



**September 10, 2014**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Communications by Independent Financial Statement Auditor

**Overview**

Vavrinek, Trine, Day & Company, LLP, the independent financial statement auditor of the Orange County Transportation Authority, is in the process of conducting the fiscal year 2014 audit. In connection with the audit, Vavrinek, Trine, Day & Company, LLP, is communicating the planned scope and timing of the audit, as well as soliciting input on any matters of which the Board of Directors and the Finance and Administration Committee has knowledge that may have a material bearing on the Orange County Transportation Authority's financial statements for the year ended June 30, 2014.

**Recommendation**

Receive and file as an information item.

**Background**

In connection with its annual audit of the Orange County Transportation Authority's (OCTA) financial statements for the fiscal year ended June 30, 2014, Vavrinek, Trine, Day & Company, LLP (VTD) is required to make certain inquiries and communications.

**Discussion**

VTD has prepared a letter (Attachment A) to the Finance and Administration Committee (Committee) and the Board of Directors (Board) of OCTA with the purpose of making certain inquiries and communications. Specifically, VTD has requested that the Committee and the Board inform VTD of any matters of which the Committee and/or the Board may be aware that could have a

significant impact to the financial statements of OCTA taken as a whole. OCTA staff has provided the auditors with information related to claims, liabilities, and contingencies; however, the auditors also welcome input from the Committee and the Board on any areas of concern.

Secondly, VTD is required to provide certain communications to those charged with governance with regard to audit scope and timing. Page two of Attachment A reflects VTD's plan to complete the audit and issue an opinion on the financial statements on October 31, 2014.

***Summary***

OCTA's independent financial statement auditors are making certain inquiries and communications in relation to their audit of the financial statements of OCTA as of June 30, 2014.

***Attachment***

- A. Letter to the Finance and Administration Committee and Board of Directors, Orange County Transportation Authority, dated September 1, 2014, from Kevin Pulliam of Vavrinek, Trine, Day & Co., LLP

**Prepared by:**



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



September 1, 2014

To the Finance and Administration Committee  
and Board of Directors  
Orange County Transportation Authority

We are engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orange County Transportation Authority (OCTA) for the year ended June 30, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider OCTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether OCTA's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with OMB Circular A-133, we will examine, on a test basis, evidence about OCTA's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on OCTA's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on OCTA's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to 1) Management's Discussion and Analysis; 2) Budgetary Comparison Schedules – General Fund and Major Special Revenue Funds; and 3) Pension and Other Postemployment Benefit (OPEB) RSI Schedules, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the 1) Schedule of Expenditures of Federal Awards and 2) Combining and Individual Fund Statements and Schedules, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the 1) Introductory Section and 2) Statistical Section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

As part of our audit of OCTA's financial statements, we will also audit the financial statements of the 91 Express Lanes Fund, Local Transportation Fund (LTF), State Transit Assistance Fund (STAF) and the Orange County Local Transportation Authority (OCLTA).

#### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards. If a member of the Board is aware of matters that have a material bearing on the financial statements taken as a whole (such as those described above in items 1-4), please contact Kevin Pulliam or Roger Alfaro at (909) 466-4410 or by email at [kpulliam@vtdcpa.com](mailto:kpulliam@vtdcpa.com) or [ralfaro@vtdcpa.com](mailto:ralfaro@vtdcpa.com) by September 30, 2014.

We expect to begin our year-end audit on approximately September 2, 2014 and issue our report on approximately October 31, 2014.

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

Very truly yours,



Kevin Pulliam  
Of Vavrinek, Trine, Day & Co., LLP