



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
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