



April 23, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Orange County Local Transportation Authority Report on Compliance with the Measure M2 Ordinance, Year Ended June 30, 2024

Overview

Crowe LLP, an independent accounting firm, has issued results of its audit of the Orange County Local Transportation Authority's compliance with the Measure M2 Ordinance for the year ended June 30, 2024. The auditors found that the Orange County Local Transportation Authority complied, in all material respects, with the compliance requirements of the Measure M2 Ordinance for the year ended June 30, 2024. In addition, no reportable deficiencies in internal control over compliance were identified.

Recommendations

- A. Receive and file as an information item.
- B. Approve a request from the Measure M2 Taxpayer Oversight Committee to conduct Measure M2 compliance audits on an annual basis. If approved, authorize an increase in contract budget of \$400,000 for fiscal years 2024-25 and 2025-26 under Agreement No. C-3-2931 with Crowe LLP, increasing the maximum obligation to \$2,185,500.

Background

As spelled out in the Orange County Local Transportation Authority (OCLTA) Measure M2 (M2) Ordinance, the Taxpayer Oversight Committee (TOC) is responsible for reviewing annual audits, along with other materials, and holding an annual public hearing to determine whether the OCLTA is proceeding in accordance with the M2 Ordinance. In addition, following the public hearing, the TOC Chairperson is required to annually certify whether revenues have been

spent in compliance with the M2 Ordinance. The TOC Chairperson has communicated that a compliance audit by an independent accounting firm is required to provide his annual certification.

In September 2023, the TOC voted to make a request to the OCTA Board of Directors (Board) to contract with an independent accounting firm for provision of a limited compliance audit for the fiscal year (FY) 2022-23 and full compliance audits starting in FY 2023-24.

On October 9, 2023, the Board approved the TOC's request for a limited audit for FY 2022-23 and a full compliance audit for FY 2023-24.

Discussion

Crowe LLP (auditors) conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, and the M2 Ordinance. The objectives of the audit were to obtain reasonable assurance about whether material noncompliance with the M2 Ordinance occurred and express an opinion on compliance based on the audit.

The auditors found that OCLTA complied, in all material respects, with the compliance requirements of the M2 Ordinance and no reportable deficiencies in internal control over compliance were identified.

The Board is also being asked to consider the TOC's outstanding request for the conduct of a full compliance audit on an annual basis going forward. Agreement No. C-3-2931 with the auditors includes optional pricing for these compliance audits at a cost of \$200,000 per year for the next two years and \$225,000 per year for the following two years.

Summary

The auditors have issued the OCLTA Report on Compliance with the Measure M2 Ordinance for the year ended June 30, 2024. The Board is being asked to authorize this audit on an annual basis, as requested by the TOC.

Attachment

- A. Independent Auditor's Report on Compliance with the Measure M2 Ordinance and Report on Internal Control over Compliance

Approved by:

A handwritten signature in dark ink, appearing to read 'Janet Sutter', with a long horizontal flourish extending to the right.

Janet Sutter
Executive Director, Internal Audit
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