



**January 10, 2024**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Fiscal Year 2022-23 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 2022-23 Single Audit and agreed-upon procedures reports and management responses (as applicable) as information items.
- B. Direct staff to implement auditor recommendation to implement effective controls to ensure deferred compensation plan changes are appropriately reflected in system calculations.
- C. Direct staff to implement management responses to auditor findings in the application of agreed-upon procedures related to the National Transit Database Report and the Treasury Department.

***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 November 27, 2023, along with the auditors’ 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 include 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, or “clean”, opinion was issued. The auditors identified one finding related to a lack of effective controls over deferred compensation plan contribution calculations. Management found that contribution calculations to deferred compensation plans were not properly set up in the payroll system in 2004. Once identified, management obtained Board of Directors’ approval to issue correction payments of approximately \$7.4 million during the fiscal year 2023-24. The auditors recommended management formalize a periodic review of contribution calculations and plan documents to ensure any plan changes are appropriately

reflected in system calculations. Management agreed and proposed annual and semi-annual reviews to ensure calculations are accurate.

In addition, results of procedures applied to the National Transit Database (NTD) report identified some discrepancies in reporting of passenger trips, miles and operating expense related to the Motor Bus – Purchased Transportation (MBPT) mode. Management responded that the errors were corrected in worksheets prior to submission to the NTD. Auditors also reported variances in passenger miles traveled (PMT) reported in the Motor Bus – Directly Operated and MBPT modes. Management responded that the variances identified are well within the  $\pm$  five percent required level of accuracy. Finally, the auditors identified variances in the PMT for 12 of 40 Demand Response – Purchased Transportation routes, resulting in a net variance of 41 miles. Management responded that reviews are conducted, and the variance identified, of 0.0005 percent is within an acceptable precision range.

Results of procedures applied to the Treasury Department noted that September 2023 account reconciliations related to the 91 Express Lanes and Construction in Progress funds were approved 22 days after the end of the month following the month being reconciled, contrary to procedures. Management concurred and agreed to improve timeliness of these reconciliations.

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, 2023, 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, 2023
- B. Orange County Transportation Authority Agreed-Upon Procedures Performed with Respect to the National Transit Database Report June 30, 2023
- C. Orange County Transportation Authority Independent Accountant's Report on Applying Agreed-Upon Procedures with Respect to the Treasury Department Year ended June 30, 2023
- D. Orange County Local Transportation Authority Report on Agreed-Upon Procedures Applied to Measure M2 Status Report, Year Ended June 30, 2023
- 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, 2023
- 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, 2023

**Approved by:**



Janet Sutter  
Executive Director, Internal Audit  
714-560-5591

**ORANGE COUNTY  
TRANSPORTATION AUTHORITY**

**SINGLE AUDIT**  
Year ended June 30, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
Orange, California

SINGLE AUDIT  
Year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orange County Transportation Authority (OCTA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements, and have issued our report thereon dated November 2, 2023.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as item 2023-001.

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(Continued)

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of the State of California Transportation Development Act (TDA), Title 21 of the California Code of Regulations, Public Utilities Code Section 99245, and California Government Code §8879.50 (collectively "Transportation Development Act"), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the Transportation Development Act.

### OCTA's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the OCTA's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. OCTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Costa Mesa, California  
November 2, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Orange County Transportation Authority  
Orange, California

**Report on Compliance for Major Federal Program**

***Opinion on Major Federal Program***

We have audited Orange County Transportation Authority's (OCTA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on OCTA's major federal program for the year ended June 30, 2023. OCTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, OCTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

***Basis for Opinion on Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of OCTA's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to OCTA's federal programs.

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(Continued)

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on OCTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about OCTA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding OCTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of OCTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of OCTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OCTA as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise OCTA's basic financial statements. We issued our report thereon dated November 2, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Costa Mesa, California  
November 2, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Grant/Pass-Through Identification Number	Federal Expenditures	Passed Through to Subrecipients
<b><u>U.S. Department of Transportation</u></b>				
Direct Programs:				
Federal Transit Cluster:				
Federal Transit - Capital Improvement Grants	20.500	Multiple	\$ 23,653,178	\$ -
Federal Transit - Formula Grants	20.507	Multiple	108,858,453	-
COVID-19 - Federal Transit - Formula Grants	20.507	CA-2021-153	57,650,256	-
State of Good Repair Program	20.525	Multiple	427,546	-
Bus and Bus Facilities Formula Program	20.526	Multiple	2,128,475	-
Total Federal Transit Cluster			192,717,908	-
Transit Services Programs Cluster:				
Job Access and Reverse Commute Program	20.516	CA-37-X113	21,826	21,826
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program				
Passed Through California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	Multiple	13,323,673	-
Direct Grants:				
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	TIFIA-20211005A	628,930,000	-
Total U.S. Department of Transportation			834,993,407	21,826
<b><u>U.S. Department of Homeland Security</u></b>				
Direct Programs:				
Hazard Mitigation Grant Program	97.039	059-91032	17,892	-
Office of Security Operations:				
National Explosives Detection Canine Team Program	97.072	OCTA2020OTA-NCP459	119,797	-
Rail and Transit Security Grant Program	97.075	EMW-2022-RA00050	36,635	-
Total U.S. Department of Homeland Security			174,324	-
<b>Total Expenditures of Federal Awards</b>			<b>\$ 835,167,731</b>	<b>\$ 21,826</b>

See accompanying notes to the schedule of expenditures of federal awards.

ORANGE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2023

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents only the expenditures incurred by OCTA that are reimbursable under federal programs of federal financial assistance for the year ended June 30, 2023. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by OCTA from a non-federal agency or other organization. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. OCTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 – TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) PROGRAM LOAN**

On July 26, 2017, OCTA executed a TIFIA loan for \$628,930,000 (2017 TIFIA Loan) with the United States Department of Transportation (DOT) to finance a portion of OCTA's I-405 improvement project. On September 9, 2021, OCTA executed a TIFIA loan for the same amount of \$628,930,000 (2021 TIFIA Loan) with the DOT, replacing the 2017 TIFIA Loan and resetting the interest rate to a lower rate. In fiscal year 2022-23, OCTA drew down the entire TIFIA loan amount of \$628,930,000. Additionally, within the same fiscal year, OCTA made a prepayment of \$15,218,705 towards the principal amount of the TIFIA loan. As of June 30, 2023, the amount outstanding under the 2021 TIFIA loan agreement is \$620,188,702.

ORANGE COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended June 30, 2023

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified not considered to be material weaknesses?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

Federal Assistance Listing Number

Name of Federal Program or Cluster

20.223

Transportation Infrastructure Finance and Innovation Act (TIFIA) Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

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## SECTION II – FINANCIAL STATEMENT FINDINGS

### Finding 2023-001 – Deferred Compensation Contribution Calculation (Significant Deficiency)

#### Criteria

Management is responsible for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

#### Condition

Management noted that contributions for the OCTA 401(a) and 457(b) deferred compensation plans were being incorrectly calculated due to an issue when setting up the Lawson HR/Payroll system in 2004. Most errors related to proper identification of eligible or included earnings in the calculation of employees' 457(b) plan contributions and/or with the employer match contributions in the 401(a) plans. Other errors identified were related to the occasional resetting of plan dates and miscalculated contributions on final paychecks. Management made a payment in FY24 to correct the approximate \$7.4m in missed contributions and related interest.

#### Cause

Management did not have effective controls in place over deferred compensation plan contribution calculation inputs or outputs.

#### Effect

Prior year deferred compensation expense and accounts payable was understated by approximately \$1.9m and \$5.5m in the General fund and Orange County Transit District fund, respectively. Current year deferred compensation expense and accounts payable was understated by approximately \$104k and \$130k in the General fund and Orange County Transit District fund, respectively. The misstatement was corrected by management in the current fiscal year.

#### Recommendation

We recommend management formalize a periodic review of contribution calculations and plan documents to ensure plan changes (if any) are appropriately reflected within the calculation.

#### Management's Response

As a result of identifying and correcting systemic issues for contributions made to the OCTA 457(b) and 401(a) plans in the current year, Human Resources has implemented several management controls to identify errors in a timely manner. The first is to implement an annual review of Deferred Compensation Plan documents to determine if administrative practices are compliant with terms defined in the plan.

Secondly, Human Resources will, in collaboration with Payroll, review plan compensation twice a year to determine if earnings codes are compliant with plan documents.

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(Continued)

ORANGE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2023

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Thirdly, Human Resources will conduct an annual review of a represented sample of all employee groups for calculation of OCTA and employee contributions in a given payroll check. Examples of employee groups to review for correct deferred contribution plan contributions are:

- Coach Operator at 5 years of service, review 457(b) and Union 401(a) plans
- Coach Operator at 15 years of service, review 457(b) and Union 401(a) plans
- Parts Clerk / Facility Worker at 10 years of service, review 457(b) and Union 401(a) plans
- Administrative employee, salary grade V and above, review 457(b) and Administrative 401(a) plans
- Administrative employee, flat dollar 457(b) election, review 457(b) and Administrative 401(a) plans
- Administrative employee, percent 457(b) election, review 457(b) and Administrative 401(a) plans
- Board member, review OBRA 457(b) and employee contribution to 457(b) Deferred Compensation Plan
- Extra Help employee, review OBRA 457(b) plan
- Maintenance employee, review 457(b) plan

Fourthly, Human Resources will annually review plan entry dates for that particular year's new hires or rehires to determine that the date for plan participation and calculation of years of service is accurate.

Finally, Human Resources will collaborate with payroll as needed on resolution for adjustments or errors that occur to individual employee payroll checks to ensure that OCTA remains compliant with the deferred compensation plan documents.

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ORANGE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2023

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**AGREED-UPON PROCEDURES PERFORMED**  
**WITH RESPECT TO THE NATIONAL TRANSIT DATABASE REPORT**  
June 30, 2023

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Orange County Transportation Authority  
Orange, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the Orange County Transportation Authority (OCTA) annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data are consistent with prior reporting periods and other facts known about OCTA's operations.

We have performed the procedures included in the declarations section of the *2023 NTD Policy Manual* and described in Attachment 1 of this report for the year ended June 30, 2023 solely to assist you in evaluating whether OCTA complied with the standards described above and that the information included in the NTD report FFA-10 form for the year ended June 30, 2023, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630 and as presented in the *2023 NTD Policy Manual*. OCTA's management is responsible for OCTA's compliance with those standards and the accuracy of the FFA-10 form.

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(Continued)

OCTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose described above. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and findings described in Attachment 1 of this report, which are referenced in order to correspond to the *2023 NTD Policy Manual* procedures, were applied separately to each of the information systems used to develop the reported vehicle revenue miles (VRM), passenger miles (PM), fixed guideway directional route miles (FG DRM), High Intensity Bus Lanes directional route miles (HIB DRM), and operating expenses of OCTA for the year ended June 30, 2023, and for each of the following modes: (1) Motor Bus – Directly Operated (MBDO), (2) Motor Bus - Purchased Transportation (MBPT), (3) Demand Response - Purchased Transportation (DRPT), (4) Demand Response - Purchased Transportation – Taxi (DRTX) and (5) Vanpool Service - Purchased Transportation (VPPT).

We were engaged by OCTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR part 630 and as presented in the *2023 NTD Policy Manual* or on the FFA-10. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of OCTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCTA, Management's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described below. Accordingly, we did not perform any procedures on Management's responses and express no assurance or opinion on them.

This report is intended solely for the information and use of OCTA management, OCTA Board of Directors and the FTA and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Costa Mesa, California  
November 2, 2023

## ATTACHMENT 1

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- a. The procedures to be applied to each applicable mode and TOS (Directly Operated, Purchased Transportation, Transportation Network, and Taxi) are: Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630 and as presented in the *2023 NTD Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

**Finding:** We obtained and read a copy of OCTA's written instructions for Passenger Counting and Reporting (PCR) schedule generation. Furthermore, based on inquiry surrounding collection, retention and reporting of NTD data, we noted that OCTA maintains and followed sets of both formal and informal procedures, in accordance with NTD requirements and definitions set forth in 49 CFR Part 630 and as presented in the *2023 NTD Policy Manual*. No exceptions were noted as a result of this procedure.

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis; and
  - Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630 and as presented in the *2023 NTD Policy Manual*.

**Finding:** We inquired regarding OCTA's procedures for the MBDO, MBPT, DRPT, DRTX, and VPPT services, and were informed that there were both formal and informal procedures followed on a consistent and continual basis. In addition, based on our inquiry with the Business Unit Analyst of the Specialized Transit Services department, Operations Division, Principal Operations Analyst and Section Manager of the Schedule and Bus Operations Support, and Program Management Analyst of the Vanpool Program management asserted that the procedures resulted in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630 and as presented in the *2023 NTD Policy Manual*. No exceptions were noted as a result of this procedure.

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

**Finding:** We inquired with the Business Unit Analyst of the Specialized Transit Services department, Operations Division, Principal Operations Analyst and Section Manager of the Schedule and Bus Operations Support, and Program Management Analyst of the Vanpool Program regarding OCTA's retention policy for source documents supporting NTD data reported on the Federal Funding Allocation Statistics form. Per inquiry, the current practice is to retain electronic data for seven years. No exceptions were noted as a result of this procedure.

- d. Based on a description of the transit agency's procedures from items (A) and (B) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

**Finding:** We inspected the following source documents for each type of service, selected three months out of the year and determined that the documents existed for each of these periods, which are further described in the table below.

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(Continued)

Type of Service	Source Document	Months Inspected
MBDO	<ul style="list-style-type: none"> <li>• Scheduled Daily Line Summaries</li> <li>• Automatic Passenger Counting (APC) Summaries &amp; underlying detail</li> </ul>	<ul style="list-style-type: none"> <li>• <i>July 2022</i></li> <li>• <i>October 2022</i></li> <li>• <i>February 2023</i></li> <li>• Three years of data were noted to be archived on OCTA's network.</li> </ul>
MBPT	<ul style="list-style-type: none"> <li>• Scheduled Daily Line Summaries</li> <li>• Automatic Passenger Counting (APC) Summaries &amp; underlying detail</li> </ul>	<ul style="list-style-type: none"> <li>• <i>July 2022</i></li> <li>• <i>October 2022</i></li> <li>• <i>February 2023</i></li> <li>• Three years of data were noted to be archived on OCTA's network.</li> </ul>
DRPT	<ul style="list-style-type: none"> <li>• Contractor Provided NTD Program Data Reports</li> <li>• Driver Manifests</li> <li>• ACCESS - Passenger and Mileage Summaries</li> </ul>	<ul style="list-style-type: none"> <li>• <i>August 2022</i></li> <li>• <i>December 2022</i></li> <li>• <i>February 2023</i></li> <li>• Three years of data were noted to be archived on OCTA's network.</li> </ul>
DRTX	<ul style="list-style-type: none"> <li>• Contractor Provided NTD Program Data Reports</li> <li>• Same Day Taxi - Passenger and Mileage Summaries</li> <li>• Supplemental ACCESS Program Data</li> <li>• Vendor Invoices</li> </ul>	<ul style="list-style-type: none"> <li>• <i>August 2022</i></li> <li>• <i>December 2022</i></li> <li>• <i>February 2023</i></li> <li>• Three years of data were noted to be archived on OCTA's network.</li> </ul>
VPPT	<ul style="list-style-type: none"> <li>• Monthly Ridership Reports</li> <li>• VPID Ridership Detail Data</li> <li>• Vendor Invoices</li> </ul>	<ul style="list-style-type: none"> <li>• <i>September 2022</i></li> <li>• <i>December 2022</i></li> <li>• <i>March 2023</i></li> <li>• Three years of data were noted to be archived on OCTA's network.</li> </ul>

No exceptions were noted as a result of this procedure.

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

**Finding:** We inquired regarding the system of internal controls, noting that each respective mode/type of service is being reviewed by personnel independent of the preparation process. It was noted that review is performed on a monthly basis and again at year-end for the DRPT, DRTX and VPPT modes. Review is performed on a yearly basis for the MBDO and MBPT modes. No exceptions were noted as a result of this procedure.

(Continued)

- f. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

**Finding:** We selected a sample of 40 random Drivers Manifests for the DRPT service, and 8 Invoices for DRTX services, noting supervisory signatures documenting reviews of the data presented in the various services, without exception. For VPPT, we sampled 2 months of vendor invoices, for which we noted the existence of supervisory electronic signatures. For MBDO and MBPT, we viewed the approval log for the yearly review of all source documents within OCTA's NTD reporting system noting no exceptions.

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

**Finding:** We obtained the worksheets utilized by OCTA to transcribe statistics to the Federal Funding Allocation Statistics (FFA-10) form and compared the data to summaries without exception for the DRPT, DRTX and VPPT services. We recomputed the arithmetical accuracy of the summaries without exception.

For the MBDO and MBPT we noted the following differences:

Category	MBDO	MBPT
Total Passenger Miles Travelled (PMT)	150,437	56,073
Total Unlinked Passenger Trips (UPT)	29,662	119,554
Total Operating Expenses (OE)	56	31
Total Non-Fixed Guideway Vehicle Revenue Miles (NFG VRM)	264,713	-
Total Non-Fixed Guideway Passenger Miles Travelled (NFG PMT)	150,437	56,073
Total Non-Fixed Guideway Operating Expenses (NFG OE)	165,818,953	31

Attached within Exhibit 1 is Management's response to the finding described above.

- h. Discuss the procedure for accumulating and recording Passenger Miles Traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2023 *NTD Policy Manual*.

**Finding:** OCTA utilizes Automatic Passenger Counting (APC) software to collect the necessary information for annual reporting of PMT data for MBDO and MBPT. The use of APC as the method for accumulating and reporting PMT data, is in accordance with the requirements of the 2023 *NTD Policy Manual*.

The remaining three modes of services (DRPT, DRTX, and VPPT) do not involve the use of APC software, nor sampling to estimate PMT. These modes use a 100% count of actual Passenger Miles and compilations of actual Revenue Miles, which are in accordance with the 2023 *NTD Policy Manual*. No exceptions were noted as a result of this procedure.

- i. Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- The public transit agency serves an UZA with a population less than 500,000 according to the most recent census.
  - The public transit agency directly operates fewer than 100 revenue VOMS (in any size UZA).
  - Service purchased from a seller is included in the transit agency's NTD report.
  - For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95 percent confidence and  $\pm 10$  percent precision requirements.
  - Determine how the transit agency estimated annual PMT for the current report year.

**Finding:** Not applicable - OCTA did not meet the specific requirements per the criteria above. Therefore, the procedure identified above is not applicable.

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

**Finding:** For MBDO and MBPT the transit agency uses Automatic Passenger Counter (APC) software to systematically collect and report 100% of PMT, thus no sampling is involved. For DRPT, DRTX, and VPPT, the transit agency counts 100% of PMT, and thus there is no sampling involved. We obtained a copy of OCTA's working papers used to calculate PMT for MBDO, MBPT, DRPT, DRTX, and VPPT and we determined that the actual procedures used by OCTA were consistent with their adopted methodologies. No exceptions were noted as a result of this procedure, as we noted the applied sampling methodologies were in accordance with the authoritative guidance of the FTA.

- k. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summary.

**Finding:** For MBDO, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 28,680 miles. Attached within Exhibit 1 is Management's response to the finding described above.

For MBPT, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 4,516 miles. No other exceptions were found as a result of this procedure. Attached within Exhibit 1 is Management's response to the finding described above.



For DRPT, we selected 40 routes performed during July 2022, October 2022 and April 2023 and compared the PMT reported against the signed driver manifests. We recomputed the mathematical accuracy of the trip sheets and observed all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a variance in PMT for 12 of the 40 routes sampled, resulting in a net variance of 41 miles. No other exceptions were found as a result of this procedure. Attached within Exhibit 1 is Management's response to the finding described above.

For DRTX, we randomly selected 3 of the 12 months of vendor provided PMT data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

For VPPT, we selected all 12 months of vanpool participation logs for the year. We ensured the mathematical accuracy of PMT for each of those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. No exceptions were found as a result of this procedure.

- I. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual VRM with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

**Finding:** The procedure identified above is not applicable. Per inquiry with various key-personnel assigned responsibility for NTD reporting, OCTA did not provide charter or school bus services.

- m. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:
  - If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.

**Finding:** For the MBDO and MBPT modes, missed trips are calculated as the difference between schedule vehicle mileage, minus the actual mileage recorded by the on-board APC software. These missed trips are automatically deducted from the scheduled vehicle miles to arrive at actual vehicle revenue miles. We compared the AVRMS data recorded by the APC data, to that recorded by OCTA and reported to NTD for the entire year, noting no discrepancies for the MBDO and MBPT modes.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.

**Finding:** For the VPPT mode, deadhead miles are automatically excluded because only commuter miles are factored into the calculation of Revenue Mileage and the results are reviewed by the Program Management Analyst of the Vanpool Program. Upon inspection of the underlying source documentation for actual VRMs, it was noted that the Vanpool software used to collect, maintain, and report VRM was using total odometer miles in the report, as opposed to VRM. Through our recalculation, Crowe noted no errors.

- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

**Finding:** For the DRPT mode, Revenue Miles are calculated based on the odometer readings from the first pickup to the last drop off. There are no deadhead miles included in the Revenue Miles calculations due to the nature of the service being comprised of non-dedicated trips. No exceptions were noted as a result of this procedure.

For the DRTX mode, Revenue Miles are calculated by the contractors based on pick up and drop off data entered into the scheduling software. Revenue Miles data is uploaded to the OCTA database and compared to the scheduling data for quality assurance. There are no deadhead miles since these are non-dedicated taxi trips, and accordingly, Revenue Miles for each trip are recorded. No exceptions were noted as a result of this procedure.

- n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

**Finding:** The procedure identified above is not applicable as OCTA does not provide rail service.

- o. If Fixed Guideway (FG) or High Intensity Busway Directional Route Miles (HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA definition of FG or HIB in that the service is:

- Rail, Trolleybus (TB), Ferryboat (FB), or Aerial Tramway (TR); or
- Bus (MB, CB, or RB) service operating over exclusive or controlled access rights-of-way (ROW); and
  - i. Access is restricted;
  - ii. Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway; and
  - iii. Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., Vanpools (VP), carpools) must demonstrate safe operation.

**Finding:** We interviewed the Principal Operations Analyst and determined that OCTA's Motor Bus services operate over HIB lanes that appear consistent with the FTA's definition of HIB lanes. No exceptions were noted as a result of this procedure.

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

**Finding:** Per inquiry, we determined that the mileage was computed in accordance with the FTA definitions of FG/HIB DRM. We were informed that there were no increases or decreases in DRMs during the year. No exceptions were noted as a result of this procedure.

q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:

- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
- If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.

**Finding:** Per inquiry with the Principal Operations Analyst, there were no temporary interruptions in transit service during the report year attributable to maintenance or rehabilitation improvements to the Fixed Guideway segments. No exceptions were noted as a result of this procedure.

r. Measure FG/HIB DRM from maps or by retracing route.

**Finding:** We recalculated the length of all HIB directional routes for the MBDO mode of service, using publicly available maps without exception. The MBPT, DRPT, DRTX, and VPPT modes do not operate over HIB lanes. No exceptions were noted as a result of this procedure.

s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and Operating Expense (OE) for the service operated over the same FG/HIB.

**Finding:** We interviewed the Principal Operations Analyst and noted that OCTA shares service over the same FG/HIB. Each agency receives their correct apportionment, evidenced by reconciliation with other agencies and the Southern California Association of Governments (SCAG), as to not double count DRM's on the FFA-10 forms of OCTA and Riverside Transit Agency (RTA). No exceptions were noted as a result of this procedure.

t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2023 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2023 report year, the Agency Revenue Service Date must occur within the transit agency's 2023 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.

**Finding:** We interviewed the Principal Operations Analyst and noted there were no new segments added, removed, or amended during the year. No exceptions were noted as a result of this procedure.

u. Compare Operating Expenses with audited financial data after reconciling items are removed.

**Finding:** Operating expenses were compared to the trial balance subject to audit without exception.

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(Continued)

- v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation-generated fare revenues. The purchased transportation fare revenues should equal the amount reported on the Contractual Relationship form.

**Finding:** Per inquiry and inspection, we determined that the transit agency purchased transportation services. We then identified the Purchased Transportation fare revenues reported on the Contractual Relationship forms and agreed the amounts to the general ledger without exception.

- w. If the transit agency's report contains data for purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

**Finding:** The data for purchased transportation are included in the reporting by OCTA, and therefore, no IAS for the purchased transportation services is included. No exceptions were noted as a result of this procedure.

- x. If the transit agency purchases transportation services, obtain a copy of the purchased transportation contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

**Finding:** We inspected the MBPT, DRPT, DRTX and VPPT service contracts and determined that they contained the items noted above without exception. We inquired with the Business Unit Analyst of the Specialized Transit Services department, Operations Division, Senior Schedule Analyst, and Program Management Analyst of the Vanpool Program regarding OCTA's retention policy for executed contracts for purchased transportation programs. Per inquiry, the current retention practice of seven years meets NTD requirements of a minimum of three years. No exceptions were noted as a result of this procedure.

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

**Finding:** Per inquiry, OCTA provides services in more than one UZA but does not provide services to non-urbanized areas. Allocations to urbanized areas are based on trip pattern analysis. The number of yearly trips per pattern is multiplied by the number of miles determined for each UZA. We recalculated 5 UZA allocations for mathematical accuracy for the MBDO and MBPT services, with no exceptions noted. We did not perform this procedure for the DRPT, DRTX, and VPPT modes because they do not report on FG. No exceptions were noted as a result of this procedure.

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

**Finding:** The following fluctuations were noted on the FFA-10 Form:

**MBDO:**

- A 16.83% increase in Unlinked Passenger Trips (UPT).

Per inquiry, this change resulted from lifted COVID-19 restrictions which increased ridership compared to the prior year.

**MBPT:**

- A 17.42% increase in Unlinked Passenger Trips (UPT).
- A 11.34% increase in Operating Expense (OE).
- A 11.34% increase in Non Fixed Guideway Operating Expense (NFG OE).

Per inquiry, the change in UPT resulted from lifted COVID-19 restrictions which increased ridership compared to the prior year. Increased operating expense is due to increased costs of purchased transportation, fuels, and lubricants.

**DRPT:**

- A 11.73% increase in Vehicle Revenue Hours (VRH).
- A 21.53% increase in Unlinked Passenger Trips (UPT).
- A 17.72% increase in Non Fixed Guideway Passenger Miles Traveled (NFG PMT).

Per inquiry, these changes resulted from prior restrictions due to the COVID-19 pandemic being lifted or reduced which promoted programs and organizations that service the paratransit communities to re-open and initiate upward trends of demand. Steady growth is expected until pre-pandemic demand returns.

**DRTX:**

- A 63.12% increase in Vehicle Revenue Hours (VRH).
- A 28.57% increase in Unlinked Passenger Trips (UPT).
- A 66.62% increase in Non Fixed Guideway Vehicle Revenue Miles (NFG VRM).
- A 66.83% increase in Non Fixed Guideway Passenger Miles Traveled (NFG PMT).
- A 57.15% increase in Non Fixed Guideway Operating Expenses (NFG OE).

Per inquiry, these changes resulted from prior restrictions due to the COVID-19 pandemic being lifted or reduced which promoted programs and organizations that service the paratransit communities to re-open and initiate upward trends of demand. Steady growth is expected until pre-pandemic demand returns

**VPPT:**

- A 17.8% increase in Unlinked Passenger Trips (UPT)
- A 12.19% increase in Non Fixed Guideway Vehicle Revenue Miles (NFG VRM)
- A 16.53% increase in Non Fixed Guideway Passenger Miles Traveled (NFG PMT)

Per inquiry, these changes resulted from increased ridership due to commuters feeling more comfortable sharing rides with others post-pandemic. Ridership will continue to show an upward trend as demand increases.

No exceptions were noted as a result of this procedure.

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(Continued)

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by FTA.

**Finding:** We have documented the procedures followed based on the *FTA 2023 NTD Policy Manual Exhibit 80 - Federal Funding Allocation Data Review - Suggested Procedures*, and noted the documents inspected and procedures performed in our workpapers. Additional procedures were not performed.

**Exhibit 1**



AFFILIATED AGENCIES

Orange County  
Transit District

Local Transportation  
Authority

Service Authority for  
Freeway Emergencies

Consolidated Transportation  
Service Agency

Congestion Management  
Agency

November 1, 2023

Members of the Board of Directors  
Orange County Transportation Authority  
550 S. Main Street  
P.O. Box 14184  
Orange, CA 92863-1584

The following response is being submitted to address results from the agreed upon procedures performed for the National Transit Database (NTD) as of, and for, the fiscal year ended June 30, 2023.

**Procedure G – Motor Bus Directly-Operated (MBDO) and Motor Bus–Purchased Transportation (MBPT) Modes**

Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Finding: We obtained the worksheets utilized by OCTA to transcribe statistics to the Federal Funding Allocation Statistics (FFA-10) form and compared the data to summaries without exception for the DRPT, DRTX and VPPT services. We recomputed the arithmetical accuracy of the summaries without exception.

For the MBDO mode we noted the following differences:

Category	MBDO
Total Passenger Miles Travelled (PMT)	150,437
Total Unlinked Passenger Trips (UPT)	29,662
Total Operating Expenses (OE)	56
Total Non-Fixed Guideway Vehicle Revenue Miles (NFG VRM)	264,713
Total Non-Fixed Guideway Passenger Miles Travelled (NFG PMT)	150,437
Total Non-Fixed Guideway Operating Expenses (NFG OE)	165,818,953



For the MBPT mode we noted the following differences:

<b>Category</b>	<b>MBPT</b>
Total Passenger Miles Travelled (PMT)	56,073
Total Unlinked Passenger Trips (UPT)	119,554
Total Operating Expenses (OE)	31
Total Non-Fixed Guideway Vehicle Revenue Miles (NFG VRM)	-
Total Non-Fixed Guideway Passenger Miles Travelled (NFG PMT)	56,073
Total Non-Fixed Guideway Operating Expenses (NFG OE)	31

Management's Response: The differences noted were a comparison of the worksheets and the FFA-10 form as originally submitted to the Auditor. The differences were sent to OCTA management staff for comments. Management staff have since corrected the differences in worksheet and FFA-10 form values. The worksheets and forms have the current and correct values for submission to the NTD.

### **Procedure K – Motor Bus Directly-Operated (MBDO) and Motor Bus–Purchased Transportation (MBPT) Modes**

Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summary.

**Finding:** For MBDO, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 28,680 miles.

For MBPT, we selected all 12 months of APC data. We recomputed the mathematical accuracy of PMT for those months and observed that all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a net variance of 4,516 miles. No other exceptions were found as a result of this procedure.

Members of the Board of Directors  
November 1, 2023  
Page 3

Management's Response: According to the OCTA APC Certification Report for FY 2022 that was reviewed and approved by the FTA, there was a  $\pm 5.0000$  percent required level of accuracy requirement for both unlinked passenger trips and passenger miles traveled. For MBDO, the 28,680 miles against the total annual reported 81,449,326 miles results in a variance of 0.0352 percent which is within the acceptable precision range for NTD reporting. For MBPT, the 4,516 miles against the total annual reported 35,585,334 miles results in a variance of 0.0133 percent which is within the acceptable precision range for NTD reporting.



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Johnny Duning, Jr.  
Chief Operating Officer



*AFFILIATED AGENCIES*

*Orange County  
Transit District*

*Local Transportation  
Authority*

*Service Authority for  
Freeway Emergencies*

*Consolidated  
Transportation  
Service Agency*

*Congestion Management  
Agency*

October 31, 2023

Members of the Board of Directors  
Orange County Transportation Authority  
550 South Main Street  
P.O. Box 14184  
Orange, CA 92863-1584

The following response is being submitted to address results from the agreed upon procedures performed for the National Transit Database (NTD) as of, and for, the fiscal year ended June 30, 2023.

**Procedures K – Demand Response Purchased Transportation (DR PT) Mode and Service**

Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and recompute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Finding: For DRPT, we selected 40 routes performed during July 2022, October 2022 and April 2023 and compared the passenger miles traveled (PMT) reported against the signed driver manifests. We recomputed the mathematical accuracy of the trip sheets and observed all required data was recorded in the accumulation worksheet designed to perform the PMT calculation. We identified a variance in PMT for 12 of the 40 routes sampled, resulting in a net variance of 41 miles. No other exceptions were found as a result of this procedure.

Management's Response: OCTA Operations and Finance & Administration Division staff perform detailed reconciliation of the operational data as part of the monthly billing procedures. This reconciliation process utilizes various automated and manual checks that identify potential trip and run level errors that both OCTA and the contractors must review, resolve, and approve before finalizing the invoice payment for the reporting period. Although there may be some erroneous values found in the paper trip sheets, as they are manually recorded, the paper trip sheets are compiled as a redundancy to the data generated by mobile data terminals (MDTs) within the vehicles. The data generated by MDTs are reviewed as part of the reconciliation process prior to finalizing the billing summaries.

Members of the Board of Directors  
October 31, 2023  
Page 2

Therefore, the variances noted in the driver trip sheets do not affect reporting as other sources of data are involved in the finalization of both billing and the required NTD statistics. Lastly, the net discrepancy of 41 miles against the total annual reported 7,656,447 PMT for DRPT results in a variance of 0.0005 percent which is within an acceptable precision range for NTD reporting.



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Johnny Dunning, Jr.  
Chief Operating Officer

**ORANGE COUNTY TRANSPORTATION AUTHORITY**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
WITH RESPECT TO THE TREASURY DEPARTMENT**

Year ended June 30, 2023

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have performed the procedures enumerated below related to the investment policies, procedures and selected activities of the Orange County Transportation Authority ("OCTA" or "the Authority") for the fiscal year ended June 30, 2023. OCTA's management is responsible for the investment policies, procedures and selected activities of the Authority.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures that we performed and our findings are included in Appendix A.

We were engaged by OCTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the investment policies, procedures and selected activities of the Authority. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

At the request of OCTA, Management's responses to certain findings are included in Exhibit 1. The responses are included for the purpose of additional information and were not subjected to the procedures described below. Accordingly, we did not perform any procedures on Management's responses and express no assurance or opinion on them.

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(Continued)

This report is intended solely for the information and use of OCTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Crowe LLP*  
Crowe LLP

Costa Mesa, California  
November 2, 2023

The procedures performed and associated results are as follows:

1. We conducted inquiries of personnel involved in the Treasury Department operations, obtained the Debt and Investment Management Manual and observed the procedures performed to determine whether the procedures provided for:
  - a. Transactions that are clearly documented and readily available for examination;
  - b. Transactions that are promptly recorded and properly classified;
  - c. Transactions that are authorized and executed only by persons acting within the scope of their authority;
  - d. Segregation of key duties and responsibilities in authorizing, processing, recording and reviewing;
  - e. Supervision to ensure that internal control objectives are achieved;
  - f. Limiting access to resources and records to authorized individuals and ensuring accounting for custody of resources; and
  - g. Periodic reconciliation of investments between the custodian statements and the general ledger.

**Finding:** No exceptions were noted as a result of this procedure. We conducted inquiries of Treasury Department personnel and observed the procedures performed to determine whether the procedures provided for items a.-g. by observing documented procedures in the Investment Management Manual (Manual) and determining the attributes above were provided for in the Manual.

2. We compared the Investment Policies dated July 1, 2022 and July 1, 2023 to California Government Code Section 53601 to determine compliance.

**Finding:** No exceptions were noted as a result of this procedure.

3. We observed system related controls to determine they were in place to appropriately limit access to cash and investment information.

**Finding:** We observed system related controls surrounding the Clearwater system and no exceptions were noted as a result of this procedure. Specifically, we observed that access to the system was password protected and that the user access listing was restricted to those individuals requiring access for their job duties. Regarding access to the Bank of Montreal system (BMO), Online Banking for Business (OBB), access is provisioned if required by job duties per management inquiry. We obtained an access listing which showed 14 Finance & Admin Division employees, the General Manager of the 91 Express Lanes, and access for Clearwater which was view only.

4. We determined that the Investment Policy was provided to external investment managers on an annual basis. In addition, we determined whether each investment manager certified receipt of the Investment Policy with a statement agreeing to abide by its terms.

**Finding:** No exceptions were noted as a result of this procedure.

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(Continued)



5. We sampled three monthly Treasury/Public Finance Department Reports on OCTA Investment and Debt Programs presented to the Finance and Administration Committee to determine whether they were provided in accordance with the Debt and Investment Management Manual (Section 2, Part C, Treasury/Public Finance Department, and Investment Reporting).

**Finding:** No exceptions were noted as a result of this procedure.

6. We performed inquiries with management who noted there were no authorization letters or changes during the period subject to our procedures.

**Finding:** Not Applicable.

7. We selected a sample of 60 investment purchases during the fiscal year ended June 30, 2023 to determine that:
  - a. The investments were in compliance with the Investment Policy;
  - b. The Treasury Department's policies and procedures with respect to investment purchases were followed;
  - c. The investments were properly recorded; and
  - d. Any investment earnings on matured investments were calculated and recorded correctly.

**Finding:** We inspected the investment policies obtained in procedure two and compared the policies outlined for investment purchases contained within to the sample of investments purchased during the year and noted no exceptions. We agreed Asset ID, ISIN number, Maturity date, Principal (Value), and Security Ratings to the Clearwater report to ensure proper recording of the securities. We recalculated investment earnings on matured investments and agreed to the Clearwater system.

Our sample of sixty investment purchase included the selection of seven Asset Bucket Security purchases (ABS). Upon comparison of these ABS purchases to supporting documentation and further discussions with management, it was identified that one of these ABS selections were issued with a soft bullet structure. Soft bullet structured ABS have an estimated final maturity date where payment is expected but not guaranteed and a subsequent legal final maturity date upon which payment must be made. The California Government Code Section 53601 defines an Investment's term or remaining maturity as *"an investment's term or remaining maturity shall be measured from the settlement date to final maturity. A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment"*. The investment purchases report provided by management utilized the expected final maturity date for this selection. When comparing maturity dates to the code for compliance the legal final maturity date should be utilized as this is the date when payment is legally required. We compared the legal final maturity for the ABS selection with a soft bullet structure noting it was in compliance with both OCTA's investment policy and the California Government Code.

No exceptions were noted as a result of this procedure.

8. We sampled ten weekly holdings reports for each external investment manager during the fiscal year ended June 30, 2023 and determined whether they were monitored by Treasury Department personnel and were in compliance with the Investment Policy. Specifically:
  - a. We obtained the holdings report for each external manager for each week selected;
  - b. We inspected that the Treasury Department's review was documented on the holdings report;
  - c. We compared the holdings report to the Investment Policy limits and diversification guidelines to determine whether the external investment manager complied; and
  - d. We determined that any instances of noncompliance were identified and corrected by the Treasury Department and that probationary and reporting procedures were followed.

**Finding:** No exceptions were noted as a result of this procedure.

9. We selected a sample of three monthly bank reconciliations during the fiscal year ended June 30, 2023 and performed the following:
  - a. Traced general ledger balances and bank balances to supporting documentation;
  - b. Determine whether the reconciliations were completed within thirty days of month end;
  - c. Determine that any discrepancies were reported and resolved;
  - d. Determine that reconciliations and resolution of discrepancies were reviewed and approved by an official who was not responsible for recording receipts and disbursements; and
  - e. Determine that bank statements were mailed directly to the Accounting Department.

**Finding:** We determined the items in a. - e. by observing the reconciliations contained the information listed. No exceptions were noted as a result of this procedure.

10. We selected a sample of three monthly investment account reconciliations and inspected the supporting documentation to determine that:
  - a. Reconciliations were completed and approved by the end of the month following the month being reconciled, and were performed by someone who was not responsible for recording receipts and disbursements;
  - b. Discrepancies were identified and resolved;
  - c. Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions; and
  - d. Investment statements were mailed directly to the Accounting Department.

**Finding:** The Bank of New York Mellon is accessed using a computer login, therefore procedure (d) listed above was not applicable. For procedure a. we inspected reconciliations for the 91 Express Lanes and Construction in Progress (CIP) funds, and noted that the CIP reconciliation for the month of September 2022 was approved twenty two days after the end of the month following the month being reconciled, contrary to procedures. The remainder of the procedures were performed with no exceptions noted. Attached within Exhibit 1 is Management's response to the finding described above.

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(Continued)

11. We inspected the Treasury Department's cash forecasting documentation to determine the Department performed or prepared the following:
  - a. A day-to-day cash forecast for the current week;
  - b. Reviewed forecasts with the Funds Management Team;
  - c. Monitored actual cash flow activity versus forecast;
  - d. Maintained regular communication with external investment managers regarding OCTA cash forecast and operational needs.

**Finding:** No exceptions were noted as a result of this procedure. For procedure d., weekly communications were observed. We inspected monthly Investment and Debt Programs reports for required reporting of downgrades and credit watch placements.

12. We inspected monthly Investment and Debt program reports for required reporting of downgrades and credit watch placements.

**Finding:** No exceptions were noted as a result of this procedure

13. We inspected minutes of both the Board of Directors and the Finance and Administration Committee, inquired with Treasury Department personnel, and inspected other supporting documentation to determine that the following required oversight activities took place:
  - a. The Finance and Administration Committee reviewed investments on a monthly basis;
  - b. The Board of Directors reviewed investments on a quarterly basis;
  - c. The Board of Directors reviewed and approved the Investment Policy and amendments made during the fiscal year ended June 30, 2023;
  - d. The Internal Audit Department performed semi-annual reviews to determine if OCTA was in compliance with its debt, investment, and accounting policies and procedures; and
  - e. The funds management team met on a weekly basis.

**Finding:** No exceptions were noted as a result of this procedure. We inspected the Finance and Administration Committee meeting minutes, Board of Directors meeting minutes, semi-annual reviews performed by the Internal Audit Department, and the informational packet for the funds management team meeting noting that the above oversight activities took place.

14. We inquired whether there have been any changes in Treasury policies and procedures, organization or function, as a result of any prior year audit findings or as a result of the Treasury Department Agreed-Upon Procedures.

**Finding:** Based upon our inquiry no changes in Treasury policies and procedures, organization or function were noted as a result of any prior year findings or as a result of the Treasury Department Agreed-Upon Procedures.

**Exhibit 1**



AFFILIATED AGENCIES

Orange County  
Transit District

Local Transportation  
Authority

Service Authority for  
Freeway Emergencies

Consolidated  
Transportation  
Service Agency

Congestion Management  
Agency

October 31, 2023

Members of the Board of Directors  
Orange County Transportation Authority  
550 S. Main Street  
P.O. Box 14184  
Orange, CA 92863-1584

The following response is being submitted to address results from the agreed-upon procedures performed for the Treasury Department as of, and for, the fiscal year ended June 30, 2023.

Crowe selected a sample of three monthly investment account reconciliations and inspected the supporting documentation to determine that:

- a) Reconciliations were completed and approved by the end of the month following the month being reconciled, and were performed by someone who was not responsible for recording receipts and disbursements;
- b) Discrepancies were identified and resolved;
- c) Reconciliations and the resolution of discrepancies were reviewed by an official who was not responsible for recording investment transactions.
- d) Investment statements were mailed directly to the Accounting Department

Finding: For procedure (a), Crowe inspected reconciliations for the 91 Express Lanes and Construction in Progress (CIP) funds, and noted that the CIP reconciliation for the month of September 2022 was approved twenty-two days after the end of the month following the month being reconciled, contrary to procedures. The remainder of the procedures were performed with no exceptions noted.

Management's Response: Management concurs and will improve the timeliness of monthly investment account reconciliations. The monthly reconciliations will be prepared and approved by the end of the month following the month being reconciled.

Andrew Oftelie  
Chief Financial Officer  
Finance and Administration

Rima Tan  
Department Manager  
Accounting and Financial Reporting

**ORANGE COUNTY LOCAL  
TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures  
Applied to Measure M2 Status Report**

Year Ended June 30, 2023

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**

**Report on Agreed-Upon Procedures  
Applied to Measure M2 Status Report**

Year Ended June 30, 2023

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Orange County Local Transportation Authority  
and the Taxpayers' Oversight Committee of the  
Orange County Local Transportation Authority  
Orange, California

We have performed the procedures enumerated in Attachment A on the Measure M2 Status Report of the Authority. The Orange County Local Transportation Authority ("OCLTA" or "Authority") and the Taxpayers' Oversight Committee of the Authority ("TOC") (the specified parties) are responsible for the Measure M2 Status Report.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and the associated findings are contained in Attachment A.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure M2 Status Report. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Authority and the TOC and is not intended to be, and should not be, used by anyone other than the specified parties.

  
Crowe LLP

Costa Mesa, California  
December 20, 2023



ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS  
Year ended June 30, 2023

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The procedures and associated findings are as follows:

The Measure M2 Status Report is separated into three sections: Section A describes the procedures applied to Schedule 1; Section B describes the procedures applied to Schedule 2; and Section C describes the procedures applied to Schedule 3. All amounts are reported in thousands.

A. We obtained Schedule 1 and performed the following procedures:

1. Compared Year to Date June 30, 2023 amounts (Column A) to the audited trial balances of the OCLTA Special Revenue Fund (Fund 17) and the OCLTA Debt Service Fund (Fund 72) and additional detailed information from the underlying accounting records.
2. Compared Period from Inception to June 30, 2023 amounts (Column B) by adding the prior year's Period from Inception to June 30, 2022 amounts with Year to Date June 30, 2023 amounts (Column A).
3. Re-computed totals and subtotals.

B. We obtained Schedule 2 and performed the following procedures:

1. Compared Year to Date June 30, 2023 (Columns C.1 and C.2) to Schedule 1, Column A. For professional services, non-project related amounts, we compared the sum of this caption allocated to Revenues and to Bond Revenues at June 30, 2023 (C.1 and C.2) to Schedule 1, Column A. For Environmental Cleanup, we agreed this amount to the project job ledger.
2. Compared Period from Inception through June 30, 2023 amounts (Columns D.1 and D.2) to Schedule 1, Column B. For professional services, non-project related, and other non-project related amounts, we compared the total of the amounts allocated to Revenues and to Bond Revenues at June 30, 2023 (D.1 and D.2) to Schedule 1, Column B. For Environmental Cleanup, we agreed this amount to the project job ledger.
3. Compared forecast amounts (Column E.1 and E.2) to Measure M2 Forecast Model Schedule.
4. Re-computed totals and subtotals.

C. We obtained Schedule 3 and performed the following procedures:

1. Compared Net Revenues Inception to June 30, 2023 (Column I) and Total Net Revenues Inception to March 31, 2041 (Column H) amounts to Schedule 2, Column D.1 and Column F.1, Net Revenues (Totals), respectively.
2. Recalculated Net Revenues Inception to June 30, 2023 (Column I) and Total Net Revenues Inception to March 31, 2041 (Column H) amounts, by mode and project description, based on the Measure M2 Transportation Investment Plan (Investment Plan).
3. Reconciled Expenditures Inception to June 30, 2023 (Column J) to Schedule 1, Column B. Agreed Environmental Cleanup to Schedule 2, Column D.1. Agreed Oversight and Annual Audits to the summary of Measure M2 administrative costs inception to June 30, 2023. Agreed Column J, by project description, to the project job ledger by fiscal year.

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(Continued)

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS  
Year ended June 30, 2023

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4. Selected a sample of 40 expenditures from Column J and compared them to invoices and supporting documentation to determine whether the sampled expenditures were properly accrued and classified.
5. Agreed Reimbursements Inception to June 30, 2023 (Column K) to Schedule 1, Column B. Agreed Oversight and Annual Audits line item to summary of Measure M2 administrative costs inception to June 30, 2023.
6. Agreed Column K to the supporting revenue summary by project and fiscal year. Selected a sample of 40 reimbursements from Column K and agreed them to supporting invoices and remittance advices to determine whether the sampled reimbursements were properly calculated.
7. Recalculated the net M2 cost (Column L) by subtracting Column K from Column J.
8. Recalculated Total Net Revenues Inception to March 31, 2041 (Column H.1) and the Net Revenues Inception to June 30, 2023 (Column I.1) for Environmental Cleanup (2% of revenues) and Oversight and Annual Audits (1% of revenues) by multiplying sales taxes and operating interest per Schedule 2, Column F.1 and Column D.1 by 2% and 1%, respectively.
9. Recalculated Total Net Revenues Inception to March 31, 2041 (Column H.1) and the Net Revenues Inception to June 30, 2023 (Column I.1) for Collect Sales Taxes (1.5% of sales taxes) by multiplying Sales Taxes per Schedule 2, Column F.1 and Column D.1 by 1.5%.
10. Re-computed total and subtotals.

Results: Procedure C.4. Identified the following expenditures with a service period that fell during the fiscal year 2022 and were improperly included in the fiscal year 2023 expenditures: 1) Expenditure in the amount of \$44,180 with a service period that fell during the fiscal year 2022 that management identified as part of their fiscal year 2022 year-end cut-off procedure and deemed to be immaterial for accrual in the prior period, thus reported in the fiscal year 2023 expenditures. 2) Expenditure in the amount of \$20,725 with a service period of that fell during the fiscal year 2022 and invoiced received by management outside of the prior period's year-end cut-off procedure, thus reported in the fiscal year 2023 expenditures. The two expenditures identified above were within management's threshold of passed adjustments for fiscal year 2022. No other exceptions were found as a result of these procedures.

**Measure M2**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**as of June 30, 2023**  
**(Unaudited)**

(\$ in thousands)	Quarter Ended June 30, 2023	Year to Date June 30, 2023	Period from Inception to June 30, 2023
		(A)	(B)
<b>Revenues:</b>			
Sales taxes	\$ 136,344	\$ 439,123	\$ 3,941,058
Other agencies' share of Measure M2 costs:			
Project related	11,796	47,524	838,086
Non-project related	-	-	454
Interest:			
Operating:			
Project related	812	1,598	5,097
Non-project related	5,776	13,245	83,316
Bond proceeds	5,151	8,028	95,246
Debt service	232	671	1,758
Commercial paper	-	-	393
Capital grants	-	-	-
Right-of-way leases			
Project related	91	199	1,665
Non-project related	-	-	17
Proceeds on sale of assets held for resale	-	-	13,428
Donated assets held for resale			
Project related	-	-	2,071
Non-project related	-	-	-
Miscellaneous:			
Project related	-	-	331
Non-project related	-	-	129
Total revenues	<u>160,202</u>	<u>510,388</u>	<u>4,983,049</u>
<b>Expenditures:</b>			
Supplies and services:			
Sales tax administration fees	1,000	3,518	38,899
Professional services:			
Project related	25,881	51,019	538,841
Non-project related	783	1,884	37,930
Administration costs:			
Project related	2,991	11,968	117,214
Non-project related:			
Salaries and Benefits	1,106	4,421	40,350
Other	1,714	6,854	67,454
Other:			
Project related	297	467	6,308
Non-project related	47	84	5,374
Payments to local agencies:			
Project related	32,626	94,766	1,328,214
Non-project related	-	-	-
Capital outlay:			
Project related	154,136	264,641	2,241,891
Non-project related	100	100	131
Debt service:			
Principal payments on long-term debt	-	19,935	95,485
Interest on long-term debt and commercial paper	-	34,950	319,576
Total expenditures	<u>220,681</u>	<u>494,607</u>	<u>4,837,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,479)</u>	<u>15,781</u>	<u>145,382</u>
<b>Other financing sources (uses):</b>			
Transfers out:			
Project related	(19,903)	(51,495)	(497,412)
Non-project related	-	-	-
Transfers in:			
Project related	6,682	12,014	348,683
Non-project related	453	453	453
Bond proceeds	-	-	804,625
Payment to refunded bond escrow agent	-	-	(45,062)
Total other financing sources (uses)	<u>(12,768)</u>	<u>(39,028)</u>	<u>611,287</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ (73,247)</u>	<u>\$ (23,247)</u>	<u>\$ 756,669</u>

**Measure M2**  
**Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)**  
**as of June 30, 2023**  
**(Unaudited)**

<i>(\$ in thousands)</i>	Quarter Ended June 30, 2023 (actual)	Year to Date June 30, 2023 (actual) (C.1)	Period from Inception through June 30, 2023 (actual) (D.1)	Period from July 1, 2023 through March 31, 2041 (forecast) (E.1)	Total (F.1)
<b>Revenues:</b>					
Sales taxes	\$ 136,344	\$ 439,123	\$ 3,941,058	\$ 11,091,283	\$ 15,032,341
Operating interest	5,776	13,245	83,316	429,302	512,618
Subtotal	<u>142,120</u>	<u>452,368</u>	<u>4,024,374</u>	<u>11,520,585</u>	<u>15,544,959</u>
Other agencies share of M2 costs	-	-	454	-	454
Miscellaneous	-	-	129	-	129
Total revenues	<u>142,120</u>	<u>452,368</u>	<u>4,024,957</u>	<u>11,520,585</u>	<u>15,545,542</u>
<b>Administrative expenditures:</b>					
Sales tax administration fees	1,000	3,518	38,899	97,713	136,612
Professional services	783	1,884	34,155	97,299	131,454
<b>Administration costs:</b>					
Salaries and Benefits	1,106	4,421	40,350	113,172	153,522
Other	1,714	6,854	67,454	191,198	258,652
Other	47	84	2,354	6,722	9,076
Capital outlay	100	100	131	-	131
Environmental cleanup	515	1,347	49,306	221,790	271,096
Total expenditures	<u>5,265</u>	<u>18,208</u>	<u>232,649</u>	<u>727,894</u>	<u>960,543</u>
Net revenues	<u>\$ 136,855</u>	<u>\$ 434,160</u>	<u>\$ 3,792,308</u>	<u>\$ 10,792,691</u>	<u>\$ 14,584,999</u>
<b>Bond revenues:</b>					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 804,625	\$ -	\$ 804,625
Interest revenue from bond proceeds	5,151	8,028	95,246	66,351	161,597
Interest revenue from debt service funds	232	671	1,758	2,795	4,553
Interest revenue from commercial paper	-	-	393	-	393
Total bond revenues	<u>5,383</u>	<u>8,699</u>	<u>902,022</u>	<u>69,146</u>	<u>971,168</u>
<b>Financing expenditures and uses:</b>					
Professional services	-	-	3,775	-	3,775
Payment to refunded bond escrow	-	-	45,062	-	45,062
Bond debt principal	-	19,935	95,485	590,235	685,720
Bond debt and other interest expense	-	34,950	319,576	366,103	685,679
Other	-	-	3,020	-	3,020
Total financing expenditures and uses	<u>-</u>	<u>54,885</u>	<u>466,918</u>	<u>956,338</u>	<u>1,423,256</u>
Net bond revenues (debt service)	<u>\$ 5,383</u>	<u>\$ (46,186)</u>	<u>\$ 435,104</u>	<u>\$ (887,192)</u>	<u>\$ (452,088)</u>

**Measure M2**  
**Schedule of Revenues and Expenditures Summary**  
**as of June 30, 2023**  
**(Unaudited)**

Project	Description	Total Net Revenues Inception to March 31, 2024 (actual) + (forecast)	Net Revenues Inception to June 30, 2023 (actual)	Expenditures Inception to June 30, 2023 (actual)	Reimbursements Inception to June 30, 2023 (actual)	(J) - (K) = (L)
						Net M2 Cost Inception to June 30, 2023 (actual)
(G)		(H)	(I)	(J)	(K)	(L)
(\$ in thousands)						
<b>Freeways (43% of Net Revenues)</b>						
A	I-5 Santa Ana Freeway Interchange Improvements	\$ 574,870	\$ 149,474	\$ 10,908	\$ 8,786	\$ 2,122
B	I-5 Santa Ana/SR-55 to El Toro	367,183	95,473	30,174	19,114	11,060
C	I-5 San Diego/South of El Toro	766,900	199,405	358,167	52,953	305,214
D	I-5 Santa Ana/San Diego Interchange Upgrades	315,567	82,052	2,942	527	2,415
E	SR-22 Garden Grove Freeway Access Improvements	146,775	38,164	5	-	5
F	SR-55 Costa Mesa Freeway Improvements	447,664	116,399	106,814	43,049	63,765
G	SR-57 Orange Freeway Improvements	316,423	82,274	55,115	13,714	41,401
H	SR-91 Improvements from I-5 to SR-57	171,238	44,524	34,959	824	34,135
I	SR-91 Improvements from SR-57 to SR-55	509,432	132,460	56,959	54,296	2,663
J	SR-91 Improvements from SR-55 to County Line	430,785	112,010	18,404	16,937	1,467
K	I-405 Improvements between I-605 to SR-55	1,312,169	341,182	1,472,131	294,970	1,177,161
L	I-405 Improvements between SR-55 to I-5	391,034	101,674	9,243	6,954	2,289
M	I-605 Freeway Access Improvements	24,463	6,361	6,301	16	6,285
N	All Freeway Service Patrol	183,469	47,705	6,362	-	6,362
	Freeway Mitigation	313,577	81,535	60,537	5,943	54,594
	Subtotal Projects	6,271,549	1,630,692	2,229,021	518,083	1,710,938
	Net (Bond Revenue)/Debt Service	-	-	157,169	-	157,169
	<b>Total Freeways</b>	<b>\$ 6,271,549</b>	<b>\$ 1,630,692</b>	<b>\$ 2,386,190</b>	<b>\$ 518,083</b>	<b>\$ 1,868,107</b>
	<b>%</b>					<b>50.5%</b>
<b>Street and Roads Projects (32% of Net Revenues)</b>						
O	Regional Capacity Program	\$ 1,458,518	\$ 379,236	\$ 809,195	\$ 507,884	\$ 301,311
P	Regional Traffic Signal Synchronization Program	583,382	151,688	108,614	19,302	89,312
Q	Local Fair Share Program	2,625,300	682,615	665,109	77	665,032
	Subtotal Projects	4,667,200	1,213,539	1,582,918	527,263	1,055,655
	Net (Bond Revenue)/Debt Service	-	-	46,051	-	46,051
	<b>Total Street and Roads Projects</b>	<b>\$ 4,667,200</b>	<b>\$ 1,213,539</b>	<b>\$ 1,628,969</b>	<b>\$ 527,263</b>	<b>\$ 1,101,706</b>
	<b>%</b>					<b>29.8%</b>

**Measure M2**  
**Schedule of Revenues and Expenditures Summary**  
**as of June 30, 2023**  
**(Unaudited)**

Project	Description	Total Net Revenues Inception to March 31, 2041 (actual) + (forecast)	Net Revenues Inception to June 30, 2023 (actual)	Expenditures Inception to June 30, 2023 (actual)	Reimbursements Inception to June 30, 2023 (actual)	(J) - (K) = (L) Net M2 Cost Inception to June 30, 2023 (actual)
(G)		(H)	(I)	(J)	(K)	(L)
<i>(\$ in thousands)</i>						
<b>Transit Projects (25% of Net Revenues)</b>						
R	High Frequency Metrolink Service	\$ 1,454,637	\$ 365,638	\$ 433,363	\$ 98,964	\$ 334,399
S	Transit Extensions to Metrolink	1,287,518	334,773	194,320	2,133	192,187
T	Metrolink Gateways	74,547	37,739	98,220	60,956	37,264
U	Expand Mobility Choices for Seniors and Persons with Disabilities	505,737	125,732	122,558	88	122,470
V	Community Based Transit/Circulators	291,623	75,826	18,720	1,537	17,183
W	Safe Transit Stops	32,188	8,369	1,454	26	1,428
	Subtotal Projects	3,646,250	948,077	868,635	163,704	704,931
	Net (Bond Revenue)/Debt Service	-	-	25,754	-	25,754
	<b>Total Transit Projects</b>	<b>\$ 3,646,250</b>	<b>\$ 948,077</b>	<b>\$ 894,389</b>	<b>\$ 163,704</b>	<b>\$ 730,685</b>
	<b>%</b>					<b>19.7%</b>

**Measure M2 Program**

<b>\$ 14,584,999</b>	<b>\$ 3,792,308</b>	<b>\$ 4,909,548</b>	<b>\$ 1,209,050</b>	<b>\$ 3,700,498</b>
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Project	Description	Total Net Revenues Inception to March 31, 2041 (actual) + (forecast)	Net Revenues Inception to June 30, 2023 (actual)	Expenditures Inception to June 30, 2023 (actual)	Reimbursements Inception to June 30, 2023 (actual)	Net M2 Cost Inception to June 30, 2023 (actual)
(G)		(H.1)	(I.1)	(J)	(K)	(L)
<i>(\$ in thousands)</i>						
<b>Environmental Cleanup (2% of Revenues)</b>						
X	Clean Up Highway and Street Runoff that Pollutes Beaches	\$ 310,899	\$ 80,487	\$ 49,306	\$ 311	\$ 48,995
	Net (Bond Revenue)/Debt Service	-	-	-	-	-
	<b>Total Environmental Cleanup</b>	<b>\$ 310,899</b>	<b>\$ 80,487</b>	<b>\$ 49,306</b>	<b>\$ 311</b>	<b>\$ 48,995</b>
	<b>%</b>					<b>1.2%</b>

**Taxpayer Safeguards and Audits**

Collect Sales Taxes (1.5% of Sales Taxes)	\$ 225,485	\$ 59,116	\$ 38,899	\$ -	\$ 38,899
<b>%</b>					<b>1.0%</b>
Oversight and Annual Audits (1% of Revenues)	\$ 155,450	\$ 40,244	\$ 40,350	\$ 106	\$ 40,244
<b>%</b>					<b>1.0%</b>

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

**Measure M2 Summary**

In November 1990, Orange County voters approved the Revised Traffic Improvement and Growth Management Ordinance, known as Measure M (M1). This implemented a one-half of one percent retail transaction and use tax to fund a specific program of transportation improvements in Orange County for 20 years. On November 7, 2006, Orange County voters approved the renewal of Measure M, known as Renewed Measure M (M2) for a period of 30 more years from April 1, 2011 to March 31, 2041. In August 2007, the Orange County Local Transportation Authority Board of Directors approved the M2 Early Action Plan to advance the completion of projects prior to the start of sales tax collection in April 2011. A Plan of Finance was adopted in November 2007 identifying a tax-exempt commercial paper program as the preferred method of funding Early Action Plan projects.

The Orange County Local Transportation Authority (OCLTA) is responsible for administering the M2 sales tax program, which commenced on April 1, 2011 for a period of 30 years. The M1 sales tax program was completed and closed out in June 2015.

Demonstrating accountability for the receipt and expenditure of M2 funds is accomplished through the issuance of annual reports on M2 activities. The reports for M2 activities through June 30, 2023 are included as Schedules 1-3. The following is a summary of the purpose, format and content of each schedule. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Schedule 1—Schedule of Revenues, Expenditures and Changes in Fund Balance**

This schedule presents a summary of revenues, expenditures and changes in fund balance of the combined M2 special revenue and debt service funds. Such financial information is derived from the trial balance with additional detailed information from the underlying accounting records. The schedule is presented for the latest fiscal year and for the period from inception through the latest fiscal year.

Year to Date June 30, 2023 (Column A)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the fiscal year ended June 30, 2023. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are derived from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained from the general ledger.

The net change in fund balance of (\$23,247) agrees with the combined change in fund balances of (\$30,388) in the M2 special revenue fund and \$7,141 in the M2 debt service fund in the trial balance for the year ended June 30, 2023.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Period from Inception through June 30, 2023 (Column B)

This column presents the revenues, expenditures, and other financing sources (uses) of the combined M2 special revenue and debt service funds for the period from inception through June 30, 2023. Amounts for individual revenue sources, expenditures by major object, and other financing sources (uses) are summarized from the trial balance, while detailed amounts for certain revenue sources and expenditures by major object are obtained and summarized from the general ledger.

The net fund balance of \$756,669 agrees with the combined ending fund balances of \$725,365 in the M2 special revenue fund and \$31,304 in the M2 debt service fund, as presented in the trial balance for the year ended June 30, 2023.

Non-project related revenues, expenditures, and other financing sources (uses) are included in the net revenues and net bond revenues (debt service) calculations in Schedule 2. Project related revenues and other financing sources are presented as "Reimbursements" (Column K) in Schedule 3. Project related expenditures and other financing uses are included as "Expenditures" (Column J) in Schedule 3.

**Schedule 2—Schedule of Calculations of Net Revenues and Net Bond Revenues (Debt Service)**

This schedule presents calculations of net revenues and of net bond revenues (debt service), which are allocated in Schedule 3 to transportation projects specified in the Orange County Transportation Investment Plan (Investment Plan). Actual revenues, expenditures, and other financing sources (uses) in this schedule were obtained from non-project related amounts on Schedule 1. Environmental cleanup expenditures were obtained from the project job ledger. Forecast amounts were obtained from the Orange County Transportation Authority Forecast Model. The schedule is presented for the latest fiscal year, for the period from inception through the latest fiscal year, for subsequent years going forward, and for the combined total of actual and forecast amounts for the period from inception going forward.

Calculation of Net Revenues

Year to Date June 30, 2023 (actual) (Column C.1)

This column presents net revenues, consisting of total revenues less total administrative expenditures, capital outlay, and environmental cleanup, for year ended June 30, 2023. Revenues, administrative expenditures, and capital outlay for the year ended June 30, 2023 were obtained from Column A in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, and other agencies' share of M2 costs. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.



**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Period from Inception through June 30, 2023 (actual) (Column D.1)

This column presents net revenues, consisting of total cumulative revenues less total cumulative administrative expenditures, capital outlay, and environmental cleanup, for the period from inception through June 30, 2023. Revenues, administrative expenditures, and capital outlay for the period from inception through June 30, 2023 were obtained from Column B in Schedule 1. Environmental cleanup expenditures were obtained from project amounts accumulated in the project job ledger. Total net revenues for the period from inception through June 30, 2023 are presented in Schedule 3 as “Net Revenues inception to June 30, 2023” (Column I). Revenues, administrative expenditures, and capital outlay utilized in the calculation of net revenues are non-project and non-financing related. Revenues consist of sales taxes, operating interest, other agencies’ share of M2 costs, and miscellaneous revenue. Administrative expenditures include sales tax administration fees, professional services, administration costs, and other expenditures. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2023 through March 31, 2041 (forecast) (Column E.1)

This column presents net revenues, consisting of total projected revenues less total projected administrative expenditures and environmental cleanup expenditures, for subsequent years from July 1, 2023 through March 31, 2041. Revenues and administrative expenditures for subsequent years from July 1, 2023 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model, which is updated quarterly. Revenues and administrative expenditures utilized in the calculation of net revenues for subsequent years from July 1, 2023 through March 31, 2041 are non-project and non-financing related. Revenues consist of projected sales taxes and operating interest. Administrative expenditures consist of projected sales tax administration fees, professional services, administration costs, and other expenditures.

Total (Column F.1)

This column presents total net revenues, calculated as the sum of columns D.1 and E.1. Total net revenues are presented in Schedule 3 as “Total Net Revenues inception to March 31, 2041” (Column H).

Calculation of Net Bond Revenues (Debt Service)

Year to Date June 30, 2023 (actual) (Column C.2)

This column presents net bond revenues (debt service), consisting of total bond revenues less total financing expenditures and uses, for year ended June 30, 2023. Bond revenues and financing expenditures and uses for the year ended June 30, 2023 were obtained from Column A in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of interest revenue from bond proceeds and debt service funds.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from Inception through June 30, 2023 (actual) (Column D.2)

This column presents net bond revenues (debt service), consisting of total cumulative bond revenues less total cumulative financing expenditures and uses, for the period from inception through June 30, 2023. Bond revenues and financing expenditures and uses for the period from inception through June 30, 2023 were obtained from Column B in Schedule 1. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds, debt service funds, and commercial paper. Financing expenditures and uses consist of professional services and bond debt and other interest expense. Non-project related professional services are distributed between administrative expenditures and financing expenditures and uses based on the job ledger code.

Period from July 1, 2023 through March 31, 2041 (forecast) (Column E.2)

This column presents bond revenues (debt service), consisting of total projected bond revenues less total projected financing expenditures and uses, for subsequent years from July 1, 2023 through March 31, 2041. Bond revenues and financing expenditures and uses for subsequent years from July 1, 2023 through March 31, 2041 were obtained from the Orange County Transportation Authority Forecast Model. Bond revenues and financing expenditures and uses utilized in the calculation of net bond revenues (debt service) are non-project and non-operating related. Bond revenues consist of proceeds from issuance of bonds and interest revenue from bond proceeds and debt service funds. Financing expenditures and uses consist of bond debt principal and bond debt and other interest expense.

Total (Column F.2)

This column presents total net bond revenues (debt service), calculated as the sum of columns D.2 and E.2.

**Schedule 3—Schedule of Revenues and Expenditures Summary**

This schedule presents a summary of actual and projected revenues and expenditures, by mode and project description, as specified in the Investment Plan. Total M2 program amounts agree with amounts on Schedules 1 and 2. Amounts by mode and project description are based on proportionate calculations or are obtained from other documents.

Project Description (Column G)

This column presents project descriptions by mode in accordance with the Investment Plan.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Total Net Revenues Inception to March 31, 2041 (actual) + (forecast) (Column H)

This column presents total actual and projected net revenues (total net revenues) during the life of M2, which agrees with total net revenues in Column F.1 in Schedule 2. Such total net revenues are allocated to each of the three modes based on the allocations specified in M2. The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Net Revenues Inception to June 30, 2023 (actual) (Column I)

This column presents total M2 program net revenues for the period from inception through June 30, 2023, which agrees with net revenues in Column D.1 in Schedule 2. Such net revenues are allocated to each of the three modes based on the allocation percentages specified in M2.

The net revenues for each mode are allocated to each project based on the proportionate share of each project's estimated cost to the total estimated cost per mode as presented in the Investment Plan.

Expenditures Inception to June 30, 2023 (actual) (Column J)

This column presents total expenditures plus net (bond revenue)/debt service. Total expenditures, excluding oversight and annual audit expenditures, agree with the sum of project related expenditures including transfers out from Column B in Schedule 1. Oversight and annual audit expenditures agree with the administrative costs for salaries and benefits derived from the annual cost allocation plan. Total net (bond revenue)/debt service agrees with the total net bond revenue (debt service) expenditures from Column D.2 in Schedule 2. Project related expenditures are comprised of professional services, administration costs, other expenditures, payments to local agencies, capital outlay, and transfers out. Such expenditures are distributed to the projects based on project amounts accumulated in the project job ledger.

Reimbursements Inception to June 30, 2023 (actual) (Column K)

This column presents total reimbursements for the period from inception through June 30, 2023, which agrees with the sum of project related revenues from Column B in Schedule 1. Project related revenues consist of other agencies' share of Measure M2 costs, right-of-way leases, proceeds on sale of assets held for resale, donated assets held for resale, transfers in and miscellaneous revenue. Such revenues are distributed to the related projects based on project amounts accumulated in the project job ledger. Reimbursements for oversight and annual audits agree with the principal balance of the amount advanced from the Orange County Unified Transportation Trust (OCUTT) to cover administrative costs for salaries and benefits exceeding more than one percent of revenues.

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY**  
**Notes to Measure M2 Status Report (Unaudited)**

Year Ended June 30, 2023

Net M2 Cost Inception to June 30, 2023 (actual) (Column L)

Net M2 cost is a calculation of Column J minus Column K. For each mode, a percentage is calculated as the net project cost per mode divided by the total M2 Program net project cost. Such percentage can be compared to the required percentage included in M2 as an indication of the progress to date for each mode.

Total Net Revenues Inception to March 31, 2041 (actual) + (forecast) (Column H.1)

The total environmental cleanup actual and projected revenues during the life of M2 represent 2% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2. The total collect sales taxes actual and projected revenues during the 30-year life of M2 represent 1.5% of sales tax revenues found in Column F.1 in Schedule 2. The total oversight and annual audits actual and projected revenues during the 30-year life of M2 represent 1% of revenues (sales taxes and operating interest) found in Column F.1 in Schedule 2

Net Revenues Inception to June 30, 2023 (actual) (Column I.1)

The total environmental cleanup revenue for the period from inception through June 30, 2023, represents two percent (2%) of revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total oversight and annual audits revenues for the period from inception through June 30, 2023, represent one percent (1%) of the revenues (sales taxes and operating interest) in Column D.1 in Schedule 2. The total collect sales taxes revenue for the period from inception through June 30, 2023, represents one and one-half percent (1.5%) of the sales tax revenues in Column D.1 in Schedule 2.

**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, 2023

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have performed the procedures enumerated below on the Appropriations Limit Calculations Worksheet (Worksheet) of the Orange County Transportation Authority ("OCTA" or "the Authority") as of June 30, 2023. OCTA's management is responsible for the preparation of the Worksheet.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCTA's appropriations limit and compared the 2022-2023 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2022-2023 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

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(Continued)

We were engaged by OCTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of OCTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California  
November 2, 2023

ORANGE COUNTY TRANSPORTATION AUTHORITY  
APPROPRIATIONS LIMIT CALCULATIONS WORKSHEET  
Year ended June 30, 2023

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	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 13,113,890	
B. Adjustment factors:		
1. Population change	1.0755	State Finance
2. Per capita change	.9917	State Finance
Total adjustments [(B.1 × B.2) – 1.0]	.07303	
C. Annual adjustment	<u>957,314</u>	A × B
D. This year's limit	<u>\$ 14,071,204</u>	A + C



**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, 2023

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
Orange County Local Transportation Authority  
Orange, California

We have performed the procedures enumerated below on the Appropriations Limit Calculations Worksheet (Worksheet) of the Orange County Local Transportation Authority ("OCLTA" or "Authority") as of June 30, 2023. OCLTA's management is responsible for the preparation of the Worksheet.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Authority. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures performed and associated findings are as follows:

1. We obtained the completed worksheets setting forth the calculations necessary to establish OCLTA's appropriations limit and compared the 2022-2023 limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of OCLTA's Board of Directors. We compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

2. We added last year's limit to the annual adjustment amount and compared the resulting amount to the 2022-2023 appropriations limit.

Finding: No exceptions were noted as a result of this procedure.

3. We compared the current year information to the worksheets described in No. 1 above and to information provided by the California State Department of Finance.

Finding: No exceptions were noted as a result of this procedure.

4. We agreed the prior year appropriations limit to the prior year appropriations limit adopted by OCLTA's Board of Directors.

Finding: No exceptions were noted as a result of this procedure.

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(Continued)

We were engaged by OCLTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of OCLTA's Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California  
November 2, 2023

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY  
APPROPRIATIONS LIMIT CALCULATIONS WORKSHEET  
Year ended June 30, 2023

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	<u>Amount</u>	<u>Source</u>
A. Last year's limit	\$ 1,981,873,617	
B. Adjustment factors:		
1. Population change	1.0755	State Finance
2. Per capita change	.9977	State Finance
Total adjustments [(B.1 × B.2) – 1.0]	0.07300	
C. Annual adjustment	<u>144,676,774</u>	A × B
D. This year's limit	<u>\$ 2,126,550,391</u>	A + C