



OCTA Taxpayer Oversight Committee

Audit Results Fiscal Year 2025

– Audit Subcommittee

May 28, 2026

Here with you today



Jennifer Richards

Audit Partner



Joe Widjaja

Audit Partner



Johnson Chung

Audit Manager

Agenda

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Audit Objectives

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Required
Communications

Audit Objectives



Engagement Deliverables

Orange County Local Transportation Authority's ("OCLTA")
Financial Statements and Compliance audits

Measure M2 Status AUP Report

GANN Limit Article XIII-B AUP Report

The jurisdictions selected by the Audit Subcommittee of the
Taxpayers Oversight Committee to perform agreed-upon
procedures (AUP)

AUPs related to City of Buena Park and City of Huntington
Beach related to Settlement Agreements with OCTA



Engagement Objectives – OCLTA Audits

- The objective of this audit is to express an opinion on Orange County Local Transportation Authority's (OCLTA) financial statements and compliance with the Measure M2 Ordinance (Ordinance) for the fiscal year ended June 30, 2025.
- The audit will be performed in accordance with auditing standards generally accepted in the United States (GAAS) and generally accepted *Government Auditing Standards (GAGAS)*.
- Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether OCLTA's financial statements and compliance with the Ordinance is free of material misstatement and noncompliance whether caused by error or fraud.
- Our audit includes consideration of internal controls over financial statements and compliance, but we do not express an opinion on the effectiveness of such internal controls. Management is responsible for the design and the effectiveness of internal controls.



OCTA Compliance M2 Audit

- Number of samples selected: **over one thousand samples selected**
- Total Programs selected: five
 - Project O - Regional Capacity Program (RCP)
 - Project P - Regional Traffic Signal Synchronization Program (RTSSP)
 - Project Q - Local Fair Share
 - Project V - Community Based Circulators
 - Project X - Environmental Cleanup Program
- Additional Jurisdictions selected: seven
 - City of Anaheim
 - City of Santa Ana
 - City of Yorba Linda
 - City of Irvine
 - City of Dana Point
 - City of Newport Beach
 - County of Orange

Engagement Deliverables – City AUPs

- **Local Fair Share**
 Anaheim
 Brea
 Costa Mesa
 Garden Grove
 Irvine
 Lake Forest
 Placentia
 Santa Ana
 Tustin
- **Senior Non-Emergency Medical Transportation Program**
 County of Orange
- **Buena Park**
- **Huntington Beach**



Significant Risks & Materiality

Significant Risks

- Management is primarily responsible for the design, implementation and maintenance of internal controls.
- Auditing standards require a presumed risk of management override of internal controls.

Materiality

- Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
- Materiality judgments involve both qualitative and quantitative considerations.



Audit Results



Compliance Audit Reports

Deliverable	Opinion / Matters Noted
Audit of OCLTA Financial Statements	Unmodified Opinion
Audit of OCLTA M2 Compliance	No Noncompliance noted
GANN Limit Article XIII-B AUP Report	No exceptions were found
Measure M2 Status AUP Report	See next slide
The jurisdictions selected by the Audit Subcommittee of the Taxpayers Oversight Committee to perform agreed-upon procedures	See next slides
AUPs related to Buena Park and Huntington Beach	See next slides



Measure M2 Status- AUP Results

1 of 1

- No exceptions were found as a result of these procedures.

LFS- AUP Results

City	Result	City Management Response
City of Anaheim (Anaheim)	Testing identified \$2,463,356 in Maintenance of Effort (MOE) expenditures that were reported as direct, rather than indirect expenditures. These expenditures related to the allocation of liability coverage expenses.	Anaheim responded that they reported these expenses as direct because they are ultimately assigned to specific programs; however, agreed to report these as indirect expenses in future Expenditure Reports.
City of Brea (Brea)	Brea overreported total MOE expenditures in its Expenditure Report, by \$5,343.	Brea has taken steps to improve its process in reviewing expenditures in the general ledger to ensure agreement with the M2 Expenditure Report.
City of Costa Mesa (Costa Mesa)	Testing identified \$1,701,417 in MOE expenditures that were reported as direct, rather than indirect expenditures. These expenditures related to the allocation of landscape, tree, and equipment maintenance service charges.	Costa Mesa acknowledges the observation and will allocate these costs as indirect going forward.
City of Garden Grove (Garden Grove)	Testing identified \$90,975 in unallowable MOE expenditures; however, after removal of these charges from total MOE expenditures, Garden Grove continued to meet its MOE requirement.	Garden Grove acknowledges the finding and has reassigned these costs to ensure they are no longer reported as street and road expenditures.
	Testing identified \$231,411 in MOE expenditures that were reported as indirect, rather than direct expenditures. The expenditures represented engineering labor costs charged directly to projects.	Garden Grove acknowledges these costs were incorrectly classified and has updated the general ledger to reflect these costs as direct costs moving forward. Garden Grove will continue to monitor cost classification to prevent similar issues in future reporting periods.
	Testing identified one project funded with Local Fair Share (LFS) funds that was not listed on Garden Grove's Capital Improvement Project (CIP) plan.	Garden Grove acknowledges the finding and will implement a review process to ensure all active, ongoing projects are carried forward in the CIP.
City of Irvine (Irvine)	Testing identified \$3,113,608 in charges that were reported as direct, rather than indirect. In addition, testing identified \$360,065 in unallowable MOE expenditures; however, after removal of these charges from total MOE expenditures, Irvine continued to meet its MOE requirement.	Irvine will implement a secondary review process to validate that charges are eligible and attributable to MOE and will review cost allocation rates and classify these as indirect costs going forward.

LFS- AUP Results (continued)

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City	Result	City Management Response
City of Lake Forest	None	
City of Placentia	None	
City of Santa Ana	None	
City of Tustin	None	



SNEMT- AUP Results (County of Orange)

1 of 1

- No exceptions were found as a result of these procedures.



City of Buena Park- AUP Results

1 of 1

- Crowe identified two projects funded with LFS that were not listed on the City's Seven-Year Capital Improvement Project (CIP) Report, as required; however, management amended the CIP and obtained City Council approval on February 10, 2026.
- The City responded that management would implement procedures to ensure all CIP projects are included in the Seven-Year CIP Report going forward.



City of Huntington Beach- AUP Results

1 of 1

- Crowe LLP tested a sample of LFS expenditures for FY 2024-25, and found the City's LFS expenditure was overstated on the City's Expenditure Report.
- No ineligible or questioned costs were identified.
- The City acknowledged the finding and agreed to include a second review and formal reconciliation before submitting the Expenditure Report going forward.

Required Communications



Required Communications

- Corrected Noncompliance: We did not note **material** corrected noncompliance matters that we brought to the attention of management as a result of our audit procedures.
- Uncorrected Noncompliance: We did not note any **material** uncorrected noncompliance matters that we brought to the attention of management as a result of our audit procedures.

Our values



CARETRUSTCOURAGESTEWARDSHIP

Required Communications

We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters

Our values



CARE TRUST COURAGE STEWARDSHIP

Questions?



Thank you

Jennifer Richards, CPA
Audit Partner

Jennifer.Richards@crowe.com

Joseph Widjaja, CPA
Audit Partner

Joseph.Widjaja@crowe.com

Johnson Chung, CPA
Audit Manager

Johnson.Chung@crowe.com

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