



**Crowe LLP**  
Independent Member Crowe Global

August 10, 2020

Board of Directors  
Finance and Administration Committee  
Orange County Transportation Authority  
550 South Main Street  
Orange, California 92863

We are pleased to serve OCTA as its independent auditors and look forward to our continued relationship. As part of our audit process, our professional standards require that we communicate certain information to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

#### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We are engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2020. In addition to the report on the financial statements of OCTA, we will also audit and report on the financial statements of the governmental activities and each major fund of the Orange County Local Transportation Authority (OCLTA), the 91 Express Lanes Fund, the Local Transportation Fund, and the State Transit Assistance Fund as of and for the year ended June 30, 2020.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, certain budgetary comparison information, and supplemental pension plan trend data and other postemployment benefit data be presented to supplement the basic financial statements. Such information is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We will apply certain limited procedures to the required supplementary information, however, we will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

In addition to our report on the financial statements, we have been engaged to report on the combining and individual fund financial statements and schedules, certain budgetary comparison schedules, the schedule of expenditures of federal awards, and the Proposition 1B schedule of unspent funds and cash disbursements. We will subject such information to the auditing procedures applied in the audit of the basic 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. Our report will indicate whether this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory section and statistical section of OCTA's comprehensive annual financial report and therefore will not express an opinion or provide any assurance on them.

Audit planning and interim procedures were conducted in May 2020, and year-end audit procedures will commence in September 2020. We expect to issue our report no later than October 30, 2020.

## **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS* AND UNIFORM GUIDANCE**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you or management of your responsibilities.

The objective of the audit is the expression of an opinion on the financial statements. We will plan and perform the audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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). Those standards require that we obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud, and that we report on the Schedule of Expenditures of Federal Awards (as noted above), and on your compliance with Federal statutes, regulations, and the terms and conditions of Federal awards and on its internal controls as required for a Single Audit. Because of inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with applicable standards. An audit is not designed to detect error or fraud that is immaterial to the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks that the financial statements could be misstated by an amount we believe would influence the financial statement users. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In making our risk assessments, we will consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OCTA's internal control. However, we will communicate in writing to those charged with governance and management concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. We will communicate to management other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention. We will also communicate certain matters related to the conduct of the audit to those charged with governance, including (1) fraud involving senior management, and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential) (3) disagreements with management and other significant difficulties encountered in performing the audit and (4) various matters related to the OCTA's accounting policies and financial statements. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

We will also perform tests of controls including testing underlying transactions, as required by the Uniform Guidance, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of your major federal awards programs. We will determine major programs in accordance with the Uniform Guidance. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed. We will inform you of any deficiencies or other matters involving internal control, if any, as required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of your compliance with applicable laws, regulations, contracts and grants. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. The objective of our audit of compliance relative to the financial statements will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion. We will advise you, however, of any matters of that nature that come to our attention, unless they are clearly inconsequential.

The Uniform Guidance requires that we plan and perform the audit to obtain reasonable assurance about whether you have complied with certain provisions of laws, regulations, contracts and grants. Our procedures will consist of the applicable procedures described in the United States Office of Management and Budget (OMB) Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of your major programs. The purpose of our audit will be to express an opinion on your compliance with requirements applicable to major Federal award programs. Because an audit is designed to provide reasonable assurance, but not absolute assurance, the audit is not designed to detect immaterial violations or instances of noncompliance.

## REQUIRED COMMUNICATIONS

We are responsible for communicating evidence that fraud may exist; thus, when we have determined that there is evidence that fraud may exist, that matter will be brought to the attention of an appropriate level of management. We will also communicate certain matters related to the conduct of the audit to those charged with governance, including (1) fraud involving senior management, and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (2) illegal acts that come to our attention (unless they are clearly inconsequential) (3) disagreements with management that could be significant to the financial statements and other significant difficulties encountered in performing the audit and (4) various matters related to OCTA's accounting policies and financial statements. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

Professional auditing standards also require that we perform inquiries with those charged with governance surrounding matters that may impact our risk assessment, including the below examples.

- Weaknesses in internal control activities;
- Inappropriate tone at the top regarding fraudulent activity;
- Known, alleged, or suspected fraud;
- Oversight activities that do not mitigate risks of fraud;
- Tips or complaints regarding OCTA's financial reporting (including those received through the internal whistleblower program, if such program exists);
- Actual or possible violations of laws or regulations that might affect the audit;
- Material misstatements from errors; and
- Matters related to risk of material misstatement of the financial statements or that are otherwise significant to financial reporting that you feel warrant particular attention during the audit.

Please communicate any instances of the above matters or any other concerns that may have a material impact to the financial statements to Kathy Lai at [Kathy.Lai@crowe.com](mailto:Kathy.Lai@crowe.com) or (714) 668-5376.

We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Directors, the Finance and Administration Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California  
August 10, 2020