

AGENDA

- 1. Welcome**
- 2. Approval of Minutes for May 21, 2019**
- 3. Presentation Items**
 - A. Communications by Independent Financial Statement Auditor: Crowe LLP
Kathy Lai, Partner
 - B. Sales Tax Update
Sean Murdock, Director, Finance and Administration
- 4. Public Comments***
- 5. Adjournment**

The next meeting will be held on December 10, 2019

*Public Comments: At this time, members of the public may address the Taxpayer Oversight Committee (TOC) regarding any items within the subject matter jurisdiction of the TOC, provided that no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to three (3) minutes per person, unless different time limits are set by the Chairman, subject to the approval of the TOC.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

**Measure M Taxpayer Oversight Committee
Audit Subcommittee
Orange County Transportation Authority
550 S. Main Street, Orange CA, Room 08
May 21, 2019 @ 4:00 p.m.**

SPECIAL MEETING MINUTES

Committee Members Present:

Richie Kerwin Lim, First District Representative
Mark Kizzar, Second District Representative
Larry Tekler, Second District Representative
Larry Lang, Fourth District Representative

Committee Members Absent:

Eric Woolery, Orange County Auditor-Controller, Chairman

Orange County Transportation Authority Staff Present:

Kurt Brotcke, Director, Strategic Planning
Christine Byrne, Department Manager, Public Outreach
James M. Donich, General Council, Woodruff, Spradlin & Smart
Jared Hill, Community Relations Specialist
Sean Murdock, Director, Finance and Administration
Andrew Oftelie, Executive Director, Finance and Administration
Alice Rogan, Director, External Affairs
Janet Sutter, Executive Director, Internal Audit
Tamara Warren, Measure M Program Manager

Recorder:

Teri Lepe, Executive Assistant, Internal Audit

Guests:

Roger Alfaro, Partner, Vavrinek, Trine, Day & Co., LLP
Jessica Anderson, Partner, Vavrinek, Trine, Day & Co., LLP

1. Welcome

Richie Kerwin Lim welcomed everyone to the Orange County Transportation Authority (OCTA) Taxpayer Oversight Committee (TOC) Audit Subcommittee (AS) Special Meeting at 4:05 p.m.

2. Approval of the Minutes for January 22, 2019

Richie Kerwin Lim asked if there were any corrections to the minutes for January 22, 2019. Larry Tekler indicated that on Page 3 of the minutes, the first sentence of the second paragraph of *B. M2 Debt Issuance (Plan of Finance)* should reflect an amount of \$1.9 billion, not \$1.9 million.

A motion was made by Larry Tekler, seconded by Mark Kizzar, and carried unanimously to approve the January 22, 2019 TOC AS minutes, as corrected.

3. Presentation Item

A. External Auditor Communication/Measure M City Audits

Janet Sutter, Executive Director, Internal Audit, informed the AS that every year the external auditors conduct a presentation of the results of the Measure M Local Fair Share and Senior Mobility Program city audits. This year, the AS committee selected 12 cities for review, which resulted in 15 audit reports. Janet told the AS that Jessica Anderson, Partner, Vavrinek Trine, Day & Co., LLP, (VTD) coordinated the reviews and would be presenting the external auditor communication of the Measure M city audits. Kurt Brotcke, Director, Strategic Planning, would then summarize staff recommendations and Board of Directors actions specifically related to the cities of Santa Ana and Stanton.

Jessica began by providing background on the scope of engagement for the agreed-upon procedures that VTD performed. Jessica then proceeded with the results of the Local Fare Share audits and shared there were a number of findings involving cities' Maintenance of Effort (MOE) expenditures.

Regarding the Senior Mobility Program, Jessica indicated that procurement was an area where three out of four cities had findings. A lengthy discussion then ensued regarding the audit results.

B. Board Actions Related to the Cities of Santa Ana and Stanton

Janet told the AS that Kurt Brotcke, Director, Strategic Planning, was on-hand to go over staff recommendations and Board of Directors actions that were taken based on results of the audits of the cities of Santa Ana and Stanton.

Kurt relayed to the AS that the cities of Santa Ana and Stanton did not meet the MOE requirement. Staff recommendations presented to the Board of Directors at the May 13, 2019 meeting were to:

- Find the cities ineligible to receive Measure M2 funds.
- Suspend payments to the cities.
- Re-audit the cities.
- Direct the cities to pay for the audits.
- Negotiate and execute settlement agreements with the cities.

4. Action Items

A. Selection of Cities for Fiscal Year 2019 Agreed-Upon Procedures

Janet Sutter gave AS members a handout outlining suggested cities for audit for the fiscal year ended June 30, 2019. Discussion ensued regarding the selection of cities to be audited, and AS members ultimately selected the following cities for audit: Local Fair Share audits for the cities of Anaheim, Dana Point, Garden Grove, Huntington Beach, La Habra, Mission Viejo, San Clemente, Seal Beach, Westminster, and the County of Orange, and Senior Mobility Program audits for the cities of Dana Point, Fountain Valley, La Habra, San Clemente, and Tustin

A motion was made to approve the above selected cities for audit by Mark Kizzar, seconded by Larry Lang, and carried unanimously by the AS.

B. Annual Adoption of Audit Charter

Janet presented the Audit Charter for annual adoption.

A motion was made to adopt the Audit Charter by Larry Tekler, seconded by Larry Lang, and carried unanimously.

C. Receive and File: Quarterly Measure M2 Revenue and Expenditure Report

Sean Murdock, Director, Finance and Administration, summarized the quarterly report for the AS. Sean stated sales tax revenue receipts through February grew 5 percent year-over-year versus a budget of 3.7 percent. Additionally, the quarterly report shows bond proceeds of \$446 million based on the Measure M2 (M2) bond issuance, which closed in February. For the quarter ending March 31, 2019, the primary expenditures were \$45 million for the freeway mode, which was primarily for the I-405 Freeway Improvement Project and improvements on the I-5 freeway in South County. Expenditures for the Streets & Roads mode were \$27 million, driven primarily by formula disbursements to the cities for the Local Fair Share program. Transit mode expenditures totaled \$11 million, driven primarily by rail expenditures and formula payments for the Senior Mobility and Senior Non-Emergency Medical Transportation program payments. Lastly, the M2 Program balance to the Orange County Unified Transportation Trust fund for administration costs is down to \$1.1 million.

D. Other Matters

Alice Rogan...

5. Public Comments

There were no public comments.

6. Adjournment

The Measure M TOC AS Special Meeting adjourned at 6:06 p.m. The next regularly scheduled meeting will be on Tuesday, October 8, 2019, in Conference Room 08 of the 550 Building of OCTA Headquarters.