



September 9, 2015

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Orange County Transportation Authority Audit Report, Traffic Light Synchronization Program

Overview

The California State Controller's Office has conducted an audit of the Orange County Transportation Authority's financial management system and the Proposition 1B bond-funded project Countywide Traffic Light Synchronization Program. There were no findings resulting from the audit.

Recommendation

Receive and file as an information item.

Background

In November 2006, California voters passed Proposition 1B, which established the Traffic Light Synchronization Program (TLSP) to fund traffic light synchronization and other technology-based improvements. In 2008, the Orange County Transportation Authority (OCTA) was awarded \$4 million of TLSP funds as a match to Measure M, Signal Improvement Program (SIP) funds.

Ten arterial corridors were included in the Countywide TLSP program and were divided into three distinct phases as shown in Table 1.

Table 1 – TLSP 10 Corridors – 3 Phases

Phase	Project	Measure M (SIP)	Proposition 1B (TLSP)	Total Cost
1	Alicia Parkway	\$ 469,571.84	\$ 469,571.75	\$ 939,143.59
1	Beach Boulevard	649,777.07	649,776.96	1,299,554.03
1	Chapman Avenue	399,080.40	399,080.34	798,160.74
	Subtotal	\$ 1,518,429.31	\$ 1,518,429.05	\$ 3,036,858.36
2	Orangethorpe Avenue	\$ 348,792.53	\$ 348,792.47	\$ 697,585.00
2	Edinger Avenue	423,108.54	423,108.46	846,217.00
2	Brookhurst Street	315,881.84	315,881.68	631,763.52
2	El Toro Road *	239,458.01	239,457.83	478,915.84
	Subtotal	\$ 1,327,240.92	\$ 1,327,240.44	\$ 2,654,481.36
3	Katella Avenue	\$ 336,922.59	\$ 336,922.49	\$ 673,845.08
3	Yorba Linda Boulevard	260,918.55	260,918.45	521,837.00
3	La Palma Avenue	401,999.56	401,999.48	803,999.04
	Subtotal	\$ 999,840.70	\$ 999,840.42	\$ 1,999,681.12
	Total Expenditures	\$ 3,845,510.93	\$ 3,845,509.91	\$ 7,691,020.84
	Original Budget	4,000,000.00	4,000,000.00	8,000,000.00
	Difference	\$ 154,489.07	\$ 154,490.09	\$ 308,979.16

* El Toro Road replaced Valley View Street due to West County Connectors Project.

Under an agreement with the California Department of Transportation, the State Controller’s Office (SCO) performs post-award audits to determine whether implementing agencies’ accounting system and internal controls are adequate to accumulate and segregate reasonable, allocable, and allowable costs. The SCO audited OCTA’s financial management system relative to projects funded and reimbursed by the Proposition 1B Bond Fund during the audit period of September 30, 2008 through October 31, 2014.

The audit was conducted on-site beginning on November 3, 2014, and a final report was issued on June 17, 2015.

Discussion

The SCO determined that OCTA’s accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and

allowable project costs. The SCO also determined that OCTA complied with applicable procurement requirements, project costs incurred and reimbursed were in compliance with program guidelines, procedures, and agreements, and project deliverables and outcomes were consistent with the project scope, schedule, and benefits as described in baseline agreements.

Summary

The SCO has conducted an audit of OCTA's financial management system and the Proposition 1B bond-funded project Countywide TLSP. There were no findings resulting from the audit.

Attachment

- A. Orange County Transportation Authority Audit Report, Traffic Light Synchronization Program, Proposition 1B Bond-Funded Projects, EA No. 12-402764L; 12-402814; 12-402874/P2530-0029

Prepared by:



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

ORANGE COUNTY TRANSPORTATION AUTHORITY

Audit Report

**TRAFFIC LIGHT SYNCHRONIZATION PROGRAM
PROPOSITION 1B BOND-FUNDED PROJECTS
EA No. 12-402764L; 12-402814; 12-402874/P2530-0029**

September 30, 2008, through October 31, 2014



BETTY T. YEE
California State Controller

June 2015



BETTY T. YEE
California State Controller

June 17, 2015

Laurine Bohamera, Chief
Audits and Investigations
California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Ms. Bohamera:

The State Controller's Office (SCO) audited the Orange County Transportation Authority's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of September 30, 2008, through October 31, 2014.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225, and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond funded project Countywide Traffic Light Synchronization Program and determined that:

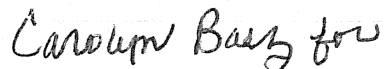
- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18, and/or California Public Contract Code sections 10140-10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Schedule 1 of this report is a summary of project costs programmed, approved, expended, and audited during the audit period.

Our audit did not disclose any findings.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Marty Namjou, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Albert Marroquin, Auditor-in-Charge
Division of Audits – Bond Unit
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the Orange County Transportation Authority's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of September 30, 2008, through October 31, 2014.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225), and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond-funded project Countywide Traffic Light Synchronization Program (TLSP) and determined that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18 (49 CFR 18), and/or California Public Contract Code sections 10140–10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Our audit did not disclose any findings.

Background

In accordance with Caltrans and Commission-executed project agreement(s) or approved amendments, the projects listed below were programmed and approved to receive Proposition 1B bond funds, for one or more phases of work, under the TLSP:

- Phase 1: EA No. 12-402764L/Project No. TLSP-6071(038) Orange County, CA.

The total approved Proposition 1B amount is \$1,550,000. The project completion date was May 15, 2014.

- Phase 2: EA No. 12-402814/Project No. TLSP-6071(044) Orange County, CA.

The total programmed and approved Proposition 1B amount is \$1,450,000. The project completion date was May 15, 2014.

- Phase 3: EA No. 12-402874/Project No. TLSP-6071(054) Orange County, CA.

The total programmed and approved Proposition 1B amount is \$1,000,000. The project completion date was May 15, 2014

This audit was performed by the SCO on behalf of Caltrans (Audit Request No. 2530-0029). The authority to conduct this audit is given by:

- Interagency Agreement No. 77A0027, dated December 1, 2007, between the SCO and Caltrans, which provides that the SCO will perform audits of project expenditures that were funded and reimbursed by the Proposition 1B Bond Fund to ensure compliance with Caltrans and Commission Proposition 1B program guidelines.
- Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment."

Objectives, Scope, and Methodology

The SCO audited the implementing agency's financial management system relative to projects funded and reimbursed by the Proposition 1B Bond Fund during the audit period of September 30, 2008, through October 31, 2014.

The objectives of our audit were to determine whether:

- The implementing agency's accounting system and internal controls were adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines, procedures, project agreements, or approved amendments.
- The implementing agency complied with applicable federal and state procurement requirements as required by 49 CFR 18, California Public Contract Code sections 10140-10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

To achieve our audit objectives, we performed the following audit procedures:

- Reviewed the implementing agency's prior audits and single audit reports;
- Reviewed the implementing agency's written policies and procedures relating to accounting systems, construction project management, and contract management; and
- Interviewed employees, completed the internal control questionnaire, and performed a system walk-through in order to gain an understanding of the implementing agency's internal controls, accounting systems, timekeeping and payroll systems, and billing processes related to transportation projects; specifically, projects funded by Proposition 1B.

For the projects under review, we performed the following audit procedures:

- Obtained project files and reviewed preliminary information to ensure that the implementing agency complied with applicable state and federal procurement requirements;
- Obtained project expenditure reports, selected a sample of activities that were funded by Proposition 1B, and obtained and reviewed supporting documentation to ensure that project expenditures were reasonable, allocable, and allowable in accordance with Caltrans and Commission program guidelines, procedures, agreements, and applicable state and federal requirements;
- Reviewed significant contract change orders to ensure that they were properly approved and supported;
- Reviewed project final reports, close-out documents, finance letters, and baseline agreements to ensure that variances or changes to the project's scope, schedule, costs, and benefits were properly approved and supported; and
- Reviewed the project payment history file and/or invoices sent to the Caltrans accounting office to ensure that the implementing agency properly prepared and/or billed Caltrans for reimbursement of project expenditures as required by Caltrans' local assistance procedures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the implementing agency's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objectives.

Conclusion

We determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines and agreements.

We audited the Proposition 1B bond-funded projects Countywide TLSP and determined that:

- The implementing agency complied with applicable federal and state procurement requirements required by 49 CFR 18, California Public Contract Code sections 10140–10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Our audit did not disclose any findings.

Views of Responsible Officials

We discussed our audit results with Orange County Transportation Authority's (OCTA) representative during an exit conference conducted on May 20, 2015. Janet Sutter, OCTA Executive Director, Internal Audits, agreed with the audit results. Ms. Sutter declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Orange County Transportation Authority, Caltrans, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 17, 2015

Schedule 1— Summary of Project Costs Approved, Expended, and Audited September 30, 2008, through October 31, 2014

Project No./EA No.: Phase 1: EA No. 12-402764L/Project No. TLSP-6071(038)
Phase 2: EA No. 12-402814/Project No. TLSP-6071(044)
Phase 3: EA No. 12-402874/Project No. TLSP-6071(054)

Project Information: Countywide TLSP

<u>Phases Reimbursed by Proposition 1B Bond Funds</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>	<u>Variance *</u>
Construction	\$ 4,000,000	\$ 3,845,510	\$3,845,510	\$ 154,490
Total	\$ 4,000,000	\$ 3,845,510	\$3,845,510	\$ 154,490

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning construction	03/01/09	07/01/10	07/01/09
End construction	01/31/12	09/30/12	05/15/14
Beginning closeout	01/31/12	12/31/12	07/02/12
End closeout	01/31/13	06/30/13	07/31/14

* These funds have been de-obligated.