MOBILITY PROGRAM

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2019

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

MEASURE M2 SENIOR MOBILITY PROGRAM

AGREED-UPON PROCEDURES REPORTS

Year Ended June 30, 2019

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, 2019. Please refer to the individual divider tab for our report on each Agency.

City of Dana Point

City of Fountain Valley

City of La Habra

City of San Clemente

City of Tustin

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF DANA POINT

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Dana Point's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. 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. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

1. Obtain 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.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund and object code. The City records its Senior Mobility Program expenditures in its Measure M Fund (04) under the Professional Services object code (2230). The City reported \$23,870 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$152,718 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$103,659 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$103,659; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$53,555 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology. Interest is allocated based on a weighted average of the City's earned interest rates and the fund's month-end balances during the fiscal year. The City reported \$829 of interest income for the year ended June 30, 2019, which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). Additionally, we inquired of City personnel regarding fare collection methodologies. The City did not charge fares for senior transportation services during the year. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$9,752, which was approximately 40% of the total expenditures of \$23,870. No exceptions were identified as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditures selected in (a) above were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$23,870 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

(Continued)

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or Department of Motor Vehicles issued identification card for age verification. If the driver's license/ID card does not show a current Dana Point address, a current utility bill is also required to verify residency. City staff reviews the application for completeness and verifies age and residency in accordance with the Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1) Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, Line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether that the Contractor was selected using a competitive procurement process; and
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Age Well to provide senior transportation services under the Senior Mobility Program. The City contracted with Age Well in January 2013. The City did not have supporting evidence that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract through June 30, 2016, and the amended contract through June 30, 2021, we also did not find language requiring that wheelchair accessible vehicles be made available and used as needed.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
 - b. Determine whether the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

(Continued)

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted within 30 days of month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/4/19	4
December 2018	1/31/19	-
February 2019	3/31/19	-
June 2019	7/17/19	-

No other exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.



Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF DANA POINT, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Measure M2 Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	<u>\$ 23,870</u>
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 23,870</u>

Note: The above amounts were taken directly from the financial records of the City of Dana Point and were not audited.



February 28, 2020

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

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 Dana Point as of and for the fiscal year ended June 30, 2019.

Procedure #9

Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:

- a. Determine whether the Contractor was selected using a competitive procurement process.
- b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on inspection of the general ledger expenditure detail and discussion with City personnel, the City contracted with Age Well to provide senior transportation services under the Senior Mobility Program. The City contracted with Age Well in January 2013. The City did not have supporting evidence that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract through June 30, 2016, and the amended contract through June 30, 2021, we also did not find language requiring that wheelchair accessible vehicles be made available and used as needed.

City's Response:

The City knows that Age Well only uses wheelchair accessible vehicles. However, the City agrees and will include specific language requiring the availability and use of wheelchair accessible vehicles in the next RFP process and subsequent contract. Although, the City did bid out the transportation contract in 2013, staff is unable to locate the documentation. The City will maintain documentation related to the competitive procurement process in the future.



Procedure #11

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

Findings: We sampled four monthly summary reports (November 2018, December 2018, March 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted timely within 30 days of month end to OCLTA. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/4/19	4
December 2018	1/31/19	-
February 2019	3/31/19	-
June 2019	7/17/19	-

No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with the finding that one of the monthly reports was received four (4) days after the required filing deadline. Staff has amended procedures to ensure that all reports are submitted within 30 days of month end.

Mark Denny, City Manager

Michael Killebrew, Director of Finance

Sherry Murphy, Recreation Manager

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF FOUNTAIN VALLEY

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Fountain Valley's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. 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. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

1. Obtain 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.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures relating to Measure M2 Senior Mobility Program were tracked in the general ledger by fund, and sub-project. The City recorded its Senior Mobility Program expenditures in its General Fund (11) and Measure M2 Fund (25), various sub project codes, and object. The City reported \$159,310 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$246,383 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$12,243 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$12,243; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$86,401 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were identified as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology. We identified interest income of \$1,668, which was calculated by multiplying the SMP average monthly cash balance of \$106,720 and the Measure M2 Fund interest rate of 1.5628%. The City reported \$1,667 of interest income for the year ended June 30, 2019 which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). Additionally, we inquired of City personnel regarding fare collection methodologies. There is no net cost to the City to run the proposed senior transportation program. The City charged \$2 per fare for senior transportation services during the year. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual- basis funding allocation) for fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. Total match expenditures amounted to \$46,077, which was approximately 29% of the total expenditures of \$159,310. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditures selected in (a) above were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$114,388 representing 72% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

(Continued)

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or Department of Motor Vehicles issued identification card for age verification. The City then verifies that the applicant is a resident of Fountain Valley, and 60 years of age or older in accordance with Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether the Contractor was selected using a competitive procurement process; and
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Yellow Cab to provide senior transportation services under the Senior Mobility Program. From inspecting the Yellow Cab procurement document, we found that the contractor was selected using a competitive procurement process. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included, as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
 - b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined that the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

11. Obtain and sample four monthly summary reports, and determine the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined all four reports were timely submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	12/19/18	-
December 2018	1/28/19	-
February 2019	3/26/19	-
June 2019	7/31/19	-

No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.

Crowe LLP
Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF FOUNTAIN VALLEY, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	\$ 159,310
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 159,310</u>

Note: The above amounts were taken directly from the financial records of the City of Fountain Valley and were not audited.

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF LA HABRA

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of La Habra's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. 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. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

1. Obtain 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.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund and various object codes. The City records its Senior Mobility Program expenditures in its Measure M Fund (134) and various object codes. The City reported \$61,382 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$171,720 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$0 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$0; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$61,382 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: The City spent the total amount funded by OCLTA for their Senior Mobility Program. As such, no remaining fund balance was recorded and no interest revenue was allocated. We inquired of City personnel regarding fare collection methodologies. Fares are collected by Keolis Transit Services for the Senior Mobility Program. The revenues are tracked by monthly summary reports. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$15,501 which was approximately 25% of the total expenditures of \$61,382. No exceptions were identified as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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; and
 - b. Determine whether the expenditures selected in (a) above were exclusively for Senior Mobility Program and meet requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$61,382 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

(Continued)

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their photo identification for age and residence verification. City staff reviews the application for completeness and verifies age and residency in accordance with Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. The City also maintains a copy of each application and the forms of verification on file. No exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, Line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether that the Contractor was selected using a competitive procurement process; and
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Keolis Services in April 2018 to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we found that the City did not conduct a competitive procurement. The City had relied on a competitive process conducted by the City of Costa Mesa in June 2017. Although the City's purchasing policy indicates that the City can utilize cooperative governmental purchasing contracts for a service which was established by another governmental agency's bid award, there was no written documentation to substantiate any discussions or analysis of the procurement selection process. In addition, per inspection of the original contract, we did not find the language requiring that wheelchair accessible vehicles be made available and used as needed, was included in the contract as required.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
 - b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor and determined that the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

(Continued)

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted within 30 days of month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/2/19	2
December 2018	1/23/19	-
February 2019	3/26/19	-
June 2019	7/24/19	-

No other exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.



Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF LA HABRA, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Measure M2 Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	<u>\$ 61,382</u>
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 61,382</u>

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



City of La Habra

"A Caring Community"

FINANCE DEPARTMENT

110 E. La Habra Boulevard
Post Office Box 785
La Habra, CA 90633-0785
Office: (562) 383-4050
Fax: (562) 383-4478

March 9, 2020

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

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 La Habra as of and for the fiscal year ended June 30, 2019.

Procedure #9

Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:

- a. Determine whether that the Contractor was selected using a competitive procurement process; and
- b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on inspection of the general ledger expenditure detail and discussion with City personnel, the City contracted with Keolis Services in April 2018 to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we found that the City did not conduct a competitive procurement. The City had relied on a competitive process conducted by the City of Costa Mesa in June 2017. Although from inspecting the City's purchasing policy, the City could utilize cooperative governmental purchasing contracts for a service which was established by another governmental agency's success bid award, there was no written documentation to substantiate any discussions or analysis of the procurement selection process. In addition, per inspection of the original contract, we did not find the language requiring that wheelchair accessible vehicles be made available and used as needed, was included in the contract as required.

City's Response:

- a. The City attempted to meet the requirement to conduct a competitive procurement by "piggy-backing" on the City of Costa Mesa's successful bid award, which as stated above, was allowed by our purchasing policy. According to the City's La Habra Shuttle agenda report requesting authorization to execute an agreement with Keolis Transit Services, LLC, to operate the La Habra Shuttle, it stated that the City of Costa Mesa received two responses, one of which was deemed unresponsive to the RFP, therefore, Keolis was awarded the Costa Mesa contract. Staff reviewed

the Costa Mesa RFP and determined that their general scope of services were similar to La Habra's program requirements. Keolis was willing to honor the pricing that was quoted in the Costa Mesa agreement with the City of La Habra and was awarded the agreement. Future contract awards will include written documentation to substantiate any discussion or analysis of the procurement selection process.

- b. The City's contract agreement did not include language requiring that wheelchair accessible vehicles be made available and used as needed was purely an oversight. The City regularly uses two vehicles and has a third vehicle which is used as a backup. All three vehicles were donated by OCTLA and all three are wheelchair accessible vehicles. The City supplied a video of one of the buses with an operator demonstrating the wheelchair lift going up and down. Nevertheless, we will include the required language in future contracts.

Procedure #11

Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

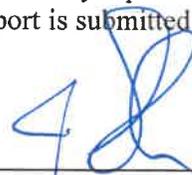
Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined one of the four reports was not submitted within 30 days of month end to OCLTA. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/2/19	2
December 2018	1/23/19	-
February 2019	3/26/19	-
June 2019	7/24/19	-

No other exceptions were found as a result of this procedure.

City's Response:

The City is aware that all summary reports should be submitted within 30 days of month end to OCLTA. We will set up additional review procedures to ensure all summary reports are submitted within 30 days of month end with particular emphasis that the November report is submitted before our Christmas and New Year's holiday recess.



James D. Sadro
City Manager



Kelly Fujio
Director of Community Services



Melvin L. Shannon
Director of Finance

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
CITY OF SAN CLEMENTE

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

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of San Clemente's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. 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. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

1. Obtain 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.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund and object. The City recorded its Senior Mobility Program expenditures in its Gas Tax Fund (12) under OCTA Senior Center Trans object code. The City reported \$48,609 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the M2 funded portion of total expenditures, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24) and determine whether funds were expended within three years of receipt. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$223,392 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$67,427 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$67,427; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$78,339 during the fiscal year ended June 30, 2019, to the general ledger detail and the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology. Interest is allocated based on the weighted average of the City's earned interest rates and the fund's month-end balances during the fiscal year. The City reported \$1,726 of interest income for the year ended June 30, 2019, which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual-basis funding allocation) for the fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$14,590, which was approximately 30% of the total expenditures of \$48,609. No exceptions were identified as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected perform the following:
 - a. Agree 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; and
 - b. Determine if the expenditures selected in (a) above were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$48,609 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

(Continued)

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired with the City of San Clemente as to the process for determining eligibility. The Public Works Management Analyst processes all applications sent to the City for participation in the program. To verify eligibility, the Public Works Management Analyst reviews the application before entering the information into the program roster. Applicants must have photo ID and proof that they are residents of San Clemente and that they are older than 60 in accordance with Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. If the applicant meets all the eligibility requirements, their application materials are entered onto the official program roster. Applicants must be on this verified/ approved roster before they can book rides through Yellow Cab for the Senior Mobility Program. The Public Works Management Analyst sends this roster to the Yellow Cab program liaison, who also verifies that the applicants were eligible before entering them in the Yellow Cab system for ride booking. No exceptions were identified as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to the indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether that the Contractor was selected using a competitive procurement process; and
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City contracted with Yellow Cab Inc. to provide senior transportation services under the Senior Mobility Program. From inspection of the procurement supporting documentation, we found that the City completed a competitive procurement process prior to contracting with Yellow Cab Inc. In addition, per inspection of the original contract, we found the language requiring that wheelchair accessible vehicles be made available and used as needed was included in the contract as required. No exceptions were found as a result of this procedure.

10. Obtain the proof of insurance coverage for the City's Contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
 - b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: We obtained and inspected the insurance coverage for the contractor, and determined the requirements established in the Cooperative Agreement were met. Additionally, the current year proof of insurance for the City's contractor was submitted and on file with OCLTA. No exceptions were found as a result of this procedure.

(Continued)

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Through inspection, we determined all four reports were timely submitted within 30 days of month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	12/10/18	-
December 2018	1/15/19	-
February 2019	3/26/19	-
June 2019	7/17/19	-

No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.

Crowe LLP
Crowe LLP

Costa Mesa, California
April 1, 2020

CITY OF SAN CLEMENTE, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Measure M2 Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	<u>\$ 48,609</u>
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 48,609</u>

Note: The above amounts were taken directly from the financial records of the City of San Clemente and were not audited.

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
Orange, California

We have performed the procedures enumerated below, which were agreed to by the Taxpayers Oversight Committee of the Orange County Local Transportation Authority (OCLTA) (the specified party), on the City of Tustin's (City) compliance with certain provisions of the Measure M2 Senior Mobility Program as of, and for the fiscal year ended June 30, 2019. 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. The sufficiency of these procedures is solely the responsibility of the Taxpayers Oversight Committee of the OCLTA. 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 and associated findings were as follows:

1. Obtain 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.

Findings: No exceptions were found as a result of this procedure.

2. Describe which fund(s) the City used to track expenditures relating to Measure M2 Senior Mobility Program monies in its general ledger and the amount spent during the fiscal year ended June 30, 2019. Agree the amount listed as expended on the City's Expenditure Report (Schedule 2, line 21 for Project U). Explain any differences.

Findings: The City's expenditures related to Measure M2 Senior Mobility Program were tracked in the general ledger by fund. The City recorded its Senior Mobility Program expenditures in its Measure M Fund (139). The City reported \$70,669 in program expenditures on the Expenditure Report (Schedule 2, Line 21 for Project U) which agreed to the Measure M fund expenditures of \$70,669, excluding the match funds. No exceptions were found as a result of this procedure.

(Continued)

3. Obtain a listing of Measure M2 Senior Mobility Program payments made from OCLTA to the City and calculate the amount the City received for the past three fiscal years. Obtain the fund balance of the City's Measure M2 Senior Mobility Program as of June 30, 2019, agree to the balance as listed on the City's Expenditure Report (Schedule 1, line 24), and determine whether funds were expended within three years of receipt. Explain any differences. For payments received during the fiscal year ended June 30, 2019, agree to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U). Explain any differences.

Findings: The City received \$184,091 for the past three fiscal years ended June 30, 2017, 2018 and 2019. We compared the fund balance of \$77,377 from the general ledger detail to the fund balance reported in the City's Expenditure Report (Schedule 1, line 24) of \$77,377; no difference was identified. We determined funds were expended within three years of receipt. We agreed payments received from OCLTA totaling \$62,943 during the fiscal year ended June 30, 2019, to the general ledger detail and to the amount listed as received on the City's Expenditure Report (Schedule 2, line 8 for Project U) without exception. No exceptions were found as a result of this procedure.

4. Determine if the City's interest allocation and fare collection methodologies are adequate to ensure the proper amount of interest/program revenue was credited to the Measure M2 Senior Mobility Program Fund. Agree the amount reflected to the amount of interest listed on the City's Expenditure Report (Schedule 2, line 8 – Project U). Explain any differences.

Findings: We obtained the City's interest allocation methodology and identified that the interest income for the year of \$2,860 was calculated by multiplying the SMP average monthly cash balance and the Measure M2 Fund interest rate. The City reported \$2,860 of interest income for the year ended June 30, 2019 which agreed to the City's Expenditure Report (Schedule 2, Line 8 for Project U). Additionally, we inquired of City personnel regarding fare collection methodologies. Fare collection is strictly a suggested donation and the fares are used to offset the cost of the program. No exceptions were found as a result of this procedure. No exceptions were found as a result of this procedure.

5. Determine that the City satisfied the requirement of twenty percent (20%) matching of the total annual formula allocation (i.e., accrual- basis funding allocation) for fiscal year ended June 30, 2019.

Findings: We received the City's general ledger detail of matching expenditures, scanned for the types and sources of match and agreed to supporting documentation, such as invoices, to determine whether the match amounts were justifiable and acceptable under the Ordinance. The total match expenditures amounted to \$34,800 which was approximately 49% of the total expenditures of \$70,669. No exceptions were found as a result of this procedure.

6. Select a sample of Measure M2 Senior Mobility Program expenditures from the City's general ledger expenditure detail. Describe the percentage of total expenditures selected for inspection. For each item selected, perform the following:
 - a. Agree 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; and
 - b. Determine if the expenditures selected in (a) above are exclusively for Senior Mobility Program and meet the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inspected Measure M2 Senior Mobility Program expenditures totaling \$70,669 representing 100% of total Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. We agreed the dollar amount to supporting documentation and determined that the expenditures selected were exclusively for Senior Mobility Program and met the requirements outlined in the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement. No exceptions were found as a result of this procedure.

(Continued)

7. Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Per management, any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or identification card for age verification. However, the City allows persons 55 years and older to participate, while the Measure M2 Funding Policy Guidelines and the Ordinance require participants be aged 60 or older. We inquired as to the City's method for ensuring costs related to trips provided to ineligible persons (under 60 years of age) were not funded by the SMP; and the City did not have an adequate process for segregating costs for these trips. No other exceptions were found as a result of this procedure.

8. Identify whether or not indirect costs were charged as Measure M2 Senior Mobility Program expenditures. If applicable, compare indirect costs identified to the amount reported on the City's Expenditure Report (Schedule 3, line 1). Explain any differences. If applicable, select a sample of charges. Describe the dollar amount inspected, and percentage of dollar amount inspected over total indirect costs per Schedule 3, line 1. Inspect the amounts charged and inspect supporting documentation for reasonableness and appropriate methodology.

Findings: Based on the Expenditure Report (Schedule 3, Line 1), the City reported \$0 in indirect costs. Per discussions with the City's accounting personnel and inspection of the general ledger expenditure detail, no indirect costs were identified as Measure M2 Senior Mobility Program expenditures for the fiscal year ended June 30, 2019. As a result, we did not select a sample of charges or inspect supporting documentation relating to indirect costs. No exceptions were found as a result of this procedure.

9. Determine if the City contracts with a third-party service provider to provide senior transportation service, and perform the following:
 - a. Determine whether the Contractor was selected using a competitive procurement process; and
 - b. Inspect the contract agreement to ensure that wheelchair accessible vehicles are available and used as needed.

Findings: Based on interview with City personnel, the City did not contract with a third-party provider. As a result, we did not perform the procedures listed above.

10. Obtain the proof of insurance coverage for the City's contractor and perform the following:
 - a. Inspect the insurance coverage to ensure the terms satisfied the requirements established in the Cooperative Agreement; and
 - b. Determine if the current year proof of insurance was submitted and is on file with OCLTA in accordance with the Cooperative Agreement.

Findings: Based on inspection of the general ledger expenditure detail and discussion with City personnel, the City did not contract with a third-party provider. As a result, we did not perform the procedures listed above.

11. Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). Two of the reports were not submitted within 30 days of the following month end. OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/10/18	10
December 2018	1/13/19	-
February 2019	4/4/19	4
June 2019	7/31/19	-

No other exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 or conclusion. 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.



Crowe LLP

Costa Mesa, California
April 1, 2020

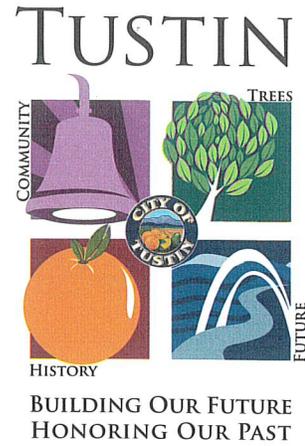
CITY OF TUSTIN, CALIFORNIA
SCHEDULE OF MEASURE M2 SENIOR MOBILITY PROGRAM EXPENDITURES
Year ended June 30, 2019
(Unaudited)

SCHEDULE A

Senior Mobility Program Expenditures:	
Other Senior Mobility Project U	\$ 70,669
Total Measure M2 Senior Mobility Program Expenditures	<u>\$ 70,669</u>

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

Parks and Recreation Services



April 1, 2020

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

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 Tustin as of and for the fiscal year ended June 30, 2019.

Procedure #7

Inquire as to the procedures used by the City to ensure that services are provided only to eligible participants in accordance with the Measure M2 Project U Senior/Disabled Program Funding Policy Guidelines and the cooperative agreement.

Findings: We inquired of management as to the procedures used to ensure services are provided only to eligible participants. Per management, any person who wants to join the Senior Transportation Program must fill out an application and provide a copy of their driver's license or identification card for age verification. However, the City allows persons 55 years and older to participate, while the Measure M2 Funding Policy Guidelines and the Ordinance require participants be aged 60 or older. We inquired as to the City's method for ensuring costs related to trips provided to ineligible persons (under 60 years of age) were not funded by the SMP; and the City did not have an adequate process for segregating costs for these trips. No other exceptions were found as a result of this procedure.

City's Response: The City of Tustin offers transportation services for individuals 55 years and older. Participants are required to pre-register in order to participate in the program. The City's registration system shows that there are currently 676 participants over the age of 60 and 7 participants under the age of 60, which correlates to approximately 99% of participants meeting the 60 years of age threshold established by the Measure M2 Funding Policy Guidelines. Historically, the City has not tracked the number of trips for those participants that are under the age of 60. However, the City will implement controls to track trips separately for riders under and over the age of 60 in order to ensure that costs are segregated moving forward. However, it should be noted that in Fiscal Year 2018/19, Measure M2 funds (including related interest income) paid for approximately 56% of the total cost of the senior transportation program. Therefore, we believe that Measure M2 funds have been used to pay for only eligible program costs.

Tustin Family & Youth Center
14722 Newport Ave., Tustin, CA 92780
T: (714) 573-3370 • F: (714) 734-9421

Tustin Area Senior Center
200 South "C" Street, Tustin, CA 92780
T: (714) 573-3340 • F: (714) 544-7334

Columbus Tustin Activity Center
17522 Beneta Way, Tustin, CA 92780
T: (714) 573-3009 • F: (714) 731-8247

T: (714) 573-3326 • F: (714) 838-4779

300 Centennial Way, Tustin, CA 92780-3715 • www.tustinca.org

Procedure #11

Obtain and sample four monthly summary reports, and determine whether the reports were properly prepared and submitted within thirty (30) calendar days of month end.

Findings: We sampled four monthly summary reports (November 2018, December 2018, February 2019, and June 2019). OCLTA staff confirmed that reports were received on the following dates:

<u>Reporting Month</u>	<u>Date Received</u>	<u>Days Late</u>
November 2018	1/10/18	10
December 2018	1/13/19	-
February 2019	4/4/19	4
June 2019	7/31/19	-

Through inspection, we determined that two of four reports were not timely submitted in timely manner or within 30 days of month end to OCLTA.

City's Response:

The Tustin Area Senior Center Supervisor, the person coordinating all SMP reports, was out on maternity leave from August 2018 through December 2018 which resulted a short delay in submitting the November 2018 monthly summary report. Similarly, the delay in submitting the February 2019 monthly summary report was due to a subsequent backlog of the Senior Center Supervisor's workload. Measures have since been instituted to identify a backup full-time staff person that will coordinate SMP reports in the case of any future leaves.

DocuSigned by:

Chad Clanton

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Chad W. Clanton
Director, Parks and Recreation Department

DocuSigned by:

Jason Al-Imam

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Jason Al-Imam
Director, Finance

DocuSigned by:

Matthew S. West

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Matthew S. West
City Manager