



January 25, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2021-22 Single Audit and Agreed-Upon Procedures Reports

Overview

The Orange County Transportation Authority is required to obtain an independent auditor's opinion on its compliance with requirements of major federal programs. Crowe LLP, an independent accounting firm, has issued the required Single Audit Report with its opinion on the Orange County Transportation Authority's compliance with major federal programs. In addition, reports have been issued on the results of agreed-upon procedures applied by Crowe LLP, to assist management in determining compliance with certain state, federal, and local requirements.

Recommendations

- A. Receive and file the fiscal year 2021-22 Single Audit and agreed-upon procedures reports, and management responses (as applicable) as information items.
- B. Direct staff to implement two auditor recommendations related to excess transfers of State Transit Assistance funds to the Orange County Transit District and complete preparation of the Schedule of Expenditures of Federal Awards.
- C. Direct staff to implement management responses to auditor findings in the application of agreed-upon procedures related to the National Transit Database Report, the Treasury Department, and the Measure M2 Status Report.

Background

Pursuant to Section 28770 of the Public Utilities Code, the Orange County Transportation Authority (OCTA) prepares an annual set of financial statements presenting its results of operations and financial position at fiscal year-end. Crowe LLP (auditors) completed its annual audit of OCTA's financial statements and results were presented to the Board of Directors on December 13, 2021, along with the auditor's report on internal control over financial reporting.

In addition to the financial statement audits, the auditors are engaged to perform audits related to the following:

- Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,
- OCTA's Treasury and Investment function,
- Renewed Measure M2 Transportation Investment Plan,
- Special District and Transit District Reporting Requirements, as specified by the California State Controller, and
- Section 1.5 of Article XIII B of the California Constitution, with procedures specified by the League of California Cities in Article XIII B Appropriations Limitation Uniform Guidelines.

The audits were performed under current accounting and auditing standards, including generally accepted auditing standards, and the standards set forth for audits in the Government Accountability Office's Government Auditing Standards (as amended).

Discussion

The following reports included findings and recommendations.

The Single Audit Report on Federal Awards was audited as required by the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and an unmodified opinion was issued. The auditors identified two findings during the audit. One finding related to the transfer of State Transit Assistance (STA) funds to the Orange County Transit District (OCTD) in excess of operating expenses for the fiscal year. The excess amount was returned to the STA fund and the auditors recommended management implement quarterly reviews of STA fund allocations to ensure compliance with Title 21 Section 6634. Management agreed and indicated that controls have been implemented. A second finding related to timely review of subrecipient activity and expenditures included on the

Schedule of Expenditures of Federal Awards (SEFA) to ensure proper statement of amounts. The auditors recommended management strengthen the SEFA review process. Management agreed and indicated that the SEFA review process will be enhanced and centralized within the Accounting Department going forward.

In addition, results of procedures applied to the National Transit Database (NTD) report identified some discrepancies in reporting of passenger miles traveled in some of the samples tested. Management advised that checks of data are performed and that the variances identified are well within acceptable precision ranges for NTD reporting.

Results of procedures applied to the Treasury Department noted that two monthly reconciliations prepared for the 91 Express Lanes and Construction in Progress funds were approved four days later than dictated by procedures. Management committed to improve the timeliness of these reconciliation approvals.

Results of procedures applied to the Measure M2 Status Report noted an over-accrual of \$1,317,605 related to one expenditure tested. Management agreed to strengthen internal controls over expenditure accruals and to add an additional level of review to ensure expenditure accruals are properly recorded.

No additional findings or recommendations were made related to the agreed-upon procedures reports attached herewith.

Summary

Crowe LLP has completed the required Single Audit Report of OCTA for the year ended June 30, 2022, as well as provided reports on the results of agreed-upon procedures applied to determine compliance with certain state, federal, and local requirements.

Attachments

- A. Orange County Transportation Authority Single Audit Year ended June 30, 2022
- B. Orange County Transportation Authority Agreed-Upon Procedures Performed with Respect to the National Transit Database Report June 30, 2022
- C. Orange County Transportation Authority Independent Accountant's Report on Applying Agreed-Upon Procedures with Respect to the Treasury Department Year ended June 30, 2022

- D. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Measure M2 Status Report, Year Ended June 30, 2022
- E. Orange County Transportation Authority Independent Accountant's Report on Applying Agreed Upon Procedures Related to Article XIII-B Appropriations Limit Calculation For the fiscal year ended June 30, 2022
- F. Orange County Local Transportation Authority Independent Accountant's Report on Applying Agreed Upon Procedures Related to Article XIII-B Appropriations Limit Calculation For the fiscal year ended June 30, 2022

Approved by:



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

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

SINGLE AUDIT
Year ended June 30, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
Orange, California

SINGLE AUDIT
Year ended June 30, 2022

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE.....	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Orange County Transportation Authority
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated November 16, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of the State of California Transportation Development Act (TDA), Title 21 of the California Code of Regulations, Public Utilities Code Section 99245, and California Government Code §8879.50 (collectively "Transportation Development Act"), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the Transportation Development Act.

OCTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on OCTA's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. OCTA's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Costa Mesa, California
November 16, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Orange County Transportation Authority
Orange, California

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Orange County Transportation Authority's (OCTA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on OCTA's major federal program for the year ended June 30, 2022. OCTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of OCTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to OCTA's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on OCTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about OCTA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding OCTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of OCTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated November 16, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Costa Mesa, California
December 21, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Grant/Pass-Through Identification Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster:				
Federal Transit - Capital Improvement Grants	20.500	Multiple	\$ 23,349,185	\$ -
COVID-19 - Federal Transit - Capital Improvement Grants	20.500	CA-2022-024	9,407,272	-
Federal Transit - Formula Grants	20.507	Multiple	72,511,715	-
COVID-19 - Federal Transit - Formula Grants	20.507	Multiple	201,378,430	3,504,231
State of Good Repair Program	20.525	Multiple	5,367,514	-
Bus and Bus Facilities Formula Program	20.526	Multiple	7,064,074	-
Total Federal Transit Cluster			319,078,190	3,504,231
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-2021-190	2,291,380	-
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	Multiple	782,616	-
Job Access and Reverse Commute Program	20.516	CA-37-X113	376,620	346,869
Total Transit Services Programs Cluster			3,450,616	346,869
Passed Through California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	Multiple	17,553,690	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	RGA 74A1147	19,527	-
Total U.S. Department of Transportation			340,102,022	3,851,100
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Hazard Mitigation Grant Program	97.039	059-91032	38,628	-
Office of Security Operations:				
National Explosives Detection Canine Team Program	97.072	OCTA2020OTA-NCP459	150,302	-
Total U.S. Department of Homeland Security			188,930	-
Total Expenditures of Federal Awards			\$ 340,290,952	\$ 3,851,100

See accompanying notes to the schedule of expenditures of federal awards.

ORANGE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents only the expenditures incurred by OCTA that are reimbursable under federal programs of federal financial assistance for the year ended June 30, 2022. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by OCTA from a non-federal agency or other organization. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. OCTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) PROGRAM LOAN

In July 2017, OCTA executed a TIFIA loan agreement with the United States Department of Transportation in an amount not to exceed \$628,930,000 to finance a portion of OCTA's I-405 improvement project. There were no TIFIA draws during the fiscal year ended June 30, 2022. On September 9, 2021, OCTA prepaid the amount of funds drawn to date on the TIFIA Loan, plus accrued interest, totaling \$314,000,000 to the United States Department of Transportation to close the transaction.

ORANGE COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X No

Significant deficiencies identified not considered to be material weaknesses?

 Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major federal programs:

Federal Assistance Listing Number

Name of Federal Program or Cluster

20.500 / 20.507 / 20.525 / 20.526

Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

 X Yes No

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

**Finding 2022-001 – Financial Accounting and Reporting for State Transit Assistance Fund
(Material Weakness)**

Criteria

State Transit Assistance Funds (STAF) and Local Transportation Funds (LTF) are subject to compliance with the Transportation Development Act (TDA) requirements which includes Title 21 section 6634 of the California Code of Regulations(CCR). Section 6634 (a) indicates no operator or transit service claimant shall be eligible to receive moneys during the fiscal year from the local transportation fund and the state transit assistance fund for operating costs in an amount that exceeds its actual operating cost less fare revenues, local support, federal operating assistance, and other amounts as described in CCR Section 6634.

Condition

OCTA functions as both the transportation planning agency and claimant (operator) for the County of Orange. As such, OCTA receives LTF and STAF monies into the respective special revenue funds. These monies are then transferred in accordance with TDA requirements to the Orange County Transit District (OCTD), as the claimant, to be used in operations or capital activities. The OCTD fund received excess allocation of operating monies resulting in a transfer back to STAF in the amount of \$16,219,881.

Cause

OCTA performs a quarterly review of transfers of TDA monies from the LTF fund and STAF fund to the OCTD fund in order to evaluate compliance with TDA laws and regulations. The calculation review process included a review of LTF allocations in compliance with 21 CCR 6634 but this review did not encompass STAF allocations. This gave rise to STAF allocations in excess of eligible amounts.

Effect

The OCTD fund was required to return excess STAF allocations in the amount of \$16,219,881 to the STAF fund.

Recommendation

Crowe recommends that OCTA amend their quarterly review of TDA allocations to include a review of both LTF and STAF allocations for compliance with Title 21 CCR 6634.

Management's Response

Management agrees with the recommendation and has implemented a control to discontinue systematic transfers from the STAF fund to OCTD fund. It was anticipated there would be sufficient expenditures to claim the entire STAF allocation this fiscal year, however expenditures for OCTD underann the budget by \$20 million for the year, which led to a shortfall of expenditures to claim. Going forward, staff will perform a quarterly review of TDA allocations to include both LTF and STAF allocations to ensure all transfers have corresponding eligible expenditures. Separately, in March 2022, the Board approved a new reserve policy that would reserve excess revenues in a long-term operating reserve. Staff has been working with the State to allow for the establishment of reserve funds to be eligible for purposes of claiming funds consistent with this new OCTA policy. The State has indicated that this would be acceptable so staff will continue to work with the State on updating the guidelines to specifically allow transfers for this purpose.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

Finding 2022-002 – Preparation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Criteria

2 CFR 200.510 (b) requires "...the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements which must include the total federal awards expended. At a minimum, the schedule must (3) provide total federal awards expended for each individual federal program and the [related] Assistance Listings Number... (4) include the total amount provided to subrecipients from each Federal Program." In addition, the auditee should ensure they have proper internal controls to ensure that the SEFA is fairly stated in relation to the financial statements.

Condition

During our review of the SEFA provided by management it was noted that the SEFA did not include presentation of expenditures passed through to subrecipients. There were approximately \$3.5 million in expenditures to subrecipients for the Federal Transit Cluster that were excluded. Additionally, the SEFA overstated expenditures for the Federal Transit Cluster by approximately \$1 million as a result of accruing expenditures which had already been recognized during the year and \$4.5 million as a result of missing an accrual and recognizing in the prior year.

Cause

Management's review of the SEFA did not include timely review of subrecipient activity. Additionally, management's review of expenditures included on the SEFA was not conducted at a precision sufficient to identify duplicate expenditures or amounts requiring accrual.

Effect

As a result, the expenditures presented as passed through to subrecipients on the SEFA for the Federal Transit Cluster were understated by approximately \$3.5 million. Additionally, the total expenditures on the SEFA for the Federal Transit Cluster were overstated by approximately \$5.5 million.

Recommendation

We recommend that management strengthen their review process over the SEFA to ensure that all expenditures are appropriately and accurately reflected and that all minimum requirements as noted in 2 CFR 200.510 (b) are met.

Management's Response

Management agrees with the recommendation and management will strengthen the review process for the SEFA. There are multiple departments that provide input to the SEFA but going forward the responsibility for developing the SEFA will be centralized within the Accounting Department. The Accounting Department will coordinate with all other OCTA departments to ensure the accuracy and completeness of the SEFA and will implement an appropriate level of review. In addition, the Accounting Department will add a secondary review of grant revenue accruals provided by the Revenue Department to ensure timeliness and accuracy of the accrual information.

(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

ORANGE COUNTY TRANSPORTATION AUTHORITY
AGREED-UPON PROCEDURES PERFORMED
WITH RESPECT TO THE NATIONAL TRANSIT DATABASE REPORT
June 30, 2022

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Transportation Authority
Orange, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the Orange County Transportation Authority (OCTA) annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about OCTA's operations.

We have performed the procedures included in the declarations section of the *2022 NTD Policy Manual* and described in Attachment 1 of this report for the year ended June 30, 2022 solely to assist you in evaluating whether OCTA complied with the standards described above and that the information included in the NTD report FFA-10 form for the year ended June 30, 2022, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630 and as presented in the *2022 NTD Policy Manual*. OCTA's management is responsible for OCTA's compliance with those standards and the accuracy of the FFA-10 form.

(Continued)

OCTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose described above. 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 findings described in Attachment 1 of this report, which are referenced in order to correspond to the *2022 NTD Policy Manual* procedures, were applied separately to each of the information systems used to develop the reported vehicle revenue miles (VRM), passenger miles (PM), fixed guideway directional route miles (FG DRM), High Intensity Bus Lanes directional route miles (HIB DRM), and operating expenses of OCTA for the year ended June 30, 2022, and for each of the following modes: (1) Motor Bus – Directly Operated (MBDO), (2) Commuter Bus - Directly Operated (CBDO), (3) Motor Bus - Purchased Transportation (MBPT), (4) Commuter Bus - Purchased Transportation (CBPT), (5) Demand Response - Purchased Transportation (DRPT), (6) Demand Response - Purchased Transportation – Taxi (DRTX) and (7) Vanpool Service - Purchased Transportation (VPPT).

We were engaged by OCTA 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 compliance with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630 and as presented in the *2022 NTD Policy Manual* or on the FFA-10. 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 OCTA 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 OCTA, Management'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 below. Accordingly, we did not perform any procedures on Management's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of OCTA management, OCTA Board of Directors and the FTA and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California
November 16, 2022

- a. The procedures to be applied to each applicable mode and TOS (Directly Operated, Purchased Transportation, Transportation Network, and Taxi) are: Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630 and as presented in the *2022 NTD Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

Finding: We obtained and read a copy of OCTA's written instructions for Passenger Counting and Reporting (PCR) schedule generation. Furthermore, based on inquiry surrounding collection, retention and reporting of NTD data, we noted that OCTA maintains and followed sets of both formal and informal procedures, in accordance with NTD requirements and definitions set forth in 49 CFR Part 630 and as presented in the *2022 NTD Policy Manual*. No exceptions were noted as a result of this procedure.

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis; and
 - Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630 and as presented in the *2022 NTD Policy Manual*.

Finding: We inquired regarding OCTA's procedures for the MBDO, CBDO, MBPT, CBPT, DRPT, DRTX, and VPPT services, and were informed that there were both formal and informal procedures followed on a consistent and continual basis. In addition, based on our inquiry with the Business Unit Analyst of the Transit Division, Senior Schedule Analyst and Program Management Analyst of the Vanpool Program management asserted that the procedures resulted in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630 and as presented in the *2022 NTD Policy Manual*. No exceptions were noted as a result of this procedure.

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

Finding: We inquired with the Business Unit Analyst of the Transit Division, Senior Schedule Analyst and Program Management Analyst of the Vanpool Program regarding OCTA's retention policy for source documents supporting NTD data reported on the Federal Funding Allocation Statistics form. Per inquiry, the current practice is to retain electronic data for seven years. No exceptions were noted as a result of this procedure.

- d. Based on a description of the transit agency's procedures from items (A) and (B) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Finding: We inspected the following source documents for each type of service, selected three months out of the year and determined that the documents existed for each of these periods, which are further described in the table below.

ATTACHMENT 1

Type of Service	Source Document	Months Inspected
MBDO	<ul style="list-style-type: none"> • Scheduled Daily Line Summaries • Automatic Passenger Counting (APC) Summaries & underlying detail 	<ul style="list-style-type: none"> • <i>August 2021</i> • <i>February 2022</i> • <i>April 2022</i> • Three years of data were noted to be archived on OCTA's network
CBDO	<ul style="list-style-type: none"> • Scheduled Daily Line Summaries • Automatic Passenger Counting (APC) Summaries & underlying detail • In response to the decreased ridership, resulting from the COVID-19 pandemic, OCTA put this modes' public transportation services into temporary non-operational status for reporting year 2021 and 2022. As such, there was no source documentation for us to observe for these years. 	<ul style="list-style-type: none"> • Data was noted to be archived on OCTA's network for reporting year 2020. • For reporting year 2021 and 2022 this procedure was not applicable as described in commentary to the left.
MBPT	<ul style="list-style-type: none"> • Scheduled Daily Line Summaries • Automatic Passenger Counting (APC) Summaries 	<ul style="list-style-type: none"> • <i>August 2021</i> • <i>February 2022</i> • <i>April 2022</i> • Three years of data were noted to be archived on OCTA's network
CBPT	<ul style="list-style-type: none"> • Scheduled Daily Line Summaries • Automatic Passenger Counting (APC) Summaries • In response to the decreased ridership, resulting from the COVID-19 pandemic, OCTA put this modes' public transportation services into temporary non-operational status for reporting year 2021 and 2022. As such, there was no source documentation for us to observe for these years. 	<ul style="list-style-type: none"> • Data was noted to be archived on OCTA's network for reporting year 2020. • For reporting year 2021 and 2022 this procedure was not applicable as described in commentary to the left.

(Continued)

ATTACHMENT 1

Type of Service	Source Document	Months Inspected
DRPT	<ul style="list-style-type: none"> • Contractor Provided NTD Program Data Reports • Driver Manifests • ACCESS - Passenger and Mileage Summaries 	<ul style="list-style-type: none"> • <i>August 2021</i> • <i>December 2021</i> • <i>February 2022</i> • Three years of data were noted to be archived on OCTA's network.
DRTX	<ul style="list-style-type: none"> • Contractor Provided NTD Program Data Reports • Same Day Taxi - Passenger and Mileage Summaries • Supplemental ACCESS Program Data • Vendor Invoices 	<ul style="list-style-type: none"> • <i>August 2021</i> • <i>December 2021</i> • <i>February 2022</i> • Three years of data were noted to be archived on OCTA's network.
VPPT	<ul style="list-style-type: none"> • Monthly Ridership Reports • Passenger Trips and Miles • Revenue Miles Summaries • VPID Ridership Detail Data • Vendor Invoices 	<ul style="list-style-type: none"> • <i>September 2021</i> • <i>December 2021</i> • <i>March 2022</i> • Three years of data were noted to be archived on OCTA's network.

No exceptions were noted as a result of this procedure.

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Finding: We inquired regarding the system of internal controls, noting that each respective mode/type of service is being reviewed by personnel independent of the preparation process. It was noted that review is performed on a monthly basis and again at year-end for the DRPT, DRTX and VPPT modes. Review is performed on a yearly basis for the MBDO, CBDO, MBPT, CBPT modes. No exceptions were noted as a result of this procedure.

- f. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Finding: We selected a sample of 40 random Drivers Manifests for the DRPT service, and 8 Invoices for DRTX services, noting supervisory signatures documenting reviews of the data presented in the various services, without exception. For VPPT, we sampled 3 months of vendor invoices, for which we noted the existence of supervisory electronic signatures. For MBDO and MBPT, we viewed the approval log for the yearly review of all source documents within OCTA's NTD reporting system noting no exceptions. For CBDO and CBPT, this procedure was deemed not applicable since the modes were in non-operational status for the entire reporting year.

ATTACHMENT 1

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Finding: We obtained the worksheets utilized by OCTA to transcribe statistics to the Federal Funding Allocation Statistics (FFA-10) form and compared the data to summaries without exception for the MBDO, MBPT, DRPT, DRTX and VPPT services. We recomputed the arithmetical accuracy of the summaries without exception. This procedure was not applicable to the CBDO and CBPT modes as they were in non-operational status during the entire year.

- h. Discuss the procedure for accumulating and recording Passenger Miles Traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2022 NTD Policy Manual*.

Finding: OCTA utilizes Automatic Passenger Counting (APC) software to collect the necessary information for annual reporting of PMT data for MBDO, MBPT, CBDO, and CBPT. The use of APC as the method for accumulating and reporting PMT data, is in accordance with the requirements of the *2022 NTD Policy Manual*.

The remaining three modes of services (DRPT, DRTX, and VPPT) do not involve the use of APC software, nor sampling to estimate PMT. These modes use a 100% count of actual Passenger Miles and compilations of actual Revenue Miles, which are in accordance with the *2022 NTD Policy Manual*. No exceptions were noted as a result of this procedure.

- i. Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- The public transit agency serves an UZA with a population less than 500,000 according to the most recent census.
 - The public transit agency directly operates fewer than 100 revenue VOMS (in any size UZA).
 - Service purchased from a seller is included in the transit agency's NTD report.
 - For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95 percent confidence and ± 10 percent precision requirements.
 - Determine how the transit agency estimated annual PMT for the current report year.

Finding: Not applicable - OCTA did not meet the specific requirements per the criteria above. Therefore, the procedure identified above is not applicable.

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

ATTACHMENT 1

Finding: For MBDO, CBDO, MBPT, and CBPT, the transit agency uses Automatic Passenger Counter (APC) software to systematically collect and report 100% of PMT, thus no sampling is involved. For DRPT, DRTX, and VPPT, the transit agency counts 100% of PMT, and thus there is no sampling involved. We obtained a copy of OCTA's working papers used to calculate PMT for MBDO, MBPT, DRPT, DRTX, and VPPT and we determined that the actual procedures used by OCTA were consistent with their adopted methodologies. The CBDO and CBPT modes were in non-operational status for the fiscal year and as such there were no working papers to obtain. No exceptions were noted as a result of this procedure, as we noted the applied sampling methodologies were in accordance with the authoritative guidance of the FTA.

- k. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summary.

Finding: For MBDO, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 33,657 miles. Attached within Exhibit 1 is Management's response to the finding described above.

For CBDO, this procedure is not applicable since the mode is in non-operational status.

For MBPT, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 519 miles. No other exceptions were found as a result of this procedure. Attached within Exhibit 1 is Management's response to the finding described above.

For CBPT, this procedure is not applicable since the mode is in non-operational status.

For DRPT, we selected 40 routes performed during July 2021, October 2021 and April 2022 and compared the PMT reported against the signed driver manifests. We recomputed the mathematical accuracy of the trip sheets and observed all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a variance in PMT for 19 of the 40 routes sampled, resulting in a net variance of 529 miles. No other exceptions were found as a result of this procedure. Attached within Exhibit 1 is Management's response to the finding described above.

For DRTX, we randomly selected 3 of the 12 months of vendor provided PMT data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

For VPPT, we selected all 12 months of vanpool participation logs for the year. We ensured the mathematical accuracy of PMT for each of those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

- l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual VRM with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Finding: The procedure identified above is not applicable. Per inquiry with various key-personnel assigned responsibility for NTD reporting, OCTA did not provide charter or school bus services.

ATTACHMENT 1

m. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.

Finding: For the MBDO, MBPT, CBDO, and CBPT modes, missed trips are calculated as the difference between schedule vehicle mileage, minus the actual mileage recorded by the on-board APC software. These missed trips are automatically deducted from the scheduled vehicle miles to arrive at actual vehicle revenue miles. We compared the AVRMs data recorded by the APC data, to that recorded by OCTA and reported to NTD for the entire year, noting no discrepancies for the MBDO and MBPT modes. The CBDO and CBPT modes had no data recorded due to being in non-operational status.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.

Finding: For the VPPT mode, deadhead miles are automatically excluded because only commuter miles are factored into the calculation of Revenue Mileage and the results are reviewed by the Program Management Analyst of the Vanpool Program. Upon inspection of the underlying source documentation for actual VRMs, it was noted that the Vanpool software used to collect, maintain, and report VRM was using total odometer miles in the report, as opposed to VRM. Through our recalculation, Crowe noted no errors.

- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Finding: For the DRPT mode, Revenue Miles are calculated based on the odometer readings from the first pickup to the last drop off. There are no deadhead miles included in the Revenue Miles calculations due to the nature of the service being comprised of non-dedicated trips. No exceptions were noted as a result of this procedure.

For the DRTX mode, Revenue Miles are calculated by the contractors based on pick up and drop off data entered into the scheduling software. Revenue Miles data is uploaded to the OCTA database and compared to the scheduling data for quality assurance. There are no deadhead miles since these are non-dedicated taxi trips, and accordingly, Revenue Miles for each trip are recorded. No exceptions were noted as a result of this procedure.

n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Finding: The procedure identified above is not applicable as OCTA does not provide rail service.

o. If Fixed Guideway (FG) or High Intensity Busway Directional Route Miles (HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA definition of FG or HIB in that the service is:

- Rail, Trolleybus (TB), Ferryboat (FB), or Aerial Tramway (TR); or
 - Bus (MB, CB, or RB) service operating over exclusive or controlled access rights-of-way (ROW); and
-

(Continued)

ATTACHMENT 1

- i. Access is restricted;
- ii. Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway; and
- iii. Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., Vanpools (VP), carpools) must demonstrate safe operation.

Finding: We interviewed the Business Unit Analyst of the Transit Division and determined that OCTA's Motor Bus services operate over HIB lanes that appear consistent with the FTA's definition of HIB lanes. No exceptions were noted as a result of this procedure.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Finding: Per inquiry, we determined that the mileage was computed in accordance with the FTA definitions of FG/HIB DRM. We were informed that there were no increases or decreases in DRMs during the year. No exceptions were noted as a result of this procedure.

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
 - Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
 - If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.

Finding: Per inquiry with the Business Unit Analyst of the Transit Division, there were no temporary interruptions in transit service during the report year attributable to maintenance or rehabilitation improvements to the Fixed Guideway segments. No exceptions were noted as a result of this procedure.

- r. Measure FG/HIB DRM from maps or by retracing route.

Finding: We recalculated the length of all HIB directional routes for the MBDO mode of service, using publicly available maps without exception. The MBPT, DRPT, DRTX, and VPPT modes do not operate over HIB lanes. We did not perform this procedure for the CBDO and CBPT modes, since there were no FG/HIB DRM reported into the current year, due to the modes residing in non-operational status for the entire year. No exceptions were noted as a result of this procedure.

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and Operating Expense (OE) for the service operated over the same FG/HIB.

Finding: We interviewed the Business Unit Analyst of the Transit Division and noted that OCTA shares service over the same FG/HIB. Each agency receives their correct apportionment, evidenced by reconciliation with other agencies and the Southern California Association of Governments (SCAG), as to not double count DRM's on the FFA-10 forms of OCTA and Riverside Transit Agency (RTA). No exceptions were noted as a result of this procedure.

ATTACHMENT 1

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2022 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2022 report year, the Agency Revenue Service Date must occur within the transit agency's 2022 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.

Finding: We interviewed the Business Unit Analyst of the Transit Division and noted there were no new segments added, removed, or amended during the year. No exceptions were noted as a result of this procedure.

- u. Compare Operating Expenses with audited financial data after reconciling items are removed.

Finding: Operating expenses were compared to the trial balance subject to audit without exception.

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation-generated fare revenues. The purchased transportation fare revenues should equal the amount reported on the Contractual Relationship form.

Finding: Per inquiry and inspection, we determined that the transit agency purchased transportation services. We then identified the Purchased Transportation fare revenues reported on the Contractual Relationship forms and agreed the amounts to the general ledger without exception.

- w. If the transit agency's report contains data for purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

Finding: The data for purchased transportation are included in the reporting by OCTA, and therefore, no IAS for the purchased transportation services is included. No exceptions were noted as a result of this procedure.

- x. If the transit agency purchases transportation services, obtain a copy of the purchased transportation contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

Finding: We inspected the MBPT, CBPT, DRPT, DRTX and VPPT service contracts and determined that they contained the items noted above without exception. We inquired with the Business Unit Analyst of the Transit Division, Senior Schedule Analyst, and Program Management Analyst of the Vanpool Program regarding OCTA's retention policy for executed contracts for purchased transportation programs. Per inquiry, the current retention practice of seven years meets NTD requirements of a minimum of three years. No exceptions were noted as a result of this procedure.

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Finding: Per inquiry, OCTA provides services in more than one UZA but does not provide services to non-urbanized areas. Allocations to urbanized areas are based on trip pattern analysis. The number of yearly trips per pattern is multiplied by the number of miles determined for each UZA. We recalculated 5 UZA allocations for mathematical accuracy for the MBDO and MBPT services, with no exceptions noted. We did not perform this procedure for the CBDO and CBPT modes, due to the modes residing in non-operational status for the entire year. We did not perform this procedure for the DRPT, DRTX, and VPPT modes because they do not report on FG. No exceptions were noted as a result of this procedure.

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Finding: The following fluctuations were noted on the FFA-10 Form:

MBDO:

- A 11.25% increase in Vehicle Revenue Miles (VRM).
- A 12.37% increase in Vehicle Revenue Hours (VRH).
- A 22.18% increase in Passenger Miles Traveled (PMT).
- A 31.23% increase in Unlinked Passenger Trips (UPT).
- A 18.90% increase in Non-fixed Guideway Passenger Miles Travelled (NFG PMT).

Per inquiry, these changes resulted from restoration of the service on one of OCTA's freeway carpool routes that this mode operates over and frequency of schedule trips over this route.

CBDO:

- CB mode was non-operational for both this reporting year and the previous reporting year, therefore, no data is available.

MBPT:

- A 13.15% increase in Vehicle Revenue Miles (VRM).
- A 16.82% increase in Vehicle Revenue Hours (VRH).
- A 35.27% increase in Passenger Miles Traveled (PMT).
- A 42.76% increase in Unlinked Passenger Trips (UPT).
- A 17.38% increase in Operating Expense (OE).
- A 13.15% increase in Non Fixed Guideway Vehicle Revenue Miles (NFG VRM).
- A 35.27% increase in Non Fixed Guideway Passenger Miles Traveled (NFG PMT).
- A 17.38% increase in Non Fixed Guideway Operating Expense (NFG OE).

Per inquiry, these changes resulted from restoration of various motor bus routes which caused an increase in ridership.

CBPT:

- CB mode was non-operational for both this reporting year and the previous reporting year, therefore, no data is available.

ATTACHMENT 1

DRPT:

- A 34.22% increase in Vehicle Revenue Hours (VRH).
- A 88.71% increase in Unlinked Passenger Trips (UPT).
- A 34.04% increase in Non Fixed Guideway Vehicle Revenue Miles (NFG VRM).
- A 93.48% increase in Non Fixed Guideway Passenger Miles Traveled (NFG PMT).
- A 27.24% increase in Non Fixed Guideway Operating Expenses (NFG OE).

Per inquiry, these changes resulted from prior restrictions due to the COVID-19 pandemic being lifted or reduced which promoted programs and organizations that service the paratransit communities to re-open and initiate upward trends of demand.

DRTX:

- A 141.42% increase in Vehicle Revenue Hours (VRH).
- A 39.51% increase in Unlinked Passenger Trips (UPT).
- A 220.68% increase in Non Fixed Guideway Vehicle Revenue Miles (NFG VRM).
- A 212.80% increase in Non Fixed Guideway Passenger Miles Traveled (NFG PMT).
- A 170.40% increase in Non Fixed Guideway Operating Expenses (NFG OE).

Per inquiry, these changes resulted from prior restrictions due to the COVID-19 pandemic being lifted or reduced which promoted programs and organizations that service the paratransit communities to re-open and initiate upward trends of demand.

VPPT:

- Per data change comparison, all data resulted in a percent change within the threshold of increase or decrease by 10 percent.

No exceptions were noted as a result of this procedure.

ATTACHMENT 1

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by FTA.

Finding: We have documented the procedures followed based on the FTA *2022 NTD Policy Manual* Exhibit 79 - Federal Funding Allocation Data Review - Suggested Procedures, and noted the documents inspected and tests performed in our workpapers. Additional procedures were not performed.



AFFILIATED AGENCIES

Orange County
Transit District

Local Transportation
Authority

Service Authority for
Freeway Emergencies

Consolidated Transportation
Service Agency

Congestion Management
Agency

Service Authority for
Abandoned Vehicles

November 16, 2022

Members of the Board of Directors
Orange County Transportation Authority
550 S. Main Street
P.O. Box 14184
Orange, CA 92863-1584

The following response is being submitted to address results from the agreed upon procedures performed for the National Transit Database (NTD) as of, and for, the fiscal year ended June 30, 2022.

Procedures K – Demand Response–Purchased Transportation (DRPT) Mode

Select a random sample of the source documents for accumulating Passenger Miles Traveled (PMT) data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Finding: For DRPT, we selected 40 routes performed during July 2021, October 2021 and April 2022 and compared the PMT reported against the signed driver manifests. We recomputed the mathematical accuracy of the trip sheets and observed all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a variance in PMT for 19 of the 40 routes sampled, resulting in a net variance of 529 miles. No other exceptions were found as a result of this procedure.

Management's Response: OCTA Operations and Finance & Administration Division staff perform detailed reconciliation of operational data as part of the monthly billing procedures. This reconciliation process utilizes various automated and manual checks that identify potential trip and run level errors that both OCTA and the contractors must review, resolve, and approve before finalizing the invoice payment for the reporting period. Although there may be some erroneous values found in the paper trip sheets, as they are manually recorded, the paper trip sheets are compiled as a redundancy to the data generated by mobile data terminals (MDTs) within the vehicles. The data generated by MDTs are reviewed as part of the reconciliation process prior to finalizing the billing summaries.

Therefore, the variances noted in the driver trip sheets do not affect reporting as other sources of data are involved in the finalization of both billing and the required NTD statistics. Lastly, the 529 miles against the total annual reported 6,504,103 miles results in a variance of 0.0081 percent which is within an acceptable precision range for NTD reporting.

Procedure K – Motor Bus Directly-Operated (MBDO) and Motor Bus Purchased Transportation (MBPT) Modes

Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Finding: For MBDO, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 33,657 miles.

For MBPT, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 519 miles. No other exceptions were found as a result of this procedure.

Management's Response: According to the OCTA APC Certification Report for FY 2022 that was reviewed and approved by the FTA, there was a ± 5.0000 percent required level of accuracy requirement for both unlinked passenger trips and passenger miles traveled. For MBDO, the 33,657 miles against the total annual reported 79,514,578 miles results in a variance of 0.0423 percent which is within the acceptable precision range for NTD reporting. For MBPT, the 519 miles against the total annual reported 35,585,334 miles results in a variance of 0.0015 percent which is within the acceptable precision range for NTD reporting.


Johnny Dunning, Jr.
Chief Operating Officer

ORANGE COUNTY TRANSPORTATION AUTHORITY

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
WITH RESPECT TO THE TREASURY DEPARTMENT**

Year ended June 30, 2022

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Transportation Authority
Orange, California

We have performed the procedures enumerated below related to the investment policies, procedures and selected activities of the Orange County Transportation Authority ("OCTA" or "the Authority") for the fiscal year ended June 30, 2022. OCTA's management is responsible for the investment policies, procedures and selected activities of the Authority.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. 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 that we performed and our findings are included in Appendix A.

We were engaged by OCTA 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 investment policies, procedures and selected activities of the Authority. 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 Authority 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 OCTA, Management'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 below. Accordingly, we did not perform any procedures on Management's responses and express no assurance or opinion on them.

(Continued)

This report is intended solely for the information and use of OCTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Crowe LLP

Costa Mesa, California
November 16, 2022

The procedures performed and associated results are as follows:

1. We conducted inquiries of personnel involved in the Treasury Department operations, obtained the Debt and Investment Management Manual and observed the procedures performed to determine whether the procedures provided for:
 - a. Transactions that are clearly documented and readily available for examination;
 - b. Transactions that are promptly recorded and properly classified;
 - c. Transactions that are authorized and executed only by persons acting within the scope of their authority;
 - d. Segregation of key duties and responsibilities in authorizing, processing, recording and reviewing;
 - e. Supervision to ensure that internal control objectives are achieved;
 - f. Limiting access to resources and records to authorized individuals and ensuring accounting for custody of resources; and
 - g. Periodic reconciliation of investments between the custodian statements and the general ledger.

Finding: No exceptions were noted as a result of this procedure. We observed the procedures performed to determine whether the procedures provided for items a.-g. by observing documented procedures in the Investment Management Manual (Manual) and determining the attributes above were provided for in the Manual.

2. We compared the Investment Policies dated June 9, 2021 and July 1, 2022 to California Government Code Section 53601 to determine compliance.

Finding: No exceptions were noted as a result of this procedure.

3. We observed system related controls to determine they were in place to appropriately limit access to cash and investment information.

Finding: We observed system related controls surrounding the Clearwater system and no exceptions were noted as a result of this procedure. Specifically, we observed that access to the system was password protected and that the user access listing was restricted to those individuals requiring access for their job duties.

4. We determined that the Investment Policy was provided to external investment managers on an annual basis. In addition, we determined whether each investment manager certified receipt of the Investment Policy with a statement agreeing to abide by its terms.

Finding: No exceptions were noted as a result of this procedure.

5. We sampled three monthly Treasury/Public Finance Department Reports on OCTA Investment and Debt Programs presented to the Finance and Administration Committee to determine whether they were provided in accordance with the Debt and Investment Management Manual (Section 2, Part C, Treasury/Public Finance Department, and Investment Reporting).

Finding: No exceptions were noted as a result of this procedure.

(Continued)

6. We selected a sample of four authorization letters (and changes to them) to investment managers, brokers, banks and custodians to determine that they were jointly authorized in writing by the Treasurer and another individual authorized by the Debt and Investment Management Manual. In addition, we inspected the letters for existence of the following attributes:
 - a. OCTA staff authorized to make investments;
 - b. Custody instructions; and
 - c. Instructions for money and security transfers.

Finding: No exceptions were noted as a result of this procedure.

7. We selected a sample of 60 investment purchases during the fiscal year ended June 30, 2022 to determine that:
 - a. The investments were in compliance with the Investment Policy;
 - b. The Treasury Department's policies and procedures with respect to investment purchases were followed;
 - c. The investments were properly recorded; and
 - d. Any investment earnings on matured investments were calculated and recorded correctly.

Finding: We inspected the investment policies obtained in procedure two and compared the policies outlined for investment purchases contained within to the sample of investments purchased during the year and noted no exceptions. We agreed Asset ID, ISIN number, Maturity date, Principal (Value), and Security Ratings to the Clearwater report to ensure proper recording of the securities. We recalculated investment earnings on matured investments and agreed to the Clearwater system. No exceptions were noted as a result of this procedure.

8. We sampled ten weekly holdings reports for each external investment manager during the fiscal year ended June 30, 2022 and determined whether they were monitored by Treasury Department personnel and were in compliance with the Investment Policy. Specifically:
 - a. We obtained the holdings report for each external manager for each week selected;
 - b. We inspected that the Treasury Department's review was documented on the holdings report;
 - c. We compared the holdings report to the Investment Policy limits and diversification guidelines to determine whether the external investment manager complied; and
 - d. We determined that any instances of noncompliance were identified and corrected by the Treasury Department and that probationary and reporting procedures were followed.

Finding: No exceptions were noted as a result of this procedure.

9. We selected a sample of three monthly bank reconciliations during the fiscal year ended June 30, 2022 and performed the following:
 - a. Traced general ledger balances and bank balances to supporting documentation;
 - b. Determine whether the reconciliations were completed within thirty days of month end;
 - c. Determine that any discrepancies were reported and resolved;
 - d. Determine that reconciliations and resolution of discrepancies were reviewed and approved by an official who was not responsible for recording receipts and disbursements; and
 - e. Determine that bank statements were mailed directly to the Accounting Department.

Finding: No exceptions were noted as a result of this procedure. We determined the items in a. - e. by observing the reconciliations contained the information listed.

10. We selected a sample of three monthly investment account reconciliations and inspected the supporting documentation to determine that:
 - a. Reconciliations were completed and approved by the end of the month following the month being reconciled, and were performed by someone who was not responsible for recording receipts and disbursements;
 - b. Discrepancies were identified and resolved;
 - c. Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions; and
 - d. Investment statements were mailed directly to the Accounting Department.

Finding: The Bank of New York Mellon is accessed using a computer login, therefore procedure (d) listed above was not applicable. For procedure a. we inspected reconciliations for the 91 Express Lanes and Construction in Progress (CIP) funds, and noted that the CIP reconciliations for the months of December 2021 and February 2022 were approved four days after the end of the month following the month being reconciled, contrary to procedures. The remainder of the procedures were performed with no exceptions noted. Attached within Exhibit 1 is Management's response to the finding described above.

11. We inspected the Treasury Department's cash forecasting documentation to determine the Department performed or prepared the following:
 - a. A day-to-day cash forecast for the current week;
 - b. Reviewed forecasts with the Funds Management Team;
 - c. Monitored actual cash flow activity versus forecast;
 - d. Maintained regular communication with external investment managers regarding OCTA cash forecast and operational needs.

Finding: No exceptions were noted as a result of this procedure. For procedure d., weekly communications were observed. We inspected monthly Investment and Debt Programs reports for required reporting of downgrades and credit watch placements.

(Continued)

12. We inspected minutes of both the Board of Directors and the Finance and Administration Committee, inquired with Treasury Department personnel, and inspected other supporting documentation to determine that the following required oversight activities took place:
- a. The Finance and Administration Committee reviewed investments on a monthly basis;
 - b. The Board of Directors reviewed investments on a quarterly basis;
 - c. The Board of Directors reviewed and approved the Investment Policy and amendments made during the fiscal year ended June 30, 2022;
 - d. The Internal Audit Department performed semi-annual reviews to determine if OCTA was in compliance with its debt, investment, and accounting policies and procedures; and
 - e. The funds management team met on a weekly basis.

Finding: No exceptions were noted as a result of this procedure. We inspected the Finance and Administration Committee meeting minutes, Board of Directors meeting minutes, semi-annual reviews performed by the Internal Audit Department, and the informational packet for the funds management team meeting noting that the above oversight activities took place.

13. We inquired whether there have been any changes in Treasury policies and procedures, organization or function, as a result of any prior year audit findings or as a result of the Treasury Department Agreed-Upon Procedures.

Finding: No exceptions were noted as a result of this procedure. Based upon our inquiry no changes in Treasury policies and procedures, organization or function were noted as a result of any prior year findings or as a result of the Treasury Department Agreed-Upon Procedures.



AFFILIATED AGENCIES

Orange County
Transit District

Local Transportation
Authority

Service Authority for
Freeway Emergencies

Consolidated Transportation
Service Agency

Congestion Management
Agency

November 16, 2022

Members of the Board of Directors
Orange County Transportation Authority
550 S. Main Street
P.O. Box 14184
Orange, CA 92863-1584

The following response is being submitted to address results from the agreed-upon procedures performed for the Treasury Department as of, and for, the fiscal year ended June 30, 2022.

Crowe selected a sample of three-monthly investment account reconciliations and inspected the supporting documentation to determine that:

- a) Reconciliations were completed and approved by the end of the month following the month being reconciled, and were performed by someone who was not responsible for recording receipts and disbursements;
- b) Discrepancies were identified and resolved;
- c) Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions.

Finding: For procedure a. we inspected reconciliations for the 91 Express Lanes and Construction in Progress (CIP) funds, and noted that the CIP reconciliations for the months of December 2021 and February 2022 were approved four days after the end of the month following the month being reconciled, contrary to procedures. The remainder of the procedures were performed with no exceptions noted.

Management's Response: Management concurs and will improve the timeliness of monthly investment account reconciliations. The monthly reconciliations will be prepared and approved by the end of the month following the month being reconciled.

Andrew Offelie
Chief Financial Officer,
Finance and Administration

Rima Tan,
Department Manager,
Accounting and Financial Reporting

**ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2022

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY

**Report on Agreed-Upon Procedures
Applied to Measure M2 Status Report**

Year Ended June 30, 2022

Table of Contents

	<u>Page</u>
Independent Accountant's Report on Applying Agreed-Upon Procedures to the Measure M2 Status Report.....	1
Measure M2 Status Report (Unaudited):	
Schedule 1 - Schedule of Revenues, Expenditures and Changes in Fund Balance	4
Schedule 2 - Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)	5
Schedule 3 - Schedule of Revenues and Expenditures Summary.....	6
Notes to Measure M2 Status Report	8
Management Response to Findings.....	13

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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 in Attachment A on the Measure M2 Status Report of the Authority. The Orange County Local Transportation Authority ("OCLTA" or "Authority") and the Taxpayers' Oversight Committee of the Authority ("TOC") (the specified parties) are responsible for the Measure M2 Status Report.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. 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 the associated findings are contained in Attachment A.

We were engaged by the Authority 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 Measure M2 Status Report. 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 Authority 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 the Authority and the TOC and is not intended to be, and should not be, used by anyone other than the specified parties.



Crowe LLP

Costa Mesa, California
December 21, 2022

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2022

The procedures and associated findings are as follows:

The Measure M2 Status Report is separated into three sections: Section A describes the procedures applied to Schedule 1; Section B describes the procedures applied to Schedule 2; and Section C describes the procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared year to date June 30, 2022 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund (Fund 17) and the OCLTA Debt Service Fund (Fund 72) and additional detailed information from the underlying accounting records.
2. Compared Period from Inception through June 30, 2022 amounts (Column B) by adding the prior year's Period from Inception through June 30, 2021 amounts with year to date June 30, 2022 amounts (Column A).
3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared year ended June 30, 2022 (Columns C.1 and C.2) to Schedule 1, Column A. For professional services, non-project related amounts, we compared the sum of this caption allocated to Revenues and to Bond Revenues at June 30, 2021 (C.1 and C.2) to Schedule 1, Column A. For Environmental Cleanup, we agreed this amount to the project job ledger.
2. Compared Period from Inception through June 30, 2022 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Revenues and to Bond Revenues at June 30, 2022 (D.1 and D.2) to Schedule 1, Column B. For Environmental Cleanup, we agreed this amount to the project job ledger.
3. Compared forecast amounts (Column E.1 and E.2) to Measure M2 Forecast Model Schedule.
4. Re-computed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Revenues through June 30, 2022 (Column H) and Total Net Revenues (Column I) amounts to Schedule 2, Column D.1 and Column F.1, Net Revenues (Totals), respectively.
2. Recalculated Net Revenues through June 30, 2022 (Column H) and Total Net Revenues (Column I) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).
3. Reconciled Expenditures through June 30, 2022 (Column J) to Schedule 1, Column B. Agreed Environmental Cleanup to Schedule 2, Column D.1. Agreed Oversight and Annual Audits to the summary of Measure M2 administrative costs through June 30, 2022. Agreed Column J, by project description, to the project job ledger by fiscal year.

(Continued)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS
Year ended June 30, 2022

4. Selected a sample of 40 expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.
5. Agreed Reimbursements through June 30, 2022 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs through June 30, 2022.
6. Agreed Column K to the supporting revenue summary by project and fiscal year. Selected a sample of 40 reimbursements from Column K and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly calculated.
7. Recalculated the net M2 cost (Column L) by subtracting Column K from Column J.
8. Recalculated revenues through June 30, 2022 (Column H.1) and the Total Revenues (Column I.1) for Environmental Cleanup (2% of revenues) and Oversight and Annual Audits (1% of revenues) by multiplying sales taxes and operating interest per Schedule 2, Column D.1 and Column F.1 by 2% and 1%, respectively.
9. Recalculated Revenues through June 30, 2022 (Column H.1) and Total Revenues (Column I.1) for Collect Sales Taxes (1.5% of sales taxes) by multiplying Sales Taxes per Schedule 2, Column D.1 and Column F.1 by 1.5%.
10. Re-computed total and subtotals.

Results: Procedure C.4. Identified an over accrual of \$1,317,605 related to one expenditure selection, by comparison of the invoice to supporting documentation. No other exceptions were found as a result of these procedures.

Measure M2
Schedule of Revenues, Expenditures and Changes in Fund Balance
as of June 30, 2022
(Unaudited)

(\$ in thousands)	Quarter Ended June 30, 2022	Year to Date June 30, 2022 (A)	Period from Inception to June 30, 2022 (B)
Revenues:			
Sales taxes	\$ 109,177	\$ 424,897	\$ 3,501,935
Other agencies' share of Measure M2 costs:			
Project related	3,889	17,743	790,562
Non-project related	-	-	454
Interest:			
Operating:			
Project related	(1,855)	(2,617)	3,499
Non-project related	(24,901)	(18,813)	70,071
Bond proceeds	-	3,574	87,218
Debt service	20	23	1,087
Commercial paper	-	-	393
Capital grants	-	-	-
Right-of-way leases			
Project related	(108)	97	1,466
Non-project related	-	9	17
Proceeds on sale of assets held for resale	1,216	1,227	13,428
Donated assets held for resale			
Project related	-	-	2,071
Non-project related	-	-	-
Miscellaneous:			
Project related	-	-	331
Non-project related	-	29	129
Total revenues	87,438	426,169	4,472,661
Expenditures:			
Supplies and services:			
Sales tax administration fees	527	3,020	35,381
Professional services:			
Project related	21,390	42,008	487,822
Non-project related	836	1,770	36,046
Administration costs:			
Project related	2,811	11,242	105,246
Non-project related:			
Salaries and Benefits	1,068	4,273	35,929
Other	1,663	6,651	60,600
Other:			
Project related	51	292	5,841
Non-project related	58	105	5,290
Payments to local agencies:			
Project related	35,548	96,735	1,233,448
Capital outlay:			
Project related	183,732	357,620	1,977,250
Non-project related	-	-	31
Debt service:			
Principal payments on long-term debt	-	8,455	75,550
Interest on long-term debt and commercial paper	-	35,371	284,626
Total expenditures	247,684	567,542	4,343,060
Excess (deficiency) of revenues over (under) expenditures	(160,246)	(141,373)	129,601
Other financing sources (uses):			
Transfers out:			
Project related	(4,873)	(127,892)	(445,917)
Transfers in:			
Project related	139,268	146,767	336,669
Non-project related	-	-	-
Bond proceeds	-	-	804,625
Payment to refunded bond escrow agent	-	-	(45,062)
Total other financing sources (uses)	134,395	18,875	650,315
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	\$ (25,851)	\$ (122,498)	\$ 779,916

Measure M2
Schedule of Revenues and Expenditures Summary
as of June 30, 2022
(Unaudited)

Project	Description	Net Revenues through June 30, 2022	Total Net Revenues	Expenditures through June 30, 2022	Reimbursements through June 30, 2022	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	(L)
(\$ in thousands)						
Freeways (43% of Net Revenues)						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 132,362	\$ 495,008	\$ 10,904	\$ 8,786	\$ 2,118
B	I-5 Santa Ana/SR-55 to El Toro	84,543	316,173	17,915	10,751	7,164
C	I-5 San Diego/South of El Toro	176,576	660,362	297,046	50,391	246,655
D	I-5 Santa Ana/San Diego Interchange Upgrades	72,658	271,728	2,752	527	2,225
E	SR-22 Garden Grove Freeway Access Improvements	33,795	126,385	5	-	5
F	SR-55 Costa Mesa Freeway Improvements	103,073	385,474	74,143	24,166	49,977
G	SR-57 Orange Freeway Improvements	72,855	272,465	52,091	12,434	39,657
H	SR-91 Improvements from I-5 to SR-57	39,427	147,449	34,959	824	34,135
I	SR-91 Improvements from SR-57 to SR-55	117,295	438,662	45,226	42,489	2,737
J	SR-91 Improvements from SR-55 to County Line	99,187	370,940	18,213	16,730	1,483
K	I-405 Improvements between I-605 to SR-55	302,125	1,129,883	1,286,693	284,497	1,002,196
L	I-405 Improvements between SR-55 to I-5	90,034	336,711	9,204	6,954	2,250
M	I-605 Freeway Access Improvements	5,632	21,064	4,688	16	4,672
N	All Freeway Service Patrol	42,243	157,981	6,219	-	6,219
	Freeway Mitigation	72,200	270,015	58,858	4,345	54,513
	Subtotal Projects	1,444,005	5,400,300	1,918,916	462,910	1,456,006
	Net (Bond Revenue)/Debt Service	-	-	139,150	-	139,150
	Total Freeways	\$ 1,444,005	\$ 5,400,300	\$ 2,058,066	\$ 462,910	\$ 1,595,156
	%					48.9%

Street and Roads Projects (32% of Net Revenues)						
O	Regional Capacity Program	\$ 335,819	\$ 1,255,900	\$ 802,234	\$ 507,884	\$ 294,350
P	Regional Traffic Signal Synchronization Program	134,322	502,338	97,488	13,548	83,940
Q	Local Fair Share Program	604,467	2,260,591	589,085	77	589,008
	Subtotal Projects	1,074,608	4,018,829	1,488,807	521,509	967,298
	Net (Bond Revenue)/Debt Service	-	-	40,771	-	40,771
	Total Street and Roads Projects	\$ 1,074,608	\$ 4,018,829	\$ 1,529,578	\$ 521,509	\$ 1,008,069
	%					30.9%

Project	Description	Net Revenues through June 30, 2022	Total Net Revenues	Expenditures through June 30, 2022	Reimbursements through June 30, 2022	Net M2 Cost
(G)	(H)	(I)	(J)	(K)	(L)	(L)
(\$ in thousands)						
Transit Projects (25% of Net Revenues)						
R	High Frequency Metrolink Service	\$ 322,337	\$ 1,252,558	\$ 430,883	\$ 98,886	\$ 331,997
S	Transit Extensions to Metrolink	296,447	1,108,655	146,791	2,133	144,658
T	Metrolink Gateways	35,519	64,191	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	110,677	435,480	107,012	88	106,924
V	Community Based Transit/Circulators	67,145	251,110	15,766	1,207	14,559
W	Safe Transit Stops	7,411	27,716	1,171	26	1,145
	Subtotal Projects	839,536	3,139,710	799,843	163,296	636,547
	Net (Bond Revenue)/Debt Service	-	-	22,802	-	22,802
	Total Transit Projects	\$ 839,536	\$ 3,139,710	\$ 822,645	\$ 163,296	\$ 659,349
	%					20.2%

Measure M2 Program **\$ 3,358,149** **\$ 12,558,839** **\$ 4,410,289** **\$ 1,147,715** **\$ 3,262,574**

Project	Description	Revenues through June 30, 2022	Total Revenues	Expenditures through June 30, 2022	Reimbursements through June 30, 2022	Net M2 Cost
(G)	(H.1)	(I.1)	(J)	(K)	(L)	(L)
(\$ in thousands)						
Environmental Cleanup (2% of Revenues)						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 71,440	\$ 268,481	\$ 47,958	\$ 311	\$ 47,647
	Net (Bond Revenue)/Debt Service	-	-	-	-	-
	Total Environmental Cleanup	\$ 71,440	\$ 268,481	\$ 47,958	\$ 311	\$ 47,647
	%					1.3%

Taxpayer Safeguards and Audits

Collect Sales Taxes (1.5% of Sales Taxes)	\$ 52,529	\$ 198,250	\$ 35,381	\$ -	\$ 35,381
%					1.0%

Oversight and Annual Audits (1% of Revenues)	\$ 35,720	\$ 134,240	\$ 35,929	\$ 209	\$ 35,720
%					1.0%

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2022

Measure M2 Summary

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County for 20 years. On November 7, 2006, Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the Orange County Local Transportation Authority Board of Directors approved the M2 Early Action Plan to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. The M1 sales tax program was completed and closed out in June 2015.

Demonstrating accountability for the receipt and expenditure of M2 funds is accomplished through the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2022 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M2 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2022 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the fiscal year ended June 30, 2022. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of (\$122,498) agrees with the combined change in fund balances of (\$126,277) in the M2 special revenue fund and \$3,780 in the M2 debt service fund in the trial balance for the year ended June 30, 2022.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2022

Period from Inception through June 30, 2022 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the period from inception through June 30, 2022. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$779,916 agrees with the combined ending fund balances of \$755,754 in the M2 special revenue fund and \$24,162 in the M2 debt service fund, as presented in the trial balance for the year ended June 30, 2022.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues and other financing sources are presented as “Reimbursements” (Column K) in Schedule 3. Project related expenditures and other financing uses are included as “Expenditures” (Column J) in Schedule 3.

Schedule 2—Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)

This schedule presents calculations of net revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Orange County Transportation Investment Plan (Investment Plan). Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from non-project related amounts on Schedule 1. Environmental cleanup expenditures were obtained from the project job ledger. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years going forward, and for the combined total of actual and forecast amounts for the period from inception going forward.

Calculation of Net Revenues

Year Ended June 30, 2022 (actual) (Column C.1)

This column presents net revenues, consisting of total revenues less total administrative expenditures, capital outlay, and environmental cleanup, for year ended June 30, 2022. Revenues, administrative expenditures, and capital outlay for the year ended June 30, 2022 were obtained from Column A in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, and other agencies’ share of M2 costs. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2022

Period from Inception through June 30, 2022 (actual) (Column D.1)

This column presents net revenues, consisting of total cumulative revenues less total cumulative administrative expenditures, capital outlay, and environmental cleanup, for the period from inception through June 30, 2022. Revenues, administrative expenditures, and capital outlay for the period from inception through June 30, 2022 were obtained from Column B in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Total net revenues for the period from inception through June 30, 2022 are presented in Schedule 3 as "Net Revenues through June 30, 2022" (Column H). Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, other agencies' share of M2 costs, and miscellaneous revenue. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2022 through March 31, 2041 (forecast) (Column E.1)

This column presents net revenues, consisting of total projected revenues less total projected administrative expenditures and environmental cleanup expenditures, for subsequent years from July 1, 2022 through March 31, 2041. Revenues and administrative expenditures for subsequent years from July 1, 2022 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model, which is updated quarterly. Revenues and administrative expenditures utilized in the calculation of net revenues for subsequent years from July 1, 2022 through March 31, 2041 are non-project and non-financing related. Revenues consist of projected sales taxes and operating interest. Administrative expenditures consist of projected sales tax administration fees, professional services, administration costs, and other expenditures.

Total (Column F.1)

This column presents total net revenues, calculated as the sum of columns D.1 and E.1. Total net revenues are presented in Schedule 3 as "Total Net Revenues" (Column I).

Calculation of Net Bond Revenues (Debt Service)

Year Ended June 30, 2022 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2022. Bond revenues and financing expenditures and uses for the year ended June 30, 2022 were obtained from Column A in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of interest revenue from bond proceeds and debt service funds.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2022

Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from Inception through June 30, 2022 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2022. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2022 were obtained from Column B in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds, debt service funds, and commercial paper. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2021 through March 31, 2041 (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2022 through March 31, 2041. Bond revenues and financing expenditures and uses for subsequent years from July 1, 2022 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of bond debt principal and bond debt and other interest expense.

Total (Column F.2)

This column presents total net bond revenues (debt service), calculated as the sum of columns D.2 and E.2.

Schedule 3—Schedule of Revenues and Expenditures Summary

This schedule presents a summary of actual and projected revenues and expenditures, by mode and project description, as specified in the Investment Plan. Total M2 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

This column presents project descriptions by mode in accordance with the Investment Plan.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2022

Net Revenues through June 30, 2022 (Column H)

This column presents total M2 program net revenues for the period from inception through June 30, 2022, which agrees with net revenues in Column D.1 in Schedule 2. Such net revenues are allocated to each of the three modes based on the allocation percentages specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Total Net Revenues (Column I)

This column presents total actual and projected net revenues (total net revenues) during the life of M2, which agree with total net revenues in Column F.1 in Schedule 2. Such total net revenues are allocated to each of the three modes based on the allocations specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Expenditures through June 30, 2022 (Column J)

This column presents total expenditures plus net (bond revenue)/debt service. Total expenditures, excluding oversight and annual audit expenditures, agree with the sum of project related expenditures including transfers out from Column B in Schedule 1. Oversight and annual audit expenditures agree with the administrative costs for salaries and benefits derived from the annual cost allocation plan. Total net (bond revenue)/debt service agrees with the total net bond revenue (debt service) expenditures from Column D.2 in Schedule 2. Project related expenditures are comprised of professional services, administration costs, other expenditures, payments to local agencies, capital outlay, and transfers out. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger.

Reimbursements through June 30, 2022 (Column K)

This column presents total reimbursements for the period from inception through June 30, 2022, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M2 costs, right-of-way leases, proceeds on sale of assets held for resale, donated assets held for resale, transfers in and miscellaneous revenue. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger. Reimbursements for oversight and annual audits agree with the principal balance of the amount advanced from the Orange County Unified Transportation Trust (OCUTT) to cover administrative costs for salaries and benefits exceeding more than one percent of revenues.

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
Notes to Measure M2 Status Report (Unaudited)

Year Ended June 30, 2022

Net M2 Cost (Column N)

Net M2 cost is a calculation of Column J minus Column K. For each mode, a percentage is calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Revenues through June 30, 2022 (Column H.1)

The total environmental cleanup revenue for the period from inception through June 30, 2022, represents two percent (2%) of revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total oversight and annual audits revenues for the period from inception through June 30, 2022, represent one percent (1%) of the revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total collect sales taxes revenue for the period from inception through June 30, 2022, represents one and one-half percent (1.5%) of the sales tax revenues in Column D.1 in Schedule 2.

Total Revenues (Column I.1)

The total environmental cleanup actual and projected revenues during the life of M2 represent 2% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2. The total collect sales taxes actual and projected revenues during the 30-year life of M2 represent 1.5% of sales tax revenues found in Column F.1 in Schedule 2. The total oversight and annual audits actual and projected revenues during the 30-year life of M2 represent 1% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2.



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Darrell E. Johnson
Chief Executive Officer

December 21, 2022

Members of the Board of Directors
Orange County Transportation Authority
550 S. Main Street
P.O. Box 14184
Orange, CA 92863-1584

The following response is being submitted to address results from the agreed-upon procedures performed on the Measure M2 Status Report as of, and for, fiscal year ended June 30, 2022.

Procedure C.4 – Accrual of Expenditures

Crowe Selected a sample of 40 expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.

Exception: Procedure C.4. Identified an over accrual of \$1,317,605 related to one expenditure selection, by comparison of the invoice to supporting documentation. No other exceptions were found as a result of these procedures.

Management’s Response: Management concurs and has strengthened internal controls over expenditure accruals. In addition, the Accounting department will add an additional level of review to ensure expenditure accruals are tracked in comparison to actual invoices received, and adjusted or reported accordingly for the fiscal year.

Andrew Oftelie
Chief Financial Officer,
Finance and Administration

Rima Tan,
Department Manager,
Accounting and Financial Reporting

ORANGE COUNTY TRANSPORTATION AUTHORITY

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES RELATED TO
ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION
For the fiscal year ended June 30, 2022

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

Board of Directors
Orange County Transportation Authority
Orange, California

We have performed the procedures enumerated below on the Appropriations Limit Calculations Worksheet (Worksheet) of the Orange County Transportation Authority ("OCTA" or "the Authority") as of June 30, 2022. OCTA's management is responsible for the preparation of the Worksheet.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. 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 performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCTA's appropriations limit and compared the 2021-2022 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2021-2022 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

(Continued)

We were engaged by OCTA 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 Worksheet. 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 Authority 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 OCTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Crowe LLP

Costa Mesa, California
November 16, 2022

ORANGE COUNTY TRANSPORTATION AUTHORITY
APPROPRIATIONS LIMIT CALCULATIONS WORKSHEET
Year ended June 30, 2022

	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 12,508,480	
B. Adjustment factors:		
1. Population change	1.0573	State Finance
2. Per capita change	.9916	State Finance
Total adjustments [(B.1 × B.2) – 1.0]	.04840	
C. Annual adjustment	<u>605,410</u>	A × B
D. This year's limit	<u>\$ 13,113,890</u>	A + C

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES RELATED TO
ARTICLE XIII-B APPROPRIATIONS LIMIT CALCULATION

For the fiscal year ended June 30, 2022

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have performed the procedures enumerated below on the Appropriations Limit Calculations Worksheet (Worksheet) of the Orange County Local Transportation Authority ("OCLTA" or "Authority") as of June 30, 2022. OCLTA's management is responsible for the preparation of the Worksheet.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. 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 performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCLTA's appropriations limit and compared the 2021-2022 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2021-2022 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

(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 Worksheet. 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 Authority 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 OCTLA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Crowe LLP

Costa Mesa, California
November 16, 2022

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
APPROPRIATIONS LIMIT CALCULATIONS WORKSHEET
Year ended June 30, 2022

	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 1,890,379,261	
B. Adjustment factors:		
1. Population change	1.0573	State Finance
2. Per capita change	.9916	State Finance
Total adjustments [(B.1 × B.2) – 1.0]	0.04840	
C. Annual adjustment	<u>91,494,356</u>	A × B
D. This year's limit	<u>\$ 1,981,873,617</u>	A + C