

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY  
MEASURE M2 LOCAL FAIR SHARE  
AGREED-UPON PROCEDURES REPORTS  
Year Ended June 30, 2021**

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**MEASURE M2 LOCAL FAIR SHARE**

**AGREED-UPON PROCEDURES REPORTS**

**Year Ended June 30, 2021**

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, 2021. Please refer to the individual divider tab for our report on each Agency.

City of Fountain Valley

City of Fullerton

City of Laguna Niguel

City of Laguna Woods

City of Newport Beach

City of Yorba Linda

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), related to the City of Fountain Valley's (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2021. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2021. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund and account number. The City recorded its MOE expenditures in its General Fund (11), Gas Tax Fund (23), and various account numbers. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2021 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2020/2021. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2021 were \$2,601,157 (see Schedule A), which exceeded the MOE benchmark requirement of \$1,564,638. We agreed the total expenditures of \$2,601,157 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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(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction'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 direct MOE expenditures totaling \$829,889, which represented approximately 40% of direct MOE expenditures of \$2,056,026 for the fiscal year ended June 30, 2021. No exceptions were found as a result of this procedure.

4. Identify whether 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, 2021. We agreed \$545,131 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected three charges for inspection with a total amount of \$454,575 representing 83% 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 maintenance charges for the Public Works department. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were properly classified as indirect expenditures and based upon a reasonable and appropriate methodology. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2021 and agree to the balance as listed on the Eligible Jurisdiction'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 \$3,234,352 for the past three fiscal years ended June 30, 2019, 2020 and 2021. We agreed the fund balance of \$1,889,965 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.

6. Describe which fund the Eligible Jurisdiction 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, 2021. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and account number. The City recorded its LFS expenditures in its Traffic Improvement Fund (24), Measure M Fund (25), various account numbers. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2021 were \$1,278,234 (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.

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(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction'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 five direct Measure M2 Local Fair Share expenditures for inspection totaling \$1,055,400 representing approximately 83% of total direct Measure M2 Local Fair Share expenditures of \$1,278,234 for the fiscal year ended June 30, 2021. 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.

8. Identify whether 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. Describe the dollar amount inspected. 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, 2021. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and 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 Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$18,645 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY21) by inspecting the OCLTA Board agenda and action items.

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

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

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(Continued)

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid, with the "LLP" part being more compact and stylized.

Crowe LLP

Costa Mesa, California  
March 2, 2022

CITY OF FOUNTAIN VALLEY, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2021  
(Unaudited)

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**SCHEDULE A**

Maintenance of Effort (MOE) Expenditures:	
Maintenance	
Other Street Purpose Maintenance	<u>\$ 2,601,157</u>
 Total MOE Expenditures	 <u>\$ 2,601,157</u>
 Measure M2 Local Fair Share Expenditures (Schedule 4):	
Signal Timing Maint. (TI160)	\$ 25,000
Citywide Signal Communication Maint. (TI267)	22,457
Euclid/ Condor & Talbert/ Bushard Signal Mod. (TI268)	5,600
Harbor Signal Synchronization (TI280)	1,176
Newland from Talbrt/ Ellis & Brookhrst @Garfield Resurfacing Co-Op (TI270)	209,006
Warner Ave. Arterial Rehab. from Brookhurst to Euclid (TI275)	951,913
Euclid St. Arterial Rehab. from Heil to Warner (TI276)	<u>63,082</u>
 Total Measure M2 Local Fair Share Expenditures	 <u>\$ 1,278,234</u>
 Total MOE and Measure M2 Local Fair Share Expenditures	 <u>\$ 3,879,391</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 FULLERTON

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), related to the City of Fullerton (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2021. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2021. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund, account number, and object code. The City recorded its MOE expenditures in its General Fund (10), Sanitation Fund (23), and various program codes and object codes. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2021 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2020/2021. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2021 were \$5,767,907 (see Schedule A), which exceeded the MOE benchmark requirement of \$4,413,567. We agreed the total expenditures of \$5,767,907 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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(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction'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 direct MOE expenditures totaling \$671,457, which represented approximately 15% of direct MOE expenditures of \$4,567,615 for the fiscal year ended June 30, 2021. No exceptions were found as a result of this procedure.

4. Identify whether 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, 2021. We agreed \$1,200,292 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 32 charges for inspection with a total amount of \$963,859 representing 80% 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 administrative and maintenance charges. Upon inspecting the supporting documentation for the samples selected, we determined that the indirect MOE costs were properly classified as indirect expenditures and based upon a reasonable and appropriate methodology. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2021 and agree to the balance as listed on the Eligible Jurisdiction'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 \$6,948,371 for the past three fiscal years ended June 30, 2019, 2020, and 2021. We agreed the fund balance of \$3,433,439 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.

6. Describe which fund the Eligible Jurisdiction 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, 2021. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and object unit codes. The City recorded its LFS expenditures in its Measure M2 Fund (25), its Capital Projects Fund (74), and various object unit codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2021 were \$2,584,948 (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.

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(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We selected 16 Measure M2 Local Fair Share direct expenditures for inspection totaling \$1,820,948 representing approximately 70% of total Measure M2 direct Local Fair Share expenditures of \$2,584,948 for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, three expenditures in the amount of \$133,641 relating to Gilbert Street Traffic Signal Synchronization Project were not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

8. Identify whether 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. Describe the dollar amount inspected. 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, 2021. We agreed \$102,082 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected 14 charges for inspection with a total amount of \$73,350 representing 72% of the total indirect Local Fair Share costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included allocated professional and contractual fees. Upon inspecting the supporting documentation for the samples selected, we determined that the expenditures were properly classified as indirect Local Fair Share costs and were allowable per the Ordinance and percentages allocated to Local Fair Share were justifiable. In addition, the indirect LFS costs were substantiated by a written Indirect Cost Allocation Plan prepared within five years. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and 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 Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$70,582 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY21) by inspecting the OCLTA Board agenda and action items.

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

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(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California  
February 28, 2022

CITY OF FULLERTON, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2021  
(Unaudited)

	<b>SCHEDULE A</b>
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 1,200,292
Maintenance	
Overlay & Sealing	\$ 1,920,312
Street Lights & Traffic Signals	257,475
Other Street Purpose Maintenance	<u>2,389,828</u>
 Total MOE Expenditures	 <u>\$ 5,767,907</u>
 Measure M2 Local Fair Share Expenditures (Schedule 4):	
Victoria Drive Infrastructure Improvement (44038)	\$ 835,742
Orangethorpe/Woods - Highland (44046)	24,960
Victoria Dr Infrastructure Ph2 (44049)	99,358
Nutwood-Yale St. Improvements (44053)	11,114
Arterial St. Reconstruction, Rehab. & Repair (44400)	8,985
Residential Street Program (44589)	7,834
Orangethorpe Avenue Traffic Signal Synchronization Program (46000)	68,299
Countrywide Signal Synchronnization Program (46007)	24,000
Gilbert Street Traffic Signal Synchronization Program (46022)	80,110
Brookhurst Signal Synchronization (46023)	3,213
Magnolia Signal Synchronization (46024)	5,506
Signal Operation Enhancement (46027)	7,683
Traffic Signal System Network (46028)	2,301
Harbor Signal Synchronization (46029)	906
Signal Battery Backup Unit (46030)	5,988
NOC Triangle Corridor (46032)	5,225
Loma Alta Area Infrastructure (53009)	1,235,644
El Rancho Area Infrastructure Improvements (53012)	25,170
Nutwood/Yale Infrastructure (53013)	29,047
Marion Area Infrastructure Impr (53021)	1,781
Administration (Indirect & Overhead)	<u>102,082</u>
 Total Measure M2 Local Fair Share Expenditures	 <u>\$ 2,584,948</u>
 Total MOE and Measure M2 Local Fair Share Expenditures	 <u><u>\$ 8,352,855</u></u>

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



# CITY OF FULLERTON

Administrative Services Department

Exhibit 1

February 28, 2022

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 Fullerton as of and for the fiscal year ended June 30, 2021.

## Procedure #7

Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

## Findings:

We selected 16 Measure M2 Local Fair Share direct expenditures for inspection totaling \$1,820,948 representing approximately 70% of total Measure M2 direct Local Fair Share expenditures of \$2,584,948 for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, three expenditures in the amount of \$133,641 relating to Gilbert Street Traffic Signal Synchronization Project were not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

## City's Response:

The City acknowledges the FY 2020-21 finding related to the Gilbert Street Traffic Signal Synchronization Project (Gilbert Project). In FY 2019-2020, the City placed the Gilbert Project in the FY 2019-2020 Seven-Year Capital Improvement Program (CIP) List.

The City did not include the Gilbert Project in FY 2020-2021 Seven Year CIP List. During OCTA's review of the City's M2 Eligibility Report, it was brought to our attention that the Gilbert Project was not on the approved list. The City took immediate corrective action and City Council approved the amended Seven-Year CIP List on November 16, 2021.

Attached are the following Seven-Year CIP Lists where the Gilbert Street RTSSP was programed.

- Seven-Year CIP list FY19-20 showing Gilbert Street RTSSP project
- Seven-Year CIP list FY21-22 showing Gilbert Street RTSSP project

## THE EDUCATION COMMUNITY

303 West Commonwealth Avenue, Fullerton, California 92832-1775  
(714) 738-6520 • [administrativeservices@cityoffullerton.com](mailto:administrativeservices@cityoffullerton.com) • [www.cityoffullerton.com](http://www.cityoffullerton.com)

OCTA Measure M2 Local Fair Share Program Audit FYE June 30, 2021

Thank you for allowing the City of Fullerton to respond to this finding. The city would also like to thank the audit staff that was assigned to our city with regard to their courtesy and professionalism exhibited during the audit.

Should you need additional information, please do not hesitate to contact us.



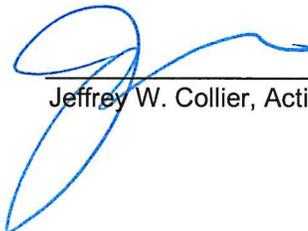
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Meg McWade, Director of Public Works



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Ellis Chang, Director of Administrative Services



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Jeffrey W. Collier, Acting City Manager

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

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), related to the City of Laguna Niguel (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2021. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2021. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

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

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

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2021 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2020/2021. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2021 were \$1,619,289 (see Schedule A), which exceeded the MOE benchmark requirement of \$908,566. We agreed the total expenditures of \$1,619,289 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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(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction'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 direct MOE expenditures totaling \$414,347, which represented approximately 26% of direct MOE expenditures of \$1,619,289 for the fiscal year ended June 30, 2021. No exceptions were found as a result of this procedure.

4. Identify whether 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, 2021. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2021 and agree to the balance as listed on the Eligible Jurisdiction'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 \$3,466,036 for the past three fiscal years ended June 30, 2019, 2020, and 2021. We agreed the fund balance of \$2,707,230 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.

6. Describe which fund the Eligible Jurisdiction 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, 2021. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund, function code, and object codes. The City recorded its LFS expenditures in its Measure M2 Fund (220), various function codes and object codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2021 were \$872,394 (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.

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(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We selected five Measure M2 Local Fair Share direct expenditures for inspection totaling \$830,959, representing approximately 95% of total Measure M2 direct Local Fair Share expenditures of \$872,394 for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, two expenditures in the amount of \$599,084 relating to Residential Annual Resurfacing Program were not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

8. Identify whether 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. Describe the dollar amount inspected. 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 Local Fair Share expenditures for the fiscal year ended June 30, 2021. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and 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 Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$598 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY21) by inspecting the OCLTA Board agenda and action items.

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

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

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(Continued)

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California  
March 2, 2022

CITY OF LAGUNA NIGUEL, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2021  
(Unaudited)

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**SCHEDULE A**

Maintenance of Effort (MOE) Expenditures:	
Maintenance	
Other Street Purpose Maintenance	<u>\$ 1,619,289</u>
Total MOE Expenditures	<u>\$ 1,619,289</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Residential Annual Resurfacing Program (Zones 1-2)	\$ 627,841
Paseo de Colinas Groundwater Seepage	<u>244,553</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 872,394</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 2,491,683</u></u>

Note: The above amounts were taken directly from the financial records of the City of Laguna Niguel and



## CITY of LAGUNA NIGUEL

30111 Crown Valley Parkway / Laguna Niguel, California, 92677  
Phone / 949-362-4300 Fax / 949-362-4340

## CITY COUNCIL

Mayor Elaine Gennawey  
Mayor Pro Tem Sandy Rains  
Council Member Kelly Jennings  
Council Member Fred Minagar  
Council Member Risch Paul Sharma

March 2, 2022

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 Laguna Niguel as of and for the fiscal year ended June 30, 2021.

### **Procedure #7**

Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We selected five Measure M2 Local Fair Share direct expenditures for inspection totaling \$830,959 representing approximately 95% of total Measure M2 direct Local Fair Share expenditures of \$872,394 for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, two expenditures in the amount of \$599,084 relating to Residential Annual Resurfacing Program were not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

City's Response:

The City agrees with this finding. OCTA subsequently approved an amended FY 2020/2021 Seven-Year CIP Program, which included the Residential Annual Resurfacing Program, on February 3, 2022.

  
Eric Hendrickson, Finance Director      3/2/2022  
Date

  
Jacki Scott, Public Works Director      3-2-22  
Date

  
Tamara S. Letourneau, City Manager      3/2/22  
Date

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

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), related to the City of Laguna Woods (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2021. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2021. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund, account number, and object code. The City recorded its MOE expenditures in its General Fund (001), Fuel Tax Fund (100), Road Repair and Accountability Act Fund (105), various account codes, and object codes. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2021 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2020/2021. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2021 were \$104,578 (see Schedule A), which met the MOE benchmark requirement of \$104,578. We agreed the total expenditures of \$104,578 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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(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction'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 direct MOE expenditures totaling \$66,997, which represented approximately 64% of direct MOE expenditures of \$104,578 for the fiscal year ended June 30, 2021. No exceptions were found as a result of this procedure.

4. Identify whether 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, 2021. No exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2021 and agree to the balance as listed on the Eligible Jurisdiction'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 \$659,911 for the past three fiscal years ended June 30, 2019, 2020, and 2021. We agreed the fund balance of \$139,906 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.

6. Describe which fund the Eligible Jurisdiction 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, 2021. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and object unit codes. The City recorded its LFS expenditures in its Measure M2 Fund (111) and various object unit codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2021 were \$221,174 (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.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction'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 five direct Measure M2 Local Fair Share expenditures for inspection totaling \$114,555 representing approximately 52% of total direct Measure M2 Local Fair Share expenditures of \$221,174 for the fiscal year ended June 30, 2021. 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.

8. Identify whether 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. Describe the dollar amount inspected. 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, 2021. We agreed \$650 of indirect costs per the Expenditure Report (Schedule 3, line 1) to the general ledger detail. We selected one charge for inspection with a total amount of \$650 representing 100% of the total indirect Local Fair Share costs. We recomputed the selected indirect costs using the City's allocation methodology and identified no exceptions. The indirect costs included the allocation of consulting charges for the purpose of the City's Annual Street Report. Upon inspecting the supporting documentation for the sample selected, we determined that the expenditure was properly classified as indirect Local Fair Share costs and were allowable per the Ordinance. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and 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 Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$1,660 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY21) by inspecting the OCLTA Board agenda and action items.

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

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(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California  
March 3, 2022

CITY OF LAGUNA WOODS, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2021  
(Unaudited)

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**SCHEDULE A**

Maintenance of Effort (MOE) Expenditures:	
Maintenance	
Other Street Purpose Maintenance	\$ 104,578
Total MOE Expenditures	<u>\$ 104,578</u>
Measure M2 Local Fair Share Expenditures (Schedule 4):	
Street Lighting - Public Right-of-Way	\$ 28,633
Contract - Traffic Engineering	145,635
Contract - Traffic Signal Maintenance	46,256
Allowable Overhead Costs, Indirect	<u>650</u>
Total Measure M2 Local Fair Share Expenditures	<u>\$ 221,174</u>
Total MOE and Measure M2 Local Fair Share Expenditures	<u><u>\$ 325,752</u></u>

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

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES  
CITY OF NEWPORT 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), related to the City of Newport Beach (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2021. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2021. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund, account number, and organization code. The City recorded its MOE expenditures in its General Fund (010), Capital Projects Fund (012), as well as multiple organization codes that are specific to different areas of maintenance and capital improvement programs. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2021 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2020/2021. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2021 were \$17,776,641 (see Schedule A), which exceeded the MOE benchmark requirement of \$12,547,102. We agreed the total expenditures of \$17,776,641 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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(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction'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 direct MOE expenditures totaling \$3,401,300, which represented approximately 46% of direct MOE expenditures of \$7,418,105 for the fiscal year ended June 30, 2021. No exceptions were found as a result of this procedure.

4. Identify whether 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 City of Newport Beach reported \$10,358,536 in MOE indirect expenditures. Through inspection of the City's general ledger detail, Crowe identified \$621,170 of indirect costs that should have been reported as direct costs. Crowe selected 40 indirect MOE costs for inspection with a total amount of \$2,088,424 representing 21% of the total indirect MOE costs of \$9,737,366. Crowe determined all (100%) were developed from a written cost allocation plan for FY 11/12. Through further inspection of the City's indirect cost allocation plan, Crowe determined the methodology was reasonable. However, the allocation was based upon analysis of activities from over 10 years ago. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2021 and agree to the balance as listed on the Eligible Jurisdiction'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 \$5,820,095 for the past three fiscal years ended June 30, 2019, 2020, and 2021. We agreed the fund balance of \$3,159,550 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.

6. Describe which fund the Eligible Jurisdiction 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, 2021. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and organization unit codes. The City recorded its LFS expenditures in its Measure M2 Fund (122) and various organization unit codes. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2021 were \$951,147 (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.

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(Continued)

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: Crowe selected three Measure M2 Local Fair Share direct expenditures for inspection totaling \$760,458 representing approximately 80% of total Measure M2 direct Local Fair Share expenditures of \$951,147 for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, one expenditure in the amount of \$638,545 relating to a Concrete Street Pavement Reconstruction Project was not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

8. Identify whether 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. Describe the dollar amount inspected. 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, 2021. No exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and 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 Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$4,103 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY21) by inspecting the OCLTA Board agenda and action items.

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

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California  
March 7, 2022

CITY OF NEWPORT BEACH, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2021  
(Unaudited)

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	<b>SCHEDULE A</b>
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 10,358,536
Construction & Right-of-Way	
Street Reconstruction	868,587
Signals, Safety Devices, & Street Lights	468,211
Pedestrian Ways & Bikepaths	104,240
Storm Drains	<u>456,902</u>
Maintenance	
Overlay & Sealing	\$ 1,667,918
Street Lights & Traffic Signals	789,978
Other Street Purpose Maintenance	<u>3,062,269</u>
 Total MOE Expenditures	 <u>\$ 17,776,641</u>
 Measure M2 Local Fair Share Expenditures (Schedule 4):	
Concrete Street Pavement Reconstructon (12201-98000-18R21)	\$ 689,684
Bison Ave Pavement Rehabilitaion (12201-980000-19R21)	75,634
Balboa Peninsula Crosswalks Improvements (12201-980000-19T11)	108,831
Concrete Replacement Program (12201-980000-20R06)	<u>76,998</u>
 Total Measure M2 Local Fair Share Expenditures	 <u>\$ 951,147</u>
 Total MOE and Measure M2 Local Fair Share Expenditures	 <u><u>\$ 18,727,788</u></u>

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



## CITY OF NEWPORT BEACH

100 Civic Center Drive  
Newport Beach, California 92660  
949 644-3127 | 949 644-3339 FAX  
[newportbeachca.gov/finance](http://newportbeachca.gov/finance)

March 7, 2022

Board of Directors  
Orange County Transportation Authority  
and the Taxpayers Oversight Committee of the  
Orange County Transportation Authority  
550 South Main Street  
Orange, California 92868

Dear Board of Directors:

The following response is being submitted to address results from the agreed-upon-procedures performed by Crowe LLP ("Crowe") for the Measure M2 Local Fair Share program on the City of Newport Beach as of and for the fiscal year ended June 30, 2021.

#### **Procedure #4**

Identify whether 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 City of Newport Beach reported \$10,358,536 in MOE indirect expenditures. Through inspection of the City's general ledger detail, Crowe identified \$621,170 of indirect costs that should have been reported as direct costs. Crowe selected 40 indirect MOE costs for inspection with a total amount of \$2,088,424 representing 21% of the total indirect MOE costs of \$9,737,366. Crowe determined all (100%) were developed from a written cost allocation plan for FY 11/12. Through further inspection of the City's indirect cost allocation plan, Crowe determined the methodology was reasonable. However, the allocation was based upon analysis of activities from over 10 years ago. No other exceptions were found as a result of this procedure.

#### City's Response:

The City concurs with Crowe's comment that \$621,170 of indirect costs should have been reported as direct costs. These costs were related to street- light and traffic- signal electricity. Going forward, the City will report these as direct costs. Additionally, the City agrees that the cost allocation methodology was reasonable. Going forward, the City will conduct a new indirect cost allocation plan more frequently, and has already started the process of updating the cost allocation plan to be used for fiscal year 2021-22.

#### **Procedure #7**

Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible

Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings:

Crowe selected three Measure M2 Local Fair Share direct expenditures for inspection totaling \$760,458 representing approximately 80% of total Measure M2 direct Local Fair Share expenditures of \$951,147 for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, one expenditure in the amount of \$638,545 relating to a Concrete Street Pavement Reconstruction Project was not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

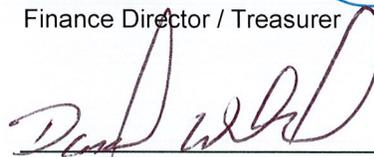
City's Response:

The City concurs with the comment that the Concrete Street Pavement Rehabilitation Project was not listed on the FY 2020-21 Measure M 7-year CIP. The full cost of the project in question was included in the FY 2019-20 Measure M 7-year CIP. The City has historically identified projects that may involve Measure M funds on the Measure M 7-year CIP that are programmed for the upcoming fiscal year. If the project is delayed or is still in progress after fiscal year end, remaining unappropriated funds for that project would roll over (rebudget) to the next fiscal year. We complete our Measure M 7-year CIP based on the City's draft CIP. If a project rolls over into subsequent fiscal years, then it would appear in the City's upcoming CIP and would be identified in the Measure M 7-year CIP (again). If a project is completed/hearing completion, with necessary funds appropriated and remaining unappropriated funds not needed, then it would not appear in the City's upcoming CIP and would not be identified in subsequent Measure M 7-year CIP. OCTA staff has been receptive of this approach and has approved all of the City's annual Measure M Eligibility submittals for the past 15+ years. Additionally, the Concrete Street Pavement Rehabilitation project was delayed due to the COVID-19 pandemic and the original contractor was unable to complete the contract. The City completed the remaining work in FY 2020-21 as part of a separate contract associated with Alleys Reconstruction Project, which was included in the FY 2020-21 Measure M CIP. Going forward, the City will include in the 7-year Measure M CIP any projects that may potentially have Measure M expenditures within that fiscal year.



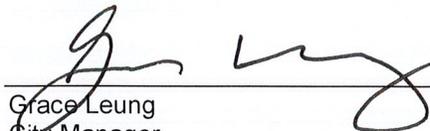
3/7/2022

Scott Catlett  
Finance Director / Treasurer



3/7/2022

Dave Webb  
Public Works Director



3/7/2022

Grace Leung  
City Manager

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

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), related to the City of Yorba Linda (City) compliance with certain provisions of the Measure M2 Local Transportation Ordinance (Ordinance) as of and for the fiscal year ended June 30, 2021. The City's management is responsible for compliance with the Ordinance and for its cash, revenue, and expenditure records.

The Taxpayers Oversight Committee of the OCLTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the City compliance with certain provisions of the Ordinance as of and for the fiscal year ended June 30, 2021. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and associated findings were as follows:

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

Findings: The MOE expenditures were tracked in the City's general ledger by fund, organization codes, and account codes specific to different functions of maintenance. The City recorded its MOE expenditures in its General Fund (101), various organizational codes, and account codes. No exceptions were found as a result of this procedure.

2. Obtain the detail of MOE expenditures for the fiscal year ended June 30, 2021 and determine whether the Eligible Jurisdiction met the minimum MOE requirement as outlined in the Measure M2 Eligibility Guidelines Fiscal Year 2020/2021. Agree the total MOE expenditures to the amount reported on the Eligible Jurisdiction's Expenditure Report (Schedule 3, Line 18). Explain any differences.

Findings: The City's MOE expenditures for the fiscal year ended June 30, 2021 were \$3,559,334 (see Schedule A), which exceeded the MOE benchmark requirement of \$2,608,191. We agreed the total expenditures of \$3,559,334 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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(Continued)

3. Select a sample of MOE expenditures from the Eligible Jurisdiction'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: City of Yorba Linda reported \$3,199,913 in MOE direct expenditures. Through inspection of the City's general ledger detail, Crowe identified \$470,426 of direct costs that should have been reported as indirect costs. We selected 25 direct MOE expenditures totaling \$1,216,002 for testing, which represented approximately 45% of direct MOE expenditures of \$2,729,460 for the fiscal year ended June 30, 2021. There were no exceptions resulting from the direct expenditures tested. Through procedure #4, Crowe determined the total amount of \$829,848 in indirect costs was not supported by a reasonable and appropriate methodology. As a result, this amount is considered disallowed, and should be removed from the total MOE expenditures. However, after removing these expenditures from total MOE expenditures, the City of Yorba Linda (Yorba Linda) continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

4. Identify whether 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: We selected 25 indirect MOE costs for inspection with a total amount of \$252,936 representing 30% of the total indirect MOE costs of \$829,848. Through inspection of supporting documentation, Crowe determined all indirect expenditures (100%) were considered disallowed due to the City's inability to provide support for a reasonable and appropriate methodology. As a result, the total amount of indirect costs should be removed from the total MOE expenditures. No other exceptions were found as a result of this procedure.

5. Obtain a listing of Measure M2 Local Fair Share payments made from OCLTA to the Eligible Jurisdiction and calculate the amount the Eligible Jurisdiction received for the past three fiscal years. Obtain the fund balance of the Eligible Jurisdiction's Measure M2 Local Fair Share Fund as of June 30, 2021 and agree to the balance as listed on the Eligible Jurisdiction'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 \$3,271,767 for the past three fiscal years ended June 30, 2019, 2020, and 2021. We agreed the fund balance of \$3,425,440 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.

6. Describe which fund the Eligible Jurisdiction 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, 2021. Agree the total Local Fair Share expenditures per the general ledger to the amounts reflected on the Eligible Jurisdiction's Expenditure Report (Schedule 2, line 17, and detail listed at Schedule 4). Explain any differences.

Findings: The LFS expenditures were tracked in the City's general ledger by fund and budget unit. The City recorded its LFS expenditures in its Capital Expenditures Fund (212) and various budget units. Total Measure M2 Local Fair Share expenditures per the general ledger during the fiscal year ended June 30, 2021 were \$981,397 (see Schedule A), which agreed to the City's Expenditure Report.

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(Continued)

(Schedule 2, line 17, and detail listed at Schedule 4). No exceptions were found as a result of this procedure.

7. Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We selected 8 Measure M2 Local Fair Share direct expenditures for inspection totaling \$759,361, representing approximately 77% of total Measure M2 direct Local Fair Share expenditures of \$981,397, for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, one expenditure in the amount of \$58,049, relating to Fairmont at Mustang Fields Project, was not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

8. Identify whether 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. Describe the dollar amount inspected. 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 Local Fair Share expenditures for the fiscal year ended June 30, 2021. No other exceptions were found as a result of this procedure.

9. Obtain and inspect the Eligible Jurisdiction's interest allocation methodology and 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 Eligible Jurisdiction's Expenditure Report (Schedule 2, line 4). Explain any differences.

Findings: We inspected the amount of interest allocated to the Measure M2 Local Fair Share Fund and agreed the amount reflected to the amount of interest totaling \$9,450 listed on the City's Expenditure Report (Schedule 2, line 4). We inspected the interest allocation methodology and recomputed the amount based on the interest allocation methodology. No exceptions were found as a result of this procedure.

10. Determine whether the Jurisdiction was found eligible by the Board of Directors for the applicable year (FY21) by inspecting the OCLTA Board agenda and action items.

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

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of the City's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 and is not intended to be, and should not be, used by anyone other than the specified party.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California  
March 2, 2022

CITY OF YORBA LINDA, CALIFORNIA  
SCHEDULE OF MEASURE M2 LOCAL FAIR SHARE EXPENDITURES  
Year ended June 30, 2021  
(Unaudited)

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	<b>SCHEDULE A</b>
Maintenance of Effort (MOE) Expenditures:	
Indirect and/ or Overhead - Schedule 3, line 1	\$ 829,848
Maintenance	
Street Lights & Traffic Signals	\$ 672,663
Other Street Purpose Maintenance	<u>2,056,823</u>
 Total MOE Expenditures	 <u>\$ 3,559,334</u>
 Measure M2 Local Fair Share Expenditures (Schedule 4):	
Fairmont At Mustang Fields	\$ 61,035
Street/Pavement Maintenance Program	719,275
Traffic Calming	161,351
Traffic Signal Timing	23,333
Yorba Linda Widening - La Palma to SR91	<u>16,403</u>
 Total Measure M2 Local Fair Share Expenditures	 <u>\$ 981,397</u>
 Total MOE and Measure M2 Local Fair Share Expenditures	 <u>\$ 4,540,731</u>

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



# CITY of YORBA LINDA

## FINANCE DEPARTMENT

March 2, 2022

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 Yorba Linda as of and for the fiscal year ended June 30, 2021.

### Procedure #3

Select a sample of MOE expenditures from the Eligible Jurisdiction'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:** City of Yorba Linda reported \$3,199,913 in MOE direct expenditures. Through inspection of the City's general ledger detail, Crowe identified \$470,426 of direct costs that should have been reported as indirect costs. We selected 25 direct MOE expenditures totaling \$1,216,002 for testing, which represented approximately 45% of direct MOE expenditures of \$2,729,460 for the fiscal year ended June 30, 2021. There were no exceptions resulting from the direct expenditures tested. Through procedure #4, Crowe determined the total amount of \$829,848 in indirect costs was not supported by a reasonable and appropriate methodology. As a result, this amount is considered disallowed, and should be removed from the total MOE expenditures. However, after removing these expenditures from total MOE expenditures, the City of Yorba Linda (Yorba Linda) continued to meet the MOE benchmark requirement. No other exceptions were found as a result of this procedure.

### City's Response:

The amount classified as indirect costs and later identified as direct costs, represent expenditures allocated per the former Public Works Director's methodology. The supporting documents for this methodology are no longer available. The City is currently working with an outside consultant on a Cost Allocation Plan. We will work with our consultant to produce a plan to calculate indirect costs related to MOE. The City will only charge indirect costs once a cost allocation plan has been developed. The City will report the direct and indirect costs in the correct categories going forward.

### Procedure #4

Identify whether 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:** We selected 25 indirect MOE costs for inspection with a total amount of \$252,936 representing 30% of the total indirect MOE costs of \$829,848. Through inspection of supporting documentation, Crowe determined all indirect expenditures (100%) were considered disallowed due to the City's inability to provide support for a



# CITY of YORBA LINDA

## FINANCE DEPARTMENT

reasonable and appropriate methodology. As a result, the total amount of indirect costs should be removed from the total MOE expenditures.

### City's Response:

The City's methodology for calculating indirect MOE expenditures was produced by the City's previous Public Works Director. His records to back up the percentages reflected in staff's work papers are no longer available. The City, with the help of an outside consultant, is currently preparing a Cost Allocation Plan. We will make sure to address indirect costs related to MOE in this study. The City will only charge indirect costs once a cost allocation plan has been developed. The City will report the direct and indirect costs in the correct categories going forward.

### **Procedure #7**

Obtain the Eligible Jurisdiction's Seven-Year Capital Improvement Program (CIP). Compare the projects listed on the Eligible Jurisdiction'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 Eligible Jurisdiction'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 Eligible Jurisdiction's Seven-Year CIP and are properly classified as Measure M2 Local Fair Share projects.

Findings: We selected 8 Measure M2 Local Fair Share direct expenditures for inspection totaling \$752,361, representing approximately 77% of total Measure M2 direct Local Fair Share expenditures of \$981,397, for the fiscal year ended June 30, 2021. When comparing the projects listed on the Eligible Jurisdiction's Expenditure Report (Schedule 4) to the Seven-Year CIP, one expenditure in the amount of \$58,049, relating to Fairmont at Mustang Field Project, was not listed on the City's Seven-Year CIP. No other exceptions were found as a result of this procedure.

### City's Response:

Funds were first appropriated for Fairmont at Mustang Fields project in the City's Seven Year CIP in FY 17/18. The project funds were then carried over for several years until construction was completed in FY 20/21. The City's submittal of the OCTA Fundtracker Database annual CIP project list included the Fairmont at Mustang Fields in each of the carryover years between FY 18/19 and FY 19/20 (see attached). The project was inadvertently excluded from the City's Seven Year CIP in FY 20/21, but the project funds were noted as carryover in the prior year submittal (FY 19/20) of the Annual OCTA Fundtracker Database. The City will include all eligible projects in the City's Seven Year CIP going forward.

Mark Pulone, City Manager

Dianna Honeywell, Finance Director / City Treasurer

Jamie Lai, Public Works Director / City Engineer