



October 24, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Financial and Compliance Audits of Eight Measure M2
Comprehensive Transportation Funding Programs Projects

Overview

Audits have been completed of eight projects funded through the Measure M2 Comprehensive Transportation Funding Programs. Two recommendations were made to the City of Orange to improve compliance with procurement requirements and program guidelines.

Recommendations

- A. Receive and file financial and compliance audits of eight Comprehensive Transportation Funding Programs projects.
- B. Direct staff to follow up with the City of Orange on the status of implementation of two recommendations.

Background

Measure M2 includes a number of competitive grant programs that provide funding for regional streets and roads projects. These programs allocate funds through a competitive process and target projects that improve traffic flow by considering factors such as the degree of congestion relief, cost effectiveness, and project readiness, among other factors. The Comprehensive Transportation Funding Programs (CTFP) serves as the mechanism the Orange County Transportation Authority uses to administer transit, as well as local streets and roads, funding programs.

The Fiscal Year 2017-18 Internal Audit Plan included CTFP project audits. The Internal Audit Department (Internal Audit) conducted audits of eight projects closed during the period April 1, 2016 through March 31, 2018.

Discussion

Selection of Projects

Internal Audit obtained from the Planning Division a listing of all projects closed from April 1, 2016 through March 31, 2018. From this population, Internal Audit selected eight projects for audit.

Statistics for the population of projects closed and the sample selected for audit are as follows:

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| Total allocation amounts of projects in population: | \$ 71,275,037 |
| Total allocation amounts of projects selected for audit: | 21,762,967 |
| Percentage selected for audit: | 31% |

The objectives of the audits were to determine whether the projects were completed in accordance with program guidelines, applications, and agreements; costs charged to the project were eligible, reasonable, and allocable; records and documentation were adequately maintained; jurisdictions complied with competitive contracting requirements; and adequate accounting and cash management procedures were employed.

Auditor Findings and Recommendations

The City of Orange (City) was provided \$136,00 in funding under the Safe Transit Stops Program for the construction and installation of seven bus shelters. The City procured the bus shelters from a vendor without competition and did not document their decision to utilize local agency forces to install the bus shelters, as required by program guidelines. Internal Audit recommended that, in the future, the City implement controls to ensure procurements fully comply with requirements and advise City staff of program guidelines requiring documentation of the decision to utilize local agency forces on these projects. The City agreed and indicated that improvements will be made to ensure documentation is maintained to evidence compliance with requirements. See Attachment A.

Audits of selected projects by the cities of Anaheim, Costa Mesa, Fullerton, Irvine, La Habra, and Tustin, and by the County of Orange were also performed.

No recommendations were made related to these audits. See Attachments B, C, D, E, F, G, and H.

Summary

Audits have been completed of eight projects funded through the CTFP. Internal Audit made two recommendations to the City of Orange.

Attachments

- A. Comprehensive Transportation Funding Programs, City of Orange, Safe Transit Stops Program, Orange Safe Transit Stop Improvements, Project, Project No. 14-ORNG-STS-3752
- B. Comprehensive Transportation Funding Programs, City of Anaheim, Arterial Capacity Enhancements Program, Brookhurst Street Widening, Project No. 11-ANAH-ACE-3502
- C. Comprehensive Transportation Funding Programs, City of Costa Mesa, Environmental Cleanup Program, Industrial Way Water Quality and Storm Drain Improvement Project, Project No. 13-CMSA-ECP-3675
- D. Comprehensive Transportation Funding Programs, City of Fullerton, Regional Traffic Signal Synchronization Program, Placentia Avenue Signal Synchronization, Project No. 12-FULL-TSP-3611
- E. Comprehensive Transportation Funding Programs, City of Irvine, Environmental Cleanup Program, Peters Canyon Wash Channel Water Capture and Reuse Pipeline Project, Project No. 13-IRVN-ECP-3677
- F. Comprehensive Transportation Funding Programs, City of La Habra, Intersection Capacity Enhancements Program, Whittier Boulevard and Beach Boulevard Intersection Improvements, Project No. 14-LHAB-ICE-3717
- G. Comprehensive Transportation Funding Programs, City of Tustin, Arterial Capacity Enhancements Program, Warner Avenue Extension Project, Project No. 13-TUST-ACE-3659
- H. Comprehensive Transportation Funding Programs, County of Orange, Arterial Capacity Enhancements Program, La Pata Phase I, Project No. 12-ORCO-ACE-3596

Prepared by:



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Approved by:



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ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Orange Safe Transit Stops Program Orange Safe Transit Stop Improvements Project Project No. 14-ORNG-STS-3752

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Orange
October 8, 2018**

Table of Contents

| | |
|---|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |
| Audit Comments, Recommendations, and Management Responses | 5 |
| Procurement Without Competition | 5 |
| Lack of Documentation for use of Local Agency Forces | 6 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Orange
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Orange Safe Transit Stop Improvements Project (Project) of the City of Orange (City), Project Number 14-ORNG-STS-3752, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
- The City did not comply with municipal ordinance requirements for sole source purchase of bus shelters and did not comply with CTFP guidelines requiring documentation of the decision to utilize local agency forces rather than a contractor for installation of the bus shelters.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed, and the final report submitted, within the timeframes dictated by CTFP guidelines.

Background

Safe Transit Stops Program

OCLTA provided funding to the City for construction and installation of bus shelters under Project No. 14-ORNG-STS-3752, as part of the Safe Transit Stops Program (Program). The Project provided bus shelters for seven bus stops and costs incurred totaled \$136,532. The Program has no matching requirement. The Project began on September 8, 2015, and was completed on June 15, 2016.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Orange
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match, as applicable.
2. The City complied with competitive contracting requirements.
3. The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and Measure M2 funds were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframes dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the City to account for Project revenues and expenditures.
4. We reviewed Project financial records for all payments from the Orange County Transportation Authority to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the City met the required Project match, if applicable. We tested all material expenditures and a haphazard sample of three payroll periods for in-house labor charges, representing 66 percent of all labor charges. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the in-house labor sample was non-statistical, conclusions are limited to the sample items tested.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Orange
October 8, 2018**

6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.
7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned in proportion to the amount of Measure M2 funds used in the purchase.
8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe required by CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We reviewed the final report date to determine that the City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Orange
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Failure to Comply with Procurement Policy

The City procured bus shelters from a vendor without competition and did not comply with the municipal code governing sole source materials purchases.

Separate Project Fund

The City recorded costs of the Project in the Reimbursable Capital Projects Fund (Fund 550).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The City incurred costs totaling \$136,532 for the Project, which was fully funded with CTFP funds. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported.

Use of Local Agency Forces

The City did not prepare documentation to justify the decision to utilize local agency forces to perform installation of the bus shelters, as required by CTFP guidelines. The guidelines state that agencies must document that local agency forces could perform the work more cost effectively or timely than a contractor.

Right-of-Way Acquisition

No right-of-way was acquired for the Project.

Project Completion

The Project began on September 8, 2015, and was completed on June 15, 2016, which is within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on September 15, 2016, which was within 180 days after Project completion.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Orange
October 8, 2018**

Audit Comments, Recommendations, and Management Responses

Procurement Without Competition

The City procured bus shelters from a vendor without competition.

The City's municipal code 3.08.290 states that competitive bidding procedures may be waived with the approval of the City Manager and with certification in writing to the City Council that the materials are offered by only one vendor, or when only one vendor is able to supply the materials within the timeframe and/or under the terms and conditions which reasonably meet the needs of the using department.

The staff report provided to City Council indicates that a quote was obtained from the vendor "...in order to maintain the quality and appearance of bus shelters...", but does not clearly assert that a sole source is required because only one vendor is able to supply the materials within the timeframe and/or under the terms and conditions that reasonably meet the needs of the City. Rather, the staff report acknowledges that the City had previously sought competitive bids to provide and install the bus shelters.

Recommendation 1:

Internal Audit recommends the City implement controls to ensure procurements fully comply with requirements.

City Management Response:

In the future, the City will implement controls that will ensure sole source procurements are thoroughly documented.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Orange
October 8, 2018**

Lack of Documentation for use of Local Agency Forces

The City did not prepare documentation to justify the decision to utilize City staff to perform installation of the bus shelters. CTFP guidelines state that agencies must document the decision to use local agency forces because they could perform the work more cost effectively or timely than a contractor.

Recommendation 2:

Internal Audit recommends the City advise responsible staff involved in CTFP projects of requirements for documenting and supporting decisions to utilize local agency forces for construction phase work.

City Management Response:

The City will advise responsible staff involved in CTFP projects of requirements for documenting and supporting decisions to utilize local agency forces for construction phase work, and will make every effort to ensure similar decisions are properly documented in the future.

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Anaheim Arterial Capacity Enhancements Program Brookhurst Street Widening Project No. 11-ANAH-ACE-3502

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
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Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Anaheim
October 8, 2018**

Table of Contents

| | |
|--|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Anaheim
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Brookhurst Street Widening Project (Project) of the City of Anaheim (City), Project Number 11-ANAH-ACE-3502, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match.
- The City adhered to competitive bidding requirements for the selection of contractors under the Project.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed within the timeframe dictated by CTFP guidelines.
- The City established and maintained a separate cost center for the Project.
- The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Arterial Capacity Enhancements Program

OCLTA provided funding for construction under the Arterial Capacity Enhancements Program (Program), Project No. 11-ANAH-ACE-3502. The Project was to widen Brookhurst Street from Ball Road to Katella Avenue. Costs incurred for the Project totaled \$9,165,209, of which \$2,963,136 was funded by the CTFP and \$6,202,073 was funded by the City and other sources. The Project began on June 11, 2013, and was completed on March 21, 2016.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Anaheim
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match, as applicable.
2. The City complied with competitive contracting requirement.
3. The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframe dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the City to account for Project revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the City met the required Project match, as applicable. We tested a haphazard sample of 15 expenditures, representing 25 percent of Project costs. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the sample was non-statistical, conclusions are limited to the sample items tested.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Anaheim
October 8, 2018**

6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.
7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned in proportion to the amount of Measure M2 funds used in the purchase.
8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe required by CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We also reviewed the final report date to determine that the City submitted the final report to OCLTA within 180 days of Project completion, as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Anaheim
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project in the Measure M2 Competitive Fund (Fund 274).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The City incurred costs totaling \$9,165,209 for the Project. The Project funding consisted of CTFP funds of \$2,963,136, and \$6,202,073 from the City and other sources. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the required 25 percent Project match was met.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

No right-of-way was acquired for the Project.

Project Completion

The Project began on June 11, 2013, and was completed on March 21, 2016, which is within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on August 3, 2016, which is within 180 days after Project completion.

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Costa Mesa Environmental Cleanup Program Industrial Way Water Quality and Storm Drain Improvement Project Project No. 13-CMSA-ECP-3675

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
October 8, 2018**

Table of Contents

| | |
|--|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Industrial Way Water Quality and Storm Drain Improvement Project (Project) of the City of Costa Mesa (City), Project Number 13-CMSA-ECP-3675 awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match.
- The City adhered to competitive bidding requirements for the selection of contractors under the Project.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed within the timeframe dictated by CTFP guidelines.
- The City established and maintained a separate cost center for the Project.
- The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Environmental Cleanup Program

OCLTA provided funding for construction under the Environmental Cleanup Program (Program), Project No. 13-CMSA-ECP-3675. The Project was to install an underground detention/infiltration facility within an open grass field south of Anaheim Avenue and 19th Street. Costs incurred for the Project totaled \$3,428,267, of which \$2,056,961 was funded by the CTFP and \$1,371,306 was funded by the City. The Project began on June 17, 2014, and was completed on February 12, 2016.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match, as applicable.
2. The City complied with competitive contracting requirements.
3. The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframe dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the City to account for Project revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the City met the required Project match, as applicable. We tested a haphazard sample of ten expenditures, representing 61 percent of total Project costs. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the sample was non-statistical, conclusions are limited to the sample items tested.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
October 8, 2018**

6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.
7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned in proportion to the amount of Measure M2 funds used in the purchase.
8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe required by CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We also reviewed the final report date to determine that the City submitted the final report to OCLTA within 180 days of Project completion, as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project in the Drainage Fund (Fund 209) and Measure M2 Fund (Fund 415).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The City incurred costs totaling \$3,428,267 for the Project. The Project funding consisted of CTFP funds of \$2,056,961, and \$1,371,306 from the City. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the required 40 percent Project match was met.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

No right-of-way was acquired for the Project.

Project Completion

The Project began on June 17, 2014, and was completed on February 12, 2016, which is within three years, as dictated by CTFP guidelines. The final report was submitted to OCLTA on April 1, 2016, which is within 180 days after Project completion.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**



Comprehensive Transportation Funding Programs

**City of Fullerton
Regional Traffic Signal Synchronization Program
Placentia Avenue Signal Synchronization
Project No. 12-FULL-TSP-3611**

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Fullerton
October 8, 2018**

Table of Contents

| | |
|--|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Fullerton
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Placentia Avenue Signal Synchronization Project (Project) of the City of Fullerton, Project Number 12-FULL-TSP-3611, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match.
- The City adhered to competitive bidding requirements for the selection of contractors under the Project.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed within the timeframe dictated by CTFP guidelines.
- The City established and maintained a separate cost center for the Project.
- The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Regional Traffic Signal Synchronization Program

OCLTA provided funding for construction and engineering under the Regional Traffic Signal Synchronization Program (Program), Project No. 12-FULL-TSP-3611. The Project was to coordinate traffic signals on Placentia Avenue between State College Boulevard in the City of Anaheim, and State College Boulevard in the City of Brea. Costs incurred for the Project totaled \$419,402, of which \$335,522 was funded by the CTFP and \$83,880 was funded by the City and other sources. The initial phase of the Project began on December 18, 2012, and was completed on January 29, 2016. The final phase of the Project began on May 6, 2014, and was completed on July 22, 2016.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Fullerton
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported and the City met the required Project match, as applicable.
2. The City complied with competitive contracting requirements.
3. The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframe dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the City to account for Project revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the City met the required Project match, as applicable. We tested a haphazard sample of ten expenditures, representing 56 percent of all Project costs. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the sample was non-statistical, conclusions are limited to the sample items tested.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Fullerton
October 8, 2018**

6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.
7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned in proportion to the amount of Measure M2 funds used in the purchase.
8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe required by CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We also reviewed the final report date to determine that the City submitted the final report to OCLTA within 180 days of Project completion, as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Fullerton
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project in the Capital Project Fund (Fund 74).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The City incurred costs totaling \$419,402 for the Project. The Project funding consisted of CTFP funds of \$335,522, and \$83,880 from the City and other sources. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the required 20 percent Project match was met.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

No right-of-way was acquired for the Project.

Project Completion

The initial phase of the Project began on December 18, 2012, and was completed on January 29, 2016, which is within the five-year timeline approved for the Project. The final report was submitted to OCLTA on July 12, 2016, which is within 180 days after Project completion.

The final phase of the Project began on May 6, 2014, and was completed on July 22, 2016, which is within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on December 15, 2016, which is within 180 days after Project completion.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**



Comprehensive Transportation Funding Programs

**City of Irvine
Environmental Cleanup Program
Peters Canyon Wash Channel Water Capture and
Reuse Pipeline Project
Project No. 13-IRVN-ECP-3677**

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
October 8, 2018**

Table of Contents

| | |
|--|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Peters Canyon Wash Channel Water Capture and Reuse Pipeline Project (Project) of the City of Irvine (City), Project Number 13-IRVN-ECP-3677, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match.
- The City adhered to competitive bidding requirements for the selection of contractors under the Project.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed within the timeframe dictated by CTFP guidelines.
- The City established and maintained a separate cost center for the Project.
- The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Environmental Cleanup Program

OCLTA provided funding for construction under the Environmental Cleanup Program (Program), Project No. 13-IRVN-ECP-3677. The Project was to divert nuisance groundwater and surface water flows with high selenium and nitrates and deliver them to the Orange County Sanitation District for treatment and reuse. Costs incurred for the Project totaled \$5,455,175, of which \$3,273,105 was funded by the CTFP and \$2,182,070 was funded by the City and other sources. The Project began on May 27, 2015, and was completed on March 30, 2017.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match, as applicable.
2. The City complied with competitive contracting requirements.
3. The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframe dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the City to account for Project revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the City met the required Project match, as applicable. We tested a haphazard sample of four expenditures, representing 91 percent of total Project costs. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the sample was non-statistical, conclusions are limited to the sample items tested.
6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
October 8, 2018

7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned in proportion to the amount of Measure M2 funds used in the purchase.

8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe required by CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We also reviewed the final report date to determine that the City submitted the final report to OCLTA within 180 days of Project completion, as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

The City participated in a multi-agency agreement with the Irvine Ranch Water District (IRWD) and other agencies. IRWD handled the competitive procurement of contractors. The City provided evidence of IRWD's competitive bidding process.

Separate Project Fund

The City recorded costs of the Project in the Special Program Fund (Fund 149) and System Development Charge Fund (Fund 118).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The City incurred costs totaling \$5,455,175 for the Project. The Project funding consisted of CTFP funds of \$3,273,105, and \$2,182,070 from the City and other sources. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the required 40 percent Project match was met.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

No right-of-way was acquired for the Project.

Project Completion

The Project began on May 27, 2015, and was completed on March 30, 2017, which is within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on August 31, 2017, which is within 180 days after Project completion.

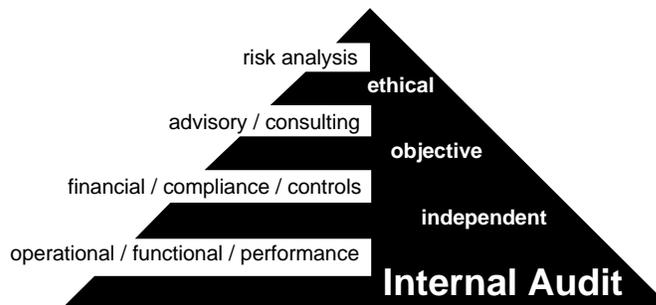
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of La Habra Intersection Capacity Enhancements Program Whittier Boulevard and Beach Boulevard Intersection Improvements Project No. 14-LHAB-ICE-3717

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of La Habra
October 8, 2018**

Table of Contents

| | |
|--|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of La Habra
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Whittier Boulevard and Beach Boulevard Intersection Improvements Project (Project) of the City of La Habra (City), Project Number 14-LHAB-ICE-3717, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match.
- The City adhered to competitive bidding requirements for the selection of contractors under the Project.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed within the timeframe dictated by CTFP guidelines.
- The City established and maintained a separate cost center for the Project.
- The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Intersection Capacity Enhancements Program

OCLTA provided funding for construction under the Intersection Capacity Enhancements Program (Program), Project No. 14-LHAB-ICE-3717. The Project was to provide additional traffic lanes and to upgrade the traffic signal at the intersection of Whittier Boulevard and Beach Boulevard. Costs incurred for the Project totaled \$1,479,508, of which \$1,106,563 was funded by the CTFP and \$372,945 was funded by the City. The Project began on November 17, 2014, and was completed on June 21, 2016.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of La Habra
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match, as applicable.
2. The City complied with competitive contracting requirements.
3. The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframe dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the City to account for Project revenues and expenditures.
4. We reviewed Project financial records for all payments from the Orange County Transportation Authority to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the City met the required Project match, as applicable. We tested a haphazard sample of eight expenditures, representing 71 percent of all Project costs. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the sample was non-statistical, conclusions are limited to the sample items tested.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of La Habra
October 8, 2018**

6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.
7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned in proportion to the amount of Measure M2 funds used in the purchase.
8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe required by CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We also reviewed the final report date to determine that the City submitted the final report to OCLTA within 180 days of Project completion, as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of La Habra
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project in the Measure M2 Grants Fund (Fund 139).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The City incurred costs totaling \$1,479,508 for the Project. The Project funding consisted of CTFP funds of \$1,106,563, and \$372,945 from the City. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the required 25 percent Project match was met.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

No right-of-way was acquired for the Project.

Project Completion

The Project began on November 17, 2014, and was completed on June 21, 2016, which is within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on September 26, 2016, which is within 180 days after Project completion.

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Tustin Arterial Capacity Enhancements Program Warner Avenue Extension Project Project No. 13-TUST-ACE-3659

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Tustin
October 8, 2018**

Table of Contents

| | |
|--|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Tustin
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Warner Avenue Extension Project (Project) of the City of Tustin (City), Project Number 13-TUST-ACE-3659, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match.
- The City adhered to competitive bidding requirements for the selection of contractors under the Project.
- The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed within the timeframe dictated by CTFP guidelines.
- The City established and maintained a separate cost center for the Project.
- The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Arterial Capacity Enhancements Program

OCLTA provided funding for construction under the Arterial Capacity Enhancements Program (Program), Project No. 13-TUST-ACE-3659. The Project was to extend Warner Avenue from Red Hill Avenue to Tustin Ranch Road. Costs incurred for the Project totaled \$9,650,063, of which \$5,400,000 was funded by the CTFP and \$4,250,063 was funded by the City and other sources. The Project began on June 4, 2013, and was completed on October 6, 2015.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Tustin
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the City met the required Project match, as applicable.
2. The City complied with competitive contracting requirements.
3. The City's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframe dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the City to account for Project revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the City met the required Project match, as applicable. We tested a haphazard sample of fifteen expenditures, representing 74 percent of Project costs. For the expenditure tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the sample was non-statistical, conclusions are limited to the sample items tested.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Tustin
October 8, 2018**

6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.
7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned to OCLTA in proportion to the amount of Measure M2 funds used in the purchase.
8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe in accordance with the CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We also reviewed the final report date to determine that the City submitted the final report to OCLTA within 180 days of Project completion, as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Tustin
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project in the CTFP Fund (Fund 139) and Community Facility District 06-1 Fund (Fund 434).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The City incurred costs totaling \$9,650,063 for the Project. The Project funding consisted of CTFP funds of \$5,400,000, and \$4,250,063 from the City and other sources. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the required 40 percent Project match was met.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of Way-Acquisition

No right-of-way was acquired for the Project.

Project Completion

The Project began on June 4, 2013, and was completed on October 6, 2015, which is within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on November 2, 2015, which is within 180 days after Project completion.

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

County of Orange Arterial Capacity Enhancements Program La Pata Phase I Project No. 12-ORCO-ACE-3596

October 8, 2018



Performed by: Gabriel Tang, CPA, Principal Internal Auditor
Janet Sutter, CIA, Executive Director

Distributed to: Adriann Cardoso, Department Manager, Planning
Joseph Alcock, Christina Moore

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
County of Orange
October 8, 2018**

Table of Contents

| | |
|--|---|
| Conclusion | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Detailed Results | 4 |

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
County of Orange
October 8, 2018**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the La Pata Phase I Project (Project) of the County of Orange (County), Project Number 12-ORCO-ACE-3596, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP).

Based on the audit:

- Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the County met the required Project match.
- The County adhered to competitive bidding requirements for the selection of contractors under the Project.
- The County's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project.
- The Project was completed within the timeframe dictated by CTFP guidelines.
- The County established and maintained a separate cost center for the Project.
- The County submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Arterial Capacity Enhancements Program

OCLTA provided funding for construction under the Arterial Capacity Enhancements Program (Program), Project No. 12-ORCO-ACE-3596. The Project was to extend La Pata Avenue between Ortega Highway and Calle Saluda. Costs incurred for the Project totaled \$42,368,268, of which \$5,110,000 was funded by the CTFP and \$37,258,268 was funded by the County and other sources. The Project began on December 10, 2013, and was completed on January 12, 2017, 33 days beyond the three-year timeframe dictated by CTFP guidelines; however, the County incurred all CTFP expenditures and more than the required match expenditures within the three-year timeframe.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
County of Orange
October 8, 2018**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the County met the required Project match, as applicable.
2. The County complied with competitive contracting requirements.
3. The County's accounting and cash management procedures were adequate to ensure that Project funds were used only for costs chargeable to the Project and were tracked separately within the accounting system.
4. The Project was completed, and the final report submitted, within the timeframe dictated by CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope is limited to the Project. The methodology included the following procedures:

1. We reviewed the Project agreement to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed Project contract files to verify evidence of competitive bid procedures.
3. We identified fund accounting procedures used by the County to account for Project revenues and expenditures.
4. We reviewed Project financial records for all payments from the Orange County Transportation Authority to determine that proper accounting and cash management procedures were followed.
5. We obtained a detailed listing of Project expenditures from the general ledger and determined whether the County met the required Project match, as applicable. We tested a haphazard sample of twelve expenditures, representing 69 percent of total project costs. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and in compliance with the contract and CTFP guidelines. Since the sample was non-statistical, conclusions are limited to the sample items tested.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
County of Orange
October 8, 2018**

6. For construction phase work performed by local agency forces, we determined if the decision that local agency forces could perform the work more cost effectively or timely than a contractor was documented in accordance with CTFP guidelines.
7. For right-of-way acquisition costs, we reviewed supporting documentation for compliance with CTFP guidelines, and we reviewed to ensure that excess parcels acquired with Program funds were properly accounted for and any net proceeds from disposal of these parcels were returned in proportion to the amount of Measure M2 funds used in the purchase.
8. We reviewed documentation of the Project start date and completion date to determine whether the Project was completed within the three-year timeframe required by CTFP guidelines, or whether there was evidence of approval for an extension to the timeframe. We also reviewed the final report date to determine that the County submitted the final report to OCLTA within 180 days of Project completion, as required by CTFP guidelines.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
County of Orange
October 8, 2018**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the County evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The County recorded costs of the Project in the Road Fund 115, Community Facility District (CFD) Fund 529, CFD Fund 554, and CFD Fund 486.

Accounting and Cash Management Procedures

The County established adequate controls to ensure that Project funds were used only for approved Project costs and were tracked separately within the accounting system.

Project Costs

The County incurred costs totaling \$42,368,268 for the Project. The Project funding consisted of CTFP funds of \$5,110,000, and \$37,258,268 from the County and other sources. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the County's required 70 percent Project match was met.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

No right-of-way was acquired for the Project.

Project Completion

The Project began on December 10, 2013, and was completed on January 12, 2017, 33 days after the three-year timeframe allowed by CTFP guidelines; however, the County incurred all CTFP expenditures, and more than the required match expenditures within the three-year timeframe. The final report was submitted to OCLTA on March 22, 2017, which is within 180 days after Project completion.