MHM

Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Transportation System Improvement Authority
Orange, California

In planning and performing our audit of the financial statements of the Transportation System Improvement Authority (Authority) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as described above. However, as discussed below, we observed the following matters, which were not deemed to be significant deficiencies or material weaknesses and offer these comments and suggestions.

(1) Quarterly Financial Reports

Paragraph 5 of subsection D of Section 2 of the Joint Powers Authority Agreement as amended June 25, 1991 states,

> "The Treasurer of the Authority shall…verify and report in writing on the first day of July, October, January, and April of each year to the Authority and to each party hereto the amount of money he holds for the Authority, the amount of receipts since last report, and the amount paid out since his last report."

(1) Quarterly Financial Reports (Continued)

The City of Orange (Treasurer) has not been issuing the quarterly financial reports as required primarily because the governing board has not been meeting regularly.

Recommendation

We recommend that the Authority consider amending the current agreement to reflect the current practices or the Treasurer should submit a quarterly financial report to the governing members that includes the total amount of cash receipts since the last Treasurer's Report and the total disbursements made since the last Treasurer's Report.

Management's Response

The Authority concurs and will either amend the agreement to reflect current practices or ensure the Treasurer submits the required quarterly financial reports to the governing body.

(2) Meetings of the Board of Directors

Pursuant to Section C (1) of the Joint Powers Authority Agreement, the Board of the Authority is required to meet once per year. The last Board meeting was held on September 27, 2007, which more than a year after the previous meeting was held in June 2005.

Recommendation:

We recommend that the governing Board meet at least annually in accordance with the current joint powers agreement. This is a repeat recommendation from the prior year audit.

Management's Response

The Authority concurs and will take the necessary steps to ensure the Board meets at least once annually.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

MHM

Board of Directors
Transportation System Improvement Authority
Page Three

We appreciate the opportunity to present these comments and suggestions and can discuss these matters further at your convenience, along with any implementation assistance for changes and improvements you may require.

The Authority's written responses to the significant deficiencies identified in our audit are described above. We did not audit the Authority's responses, and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 6, 2007