



May 24, 2023

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Measure M2 Comprehensive Transportation Funding Programs
Project Audits

Overview

Audits have been completed of 11 projects funded through the Measure M2 Comprehensive Transportation Funding Programs. Based on audit procedures performed of projects by the cities of Anaheim, Buena Park, Irvine, Mission Viejo, Laguna Hills, and Orange, the cities complied with Comprehensive Transportation Funding Programs guidelines and costs charged to the projects were reasonable, allocable, and adequately supported. The Internal Audit Department made recommendations to improve controls in relation to audits performed of projects by the County of Orange, and the cities of Costa Mesa, Laguna Beach, and San Clemente.

Recommendations

- A. Direct staff to implement one recommendation provided in the audit of the County of Orange, Regional Capacity Program, La Pata Avenue Phase II, Project No. 13 ORCO-ACE-3655, Construction Phase.
- B. Direct staff to perform follow up with the County of Orange and the cities of Costa Mesa, Laguna Beach, and San Clemente on actions taken to address recommendations made.

Background

Measure M2 includes a number of competitive grant programs that provide funding for improvements to the local streets and roads network, expansion of various transit services, and cleanup of roadway storm water runoff. These programs allocate funds through a competitive process and each program has a

specific focus and evaluation criteria as outlined in the Comprehensive Transportation Funding Programs (CTFP) guidelines. The guidelines serve as the mechanism the Orange County Local Transportation Authority (OCLTA) uses to administer transit, environmental cleanup, as well as local streets and roads funding programs.

The Fiscal Year 2021-22 Internal Audit Plan included audits of selected CTFP projects. The Internal Audit Department (Internal Audit) conducted audits of 11 projects closed during the period July 1, 2020, through June 30, 2022.

Discussion

Internal Audit obtained a listing of all projects closed from July 1, 2020, through June 30, 2022, under the Regional Capacity Program (Project O), Regional Traffic Signal Synchronization Program (Project P), Transit Program (Projects S, T, and W), and the Environmental Cleanup Program (Project X). From this population, Internal Audit selected eight projects for audit. Internal Audit also selected three out of ten Community-Based Transit/Circulators projects (Project V) with reimbursements paid from July 1, 2020, through June 30, 2022, for audit.

The objectives of the audits were to determine whether projects were completed in accordance with CTFP 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.

Results

No findings resulted from audits of selected projects by the cities of Anaheim, Buena Park, Irvine, Laguna Hills, Mission Viejo, and Orange.

Internal Audit identified discrepancies and/or overbillings related to three audited projects, failure to comply with competitive contracting requirements by one agency, and failure to comply with Americans with Disabilities Act requirements by one agency. Internal Audit also made recommendations to OCLTA management related to project mitigation costs that were incurred and reimbursed to one agency after the project completion date and beyond the Board of Directors (Board)-approved extended funding deadline.

A summary of all findings and management responses can be found in Attachment A, and the detailed reports, along with written management letters, can be found in Attachments B through L.

Summary

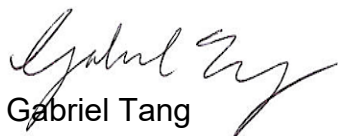
Audits have been completed of 11 projects funded through the CTFP. Internal Audit made recommendations to improve controls in relation to audits performed of projects by the County of Orange, and the cities of Costa Mesa, Laguna Beach, and San Clemente.

Attachments

- A. Summary of Findings and Management Responses Orange County Local Transportation Authority Measure M2 Comprehensive Transportation Funding Programs Project Audits
- B. Comprehensive Transportation Funding Programs, City of Anaheim, Regional Capacity Program, State College Boulevard and La Palma Avenue Intersection Project, Project No. 14-ANAH-ICE-3712, Right-of-Way Phase
- C. Comprehensive Transportation Funding Programs, City of Buena Park, Regional Capacity Program, State Route 91/Beach Boulevard Westbound Exit Ramp Project, Project No. 13-BPRK-FST-3651, Construction Phase
- D. Comprehensive Transportation Funding Programs, City of Costa Mesa, Regional Capacity Program, Hyland Avenue at MacArthur Boulevard Intersection Improvements Project, Project No. 17-CMSA-ICE-3861, Construction Phase
- E. Comprehensive Transportation Funding Programs, City of Irvine, Regional Traffic Signal Synchronization Program, Irvine Center Drive/Edinger Avenue Signal Synchronization Project, Project No. 16-IRVN-TSP-3791
- F. Comprehensive Transportation Funding Programs, City of Laguna Beach, Community Based Transit/Circulators Program, Off-Season Weekend Shuttle, Project No. 14-LBCH-CBT-3747, Operations and Maintenance
- G. Comprehensive Transportation Funding Programs, City of Laguna Hills, Environmental Cleanup Program, Laguna Hills CPS-Mod & ARS-CL Screen Project Phase IX Project, Project No. 20-LHLL-ECP-3983
- H. Comprehensive Transportation Funding Programs, City of Mission Viejo, Regional Traffic Signal Synchronization Program, Marguerite Parkway Corridor Signal Synchronization Project, Project No. 16-MVJO-TSP-3793

- I. Comprehensive Transportation Funding Programs, City of Orange, Environmental Cleanup Program, Debris Separating Baffle Box and Connector Pipe Screens Installation Project, Project No. 19-ORNG-ECP-3951
- J. Comprehensive Transportation Funding Programs, City of San Clemente, Community-Based Transit/Circulators Program, San Clemente Rideshare Services, Project No. 16-SCLM-CBT-3841, Operations and Maintenance
- K. Comprehensive Transportation Funding Programs, County of Orange, Regional Capacity Program, La Pata Avenue Phase II, Project No. 13-ORCO-ACE-3655, Construction Phase
- L. Comprehensive Transportation Funding Programs, County of Orange, Community-Based Transit/Circulators Program, Orange County Ranch Ride, Project No. 16-ORCO-CBT-3822, Operations and Maintenance

Prepared by:



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Approved by:



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SUMMARY OF FINDINGS AND MANAGEMENT RESPONSES
Orange County Local Transportation Authority
Measure M2 Comprehensive Transportation Funding Programs Project Audits

City / Project	Finding and Recommendation	Management Response
City of Anaheim Project No. 14-ANAH-ICE-3712	None	None
City of Buena Park Project No. 13-BPRK-FST-3651	None	None
City of Costa Mesa (Costa Mesa) Project No. 17-CMSA-ICE-3861	Testing identified three instances in which the pay rates charged for two employees did not agree with the actual employee pay rates. One pay rate was overstated by \$2.55 per hour, resulting in staff costs being overstated by \$66. Two pay rates were understated by \$1.74 and \$6.91 per hour, resulting in staff costs being understated by \$454. As a result of these variances, net Project costs were understated by \$388. Costa Mesa should implement controls to ensure that current employee pay rates are used in the calculation of staff costs.	Costa Mesa will change internal processes to ensure confirmation of the accuracy of employee pay rates used to calculate staff costs.
City of Irvine Project No. 16-IRVN-TSP-379	None	None
City of Laguna Beach (Laguna Beach) Project No. 14-LBCH-CBT-3747	Fuel costs of \$9,053 and a materials and supplies charge of \$46 were submitted twice for reimbursement. In addition, an error in the allocation of fuel costs was identified, resulting in submission of \$17,605 in excess fuel charges. The combined overcharges totaled \$26,704, of which the Orange County Local Transportation Authority (OCLTA) reimbursed \$21,363. The Internal Audit Department (Internal Audit) recommends Laguna Beach reimburse OCLTA for the overcharges and implement controls to ensure the accuracy of charges prior to submission.	Laguna Beach has implemented additional controls to ensure that duplicate charges are not submitted for reimbursement and staff has changed the methodology used to allocate fuel expenses to improve accuracy. Laguna Beach will work with OCLTA to provide reimbursement for any past overcharges.
	Laguna Beach claimed labor charges of \$35,893 that had previously been submitted for reimbursement and claimed labor charges totaling \$17,201 that were incurred beyond the approved 42-week service limit. Combined overcharges for labor costs totaled \$53,094, of which OCLTA reimbursed \$42,475. In addition, Laguna Beach could not identify the methodology used to allocate indirect labor charges for a transit supervisor. Labor charges allocated totaled \$69,558, of which OCLTA reimbursed \$55,646. Internal Audit recommends Laguna Beach refund OCLTA \$42,475 for the overcharges and work with OCLTA staff to identify and apply a reasonable methodology for recalculating indirect labor charges. If a reasonable methodology and recalculation is not applied, Laguna Beach should refund the full \$55,646 to OCLTA. If recalculated indirect labor charges are less than the amount originally submitted, the amount of OCLTA reimbursement exceeding the recalculated amount should be refunded to OCLTA. Laguna Beach should also implement controls to ensure the accuracy of charges prior to submission and retain evidence of the allocation methodology used for deriving indirect charges.	Laguna Beach has implemented additional controls to ensure that duplicate charges are not submitted for reimbursement and staff has changed the methodology for calculating indirect labor charges. Laguna Beach will work with OCLTA to provide reimbursement for any past overcharges and recalculate indirect labor costs using the revised methodology.
City of Laguna Hills Project No. 20-LHLL-ECP-3983	None	None
City of Mission Viejo Project No. 16-MVJO-TSP-3793	None	None
City of Orange Project No. 19-ORNG-ECP-3951	None	None
City of San Clemente (San Clemente) Project No. 16-SCLM-CBT-3841	The San Clemente rideshare program did not comply with Americans with Disabilities Act (ADA) requirements during the period January 2017 through March 2018. Internal Audit recommends San Clemente implement controls to ensure ongoing compliance with ADA requirements for current and future projects.	San Clemente corrected the initial issue to comply with the ADA requirements, and will review future contracts to ensure ADA compliance in accordance with any grant requirements.

SUMMARY OF FINDINGS AND MANAGEMENT RESPONSES
Orange County Local Transportation Authority
Measure M2 Comprehensive Transportation Funding Programs Project Audits

City / Project	Finding and Recommendation	Management Response
County of Orange (County) Project No. 13-ORCO-ACE-3655	The County selected Orange County Waste and Recycling (OCWR) for project work totaling \$960,170 without utilizing a competitive procurement process, as required by Comprehensive Transportation Funding Programs (CTFP) guidelines. The OCLTA reimbursed \$288,051 towards these costs. Internal Audit recommends the County implement controls to ensure compliance with CTFP guidelines for competitive procurement of consultants.	The County agrees and will implement controls to ensure all contractors are competitively procured.
	The County submitted project mitigation costs totaling \$468,644.83 that were incurred after the project completion date and after the five-year extended funding period approved by the OCLTA Board of Directors. OCLTA staff approved reimbursement of 30 percent of these costs, totaling \$140,593.45. Internal Audit recommended that OCLTA management enforce timely use of funds requirements or obtain Board of Director (Board) approval for exceptions to the CTFP guidelines.	OCLTA management agrees and staff will consider ways to avoid future occurrences of allowing multiple contracts within a single project to be tracked according to their timeline needs by either clarifying the CTFP guidelines or seeking a Board action on a case-by-case basis. The next set of CTFP guidelines revisions is planned to go to the Board in the summer of 2023, where adjustments will be made to clarify the timely use of funds requirements.
County of Orange (County) Project No. 16-ORCO-CBT-3822	Testing identified \$9,930 in overbillings by the contracted transportation service provider, Lux Bus America Co. Due to funding caps in the agreement between OCLTA and the County, the overcharges did not impact CTFP-funded amounts except in the third quarter of fiscal year 2020-21, when OCLTA over-reimbursed the County \$90. Internal Audit recommended the County implement controls to ensure the contracted transportation service provider charges rates consistent with the contract.	The County agrees with the comment and recommendation.

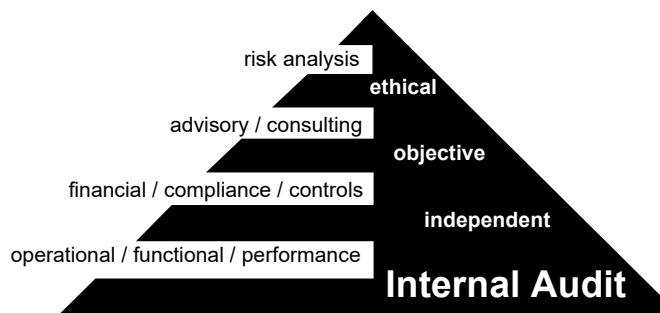
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Anaheim Regional Capacity Program State College Boulevard and La Palma Avenue Intersection Project Project No. 14-ANAH-ICE-3712 Right-of-Way Phase

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Anaheim
May 8, 2023**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Anaheim
May 8, 2023**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the State College Boulevard and La Palma Avenue Intersection Project – Right-of-Way (ROW) Phase (Project) of the City of Anaheim (City), Project Number 14-ANAH-ICE-3712, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Regional Capacity Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- 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 City established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines and extensions were approved in accordance with CTFP guidelines. The City submitted the final report to OCLTA within 180 days of the Project completion date, as required by CTFP guidelines.

Background

Regional Capacity Program

The OCLTA provided funding totaling \$345,666 for ROW under the Regional Capacity Program, Project No. 14-ANAH-ICE-3712. The Project was to widen State College Boulevard and La Palma Avenue and provide a second northbound and southbound left-turn lane, a second eastbound and westbound left-turn lane respectively, and a westbound shared through/right-turn lane. Costs incurred for the Project totaled \$1,024,899, of which \$345,666 was funded by the CTFP and \$679,233 was funded by the City. The ROW Phase of the Project began on April 22, 2015, and was completed on December 16, 2019.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted, within the timeframes dictated by CTFP guidelines; any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the City to account for Measure M2 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 and selected a haphazard sample of five out of nine ROW expenditures for review. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements. 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.
7. For ROW acquisition costs, we reviewed supporting documentation 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.

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8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed fiscal year and 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.

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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

The audit included only ROW acquisition costs of the Project, and no contractor costs were included. As a result, compliance with competitive contracting requirements was not tested.

Separate Project Fund

The City recorded costs of the Project under Unit Code K902 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. ROW costs charged to the Project were reviewed by the project manager and approved by the public works director and city council. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

The City incurred ROW costs totaling \$1,024,899 for the Project. The Project funding consisted of CTFP funds of \$345,666, and \$679,233 in matching funds from the City. The City's required match was met. We tested expenditures totaling \$933,571, and determined the expenditures were properly supported, approved, recorded and in accordance with the contract and/or CTFP requirements.

Use of Local Agency Forces

No construction phase work was performed.

Right-of-Way Acquisition

Per inquiry with the city engineer, no excess parcels were acquired for the Project. Internal Audit obtained and reviewed the Certification of Phase Completion Report Form 10-7 and noted that the city engineer certified that the ROW Phase acquired six partial ROW parcels totaling approximately 6,358 square feet (0.15 acre). The CTFP Engineer Review Form also indicated there was no excess ROW acquired.

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Project Completion

The ROW phase of the Project was programmed for funding in fiscal year 2014-15, and the first ROW offer letter was sent on April 22, 2015, which was prior to the end of the programmed fiscal year. The Project was completed on December 16, 2019, which was within the three-year timeframe plus the two-year extension approved by the OCLTA Board of Directors. The final report was submitted to OCLTA on April 25, 2020, which was within 180 days after Project completion, in accordance with CTFP guidelines.

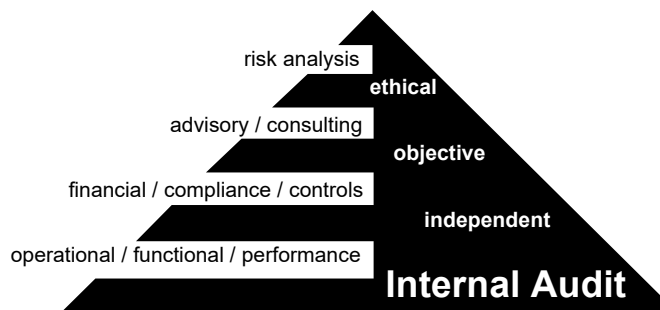
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Buena Park Regional Capacity Program State Route 91/Beach Boulevard Westbound Exit Ramp Project Project No. 13-BPRK-FST-3651 Construction Phase

May 8, 2023



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

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Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
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May 8, 2023**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the State Route 91/Beach Boulevard Westbound Exit Ramp Project - Construction Phase (Project) of the City of Buena Park (City), Project Number 13-BPRK-FST-3651, awarded by the Orange County Local Transportation Authority (OCLTA), under the Comprehensive Transportation Funding Programs (CTFP) Regional Capacity Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- 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 City established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines, and extensions were approved in accordance with CTFP guidelines. The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Regional Capacity Program

The OCLTA provided funding totaling \$1,468,455, for construction under the Regional Capacity Program, Project No. 13-BPRK-FST-3651. The Project was to widen the State Route 91 westbound off-ramp at Beach Boulevard from two lanes to four lanes and perform necessary traffic signal modifications. Costs incurred for the Project totaled \$2,227,469, of which \$1,468,455 was funded by the CTFP and \$759,014 was funded by the City. The construction phase of the Project began on September 13, 2016, and was completed on October 10, 2018.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted within the timeframes dictated by CTFP guidelines; any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the City to account for Measure M2 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 and selected a haphazard sample of eight out of 15 contractor expenditures for review. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements. 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.
7. For right-of-way acquisition costs, we reviewed supporting documentation 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.

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8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed fiscal year (FY) and 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.

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INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project under Activity Code 590121 in the State Gas Tax Fund (Fund 24).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

The City incurred costs totaling \$2,227,469 for the Project. The Project funding consisted of CTFP funds of \$1,468,455 and \$759,014, from the City. The City's required match was met. We tested expenditures totaling \$1,927,399, and determined the expenditures were properly supported, approved, recorded, and in accordance with the contract and/or CTFP requirements.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

There was no right-of-way acquired during the construction phase of this project.

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Comprehensive Transportation Funding Programs
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Project Completion

The construction phase of the Project was programmed for funding in FY 2015-16, and OCLTA staff approved a six-month administrative delay to extend the programming deadline from June 30, 2016 to December 31, 2016. Contract work was awarded on September 13, 2016, which was prior to the extended programming deadline. The Project was completed on October 10, 2018, which was within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on March 25, 2019, which was within 180 days after Project completion, in accordance with CTFP guidelines.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**



Comprehensive Transportation Funding Programs

**City of Costa Mesa
Regional Capacity Program
Hyland Avenue at MacArthur Boulevard
Intersection Improvements Project
Project No. 17-CMSA-ICE-3861
Construction Phase**

May 8, 2023



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

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
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May 8, 2023**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Hyland Avenue at MacArthur Boulevard Intersection Improvement Project - Construction Phase (Project) of the City of Costa Mesa (City), Project Number 17-CMSA-ICE-3861 awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Regional Capacity Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported, except for minor variances in employee pay rates charged to the Project. As a result of the identified variances, total project costs were understated by \$388.
- 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 City established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines, and extensions were approved in accordance with CTFP guidelines. The City submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines.

Background

Regional Capacity Program

The OCLTA provided funding totaling \$251,285 for construction under the Regional Capacity Program, Project No. 17-CMSA-ICE-3861. The Project included construction of a new, dedicated northbound right-turn lane along Hyland Avenue at the MacArthur Boulevard intersection, and restriping of the northbound lanes on Hyland Avenue to provide two left-turn lanes, one optional through/left-turn lane, an improved bike lane, and a new dedicated right turn lane. The construction also included traffic signal improvements modifying the existing traffic signals in the intersection. New traffic signal poles were also installed at the southeast corner of the intersection. Costs incurred for the Project totaled \$335,047, of which \$251,285 was funded by the CTFP and \$83,762 was funded by the City. The construction phase of the Project began on April 2, 2019, and was completed on April 3, 2020.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted within the timeframes dictated by CTFP guidelines and any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the City to account for Measure M2 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 and selected all contractor expenditures and a haphazard sample of 42 out of 87 hours of in-house management payroll expenditures for testing. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements.
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 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
May 8, 2023**

8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed fiscal year and 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
May 8, 2023**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project under Project Code 300160 in the Measure M2 Fund (Fund 415) and Traffic Impact Fees Fund (Fund 214).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

The City incurred costs totaling \$335,047 for the Project. The Project funding consisted of CTFP funds of \$251,285, and \$83,762 from the City. The City's required match was met. We tested expenditures totaling \$330,876, and determined the expenditures were properly supported, approved, recorded, and in accordance with the contract and/or CTFP requirements, except for three minor variances noted in the pay rates charged for two employees. As a result, we recalculated staff costs for the Project using current pay rates and noted a total Project net understatement of \$388.

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

There was no right-of-way acquired during the construction phase of this project.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
May 8, 2023**

Project Completion

The construction phase of the Project was programmed for funding in fiscal year 2018-19. Contract work was awarded on April 2, 2019, which was prior to the extended programming deadline. The Project was completed on April 3, 2020, which was within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on September 30, 2020, which was within 180 days after Project completion, in accordance with CTFP guidelines.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Costa Mesa
May 8, 2023**

Audit Comment, Recommendation, and Management Response

In-House Staff Costs Not Supported by Current Pay Rate

Testing identified three instances in which the pay rates charged for two in-house management employees did not agree with the actual employee pay rates. One pay rate was overstated by \$2.55 per hour, resulting in staff costs being overstated by \$66. Two pay rates were understated by \$1.74 and \$6.91 per hour, resulting in staff costs being understated by \$454. As a result of these variances, net Project costs were understated by \$388.

Recommendation 1:

Internal Audit recommends the City implement controls to ensure that current employee pay rates are used in the calculation of staff costs.

Management Response:

This is a very minor discrepancy. Moving forward, the Public Works Department will request employee pay rate data from the payroll office directly, and not from the corresponding Budget Analyst within the Finance Department. Payroll staff will provide employee pay rate information to the department directly. The assistant finance director will independently confirm the pay rate before providing the information to the Public Works Department. This will ensure accurate employee pay rates are used to calculate staff costs.

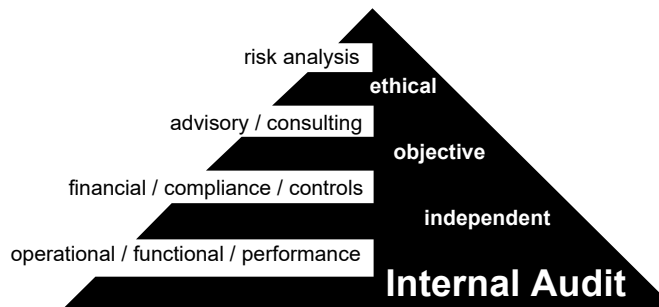
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Irvine Regional Traffic Signal Synchronization Program Irvine Center Drive/Edinger Avenue Signal Synchronization Project Project No. 16-IRVN-TSP-3791

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
May 8, 2023**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Irvine Center Drive / Edinger Avenue Signal Synchronization Project (Project) of the City of Irvine (City), Project Number 16-IRVN-TSP-3791, awarded by the Orange County Local Transportation Authority (OCLTA), under the Comprehensive Transportation Funding Programs (CTFP) Regional Traffic Signal Synchronization Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- 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 City established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines. 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

The OCLTA provided funding totaling \$1,436,506, for construction under the Regional Traffic Signal Synchronization Program, Project No. 16-IRVN-TSP-3791. The Project was to develop traffic signal improvement plans and implement signal synchronization timing for Irvine Center Drive / Edinger Avenue from Newport Avenue to Lake Forest Drive. Costs incurred for the Project totaled \$1,795,633, of which \$1,436,506 was funded by the CTFP and \$359,127 was funded by the City. The Project began on April 24, 2017, and was completed on June 23, 2020.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
May 8, 2023**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted, within the timeframes dictated by CTFP guidelines; any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the City to account for Measure M2 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 selected a haphazard sample of 22 out of 46 contractor expenditures, and a haphazard sample of 255.5 hours out of 802 hours of payroll expenditures for testing. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements. 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.
7. For right-of-way acquisition costs, we reviewed supporting documentation 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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City of Irvine
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8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed fiscal year and 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
May 8, 2023**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded project costs under Project Code 331702 in the Traffic Signal Synchronization Program Fund (Fund 250 – CTFP), and System Develop Charge Fund (Fund 271 – Local Match).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

The City incurred costs totaling \$1,795,633 for the Project. The Project funding consisted of CTFP funds of \$1,436,506 and \$359,127, from the City. The City's required match was met. We tested expenditures totaling \$1,530,136, and determined the expenditures were properly supported, approved, recorded and in accordance with the contract and/or CTFP requirements.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Irvine
May 8, 2023**

Project Completion

The Project was programmed for funding in fiscal year 2016-17, and contract work was awarded on April 24, 2017, which was prior to the end of the programmed fiscal year. The Project was completed on June 23, 2020, which was within the three-year timeframe plus the two-year extension approved by the OCLTA Board of Directors. The final report was submitted to OCLTA on September 15, 2020, which was within 180 days after Project completion, in accordance with CTFP guidelines.

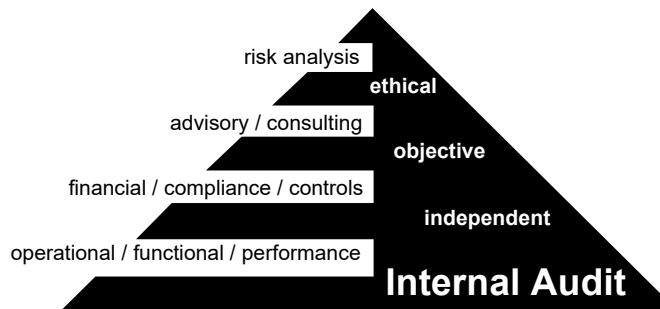
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Laguna Beach Community-Based Transit/Circulators Program Off-Season Weekend Shuttle Project No. 14-LBCH-CBT-3747 Operations and Maintenance

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Beach
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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Beach
May 8, 2023**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the operating subsidy provided under Project Number 14-LBCH-CBT-3747, City of Laguna Beach (City) Off-Season Weekend Shuttle (Project), awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Community-Based Transit/Circulators Program.

Based on the audit:

- Materials and supplies charged to the Project were reasonable, allocable, and adequately supported.
- Fuel costs charged to the Project for Fiscal Year (FY) 2018-19 and FY 2019-20 were reasonable, allocable, and adequately supported. However, for FY 2017-18, the City submitted fuel costs of \$9,053 that had previously been submitted for reimbursement and submitted a duplicated materials and supplies charge of \$46 for reimbursement. In addition, an error in the allocation of monthly fuel costs for the period January through June 2018, resulted in submission of \$17,605 in excess fuel charges. The combined overcharges for fuel and materials and supplies costs incurred during the third and fourth quarters of FY 2017-2018 totaled \$26,704, of which OCLTA reimbursed \$21,363.
- The City submitted labor charges of \$35,893 that had previously been submitted for reimbursement and submitted labor charges totaling \$17,201, that were incurred beyond the approved 42-weeks of service per year limit. The combined overcharges for labor costs totaled \$53,094, of which OCLTA reimbursed \$42,475.
- The City could not identify the methodology used to allocate indirect labor charges for a transit supervisor. During the testing period, labor charges allocated totaled \$69,558, of which OCLTA reimbursed \$55,646.
- 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 City established and maintained separate cost centers for the Project.
- The City submitted quarterly ridership reports to OCLTA within three months of year end, as required by the CTFP guidelines.
- The City utilized Americans with Disabilities Act (ADA)-accessible vehicles and provided transportation services to those with disabilities.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Beach
May 8, 2023**

Background

Community-Based Transit/Circulators Program (Project V)

On May 26, 2014, the OCLTA entered into Cooperative Agreement No. C-3-1846 (agreement) with the City to provide capital funding for three new trolleys and operating funds to subsidize off-season weekend trolley service and expanded summer trolley service, in an amount not to exceed \$3,612,360, for up to seven years. Under the agreement, the operating subsidy for years two through seven is no more than \$8.00 per boarding or 80 percent of annual operations and maintenance costs up to \$514,560, whichever is less. For the same period, the City agreed to provide at least 20 percent in matching funds and to cover any excess costs over the annual cap.

Costs submitted for reimbursement for operations in January 2018 through June 2020, totaled \$1,185,887, of which \$948,710 was funded by the CTFP and \$237,177 was funded by the City.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Beach
May 8, 2023**

Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
2. The Project complied with competitive contracting requirements.
3. The 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. Quarterly ridership reports were submitted to OCLTA within three months of year end as required by CTFP guidelines, and the Project met the minimum standard of boardings per revenue vehicle hour, in accordance with the agreement.
5. Records and documentation related to the Project were adequately maintained.

The scope was limited to the funding provided for Project costs incurred during the period January 2018 through June 2020. The methodology included the following procedures:

1. We reviewed the agreement with the City to obtain an understanding of the Project and CTFP requirements.
1. We obtained and reviewed contracted operator procurement files to verify evidence of competitive bid procedures.
2. We inquired of management and identified fund accounting procedures used by the City to account for Measure M2 revenues and expenditures.
3. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed by the City.
4. We obtained a detailed listing of Project expenditures and haphazardly sampled 60 out of 254 invoices for materials and supplies expenditures, 10 out of 23 monthly journal entries for fuel expenditures, 7 out of 55 pay periods of trolley operation labor charges, and 7 out of 23 monthly journal entries of salary redistribution charges for review. We determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the agreement and CTFP requirements. Since the sample was non-statistical, conclusions are limited to the sample items tested.
5. We reviewed the quarterly ridership reports to determine whether the reports were properly supported and submitted to OCLTA within three months of year end, as required by CTFP guidelines, and met the minimum standard of boardings per revenue vehicle hour in accordance with the agreement.
6. We reviewed documentation supplied by the City evidencing that ADA-accessible vehicles are utilized and reviewed trip sheets evidencing that services are being provided to those with disabilities.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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City of Laguna Beach
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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 Laguna Beach
May 8, 2023**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

The City provided these transportation services, rather than utilizing a contractor.

Separate Project Fund

The City recorded operating costs of the Project in the Transit Fund (Fund 310) under Division Code 3405 and maintained manual schedules detailing fuel charges and eligible materials and supplies.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

Costs submitted for reimbursement from January 2018 through June 2020, totaled \$1,185,887, of which \$948,710 was funded by the CTFP and \$237,177 was funded by the City. Internal Audit haphazardly sampled 60 out of 254 invoices of materials and supplies expenditures, 10 out of 23 monthly journal entries of fuel expenditures, 7 out of 55 pay periods of trolley operation labor charges, and 7 out of 23 monthly journal entries of salary redistribution charges for review totaling \$327,109, and determined the following:

- Materials and supplies invoices charged to the Project were reasonable, allocable, and adequately supported.
- Fuel costs charged to the Project were reasonable, allocable, and adequately supported for FY 2018-19 and FY 2019-20. However, the City submitted fuel costs of \$9,053 that had previously been submitted for reimbursement and submitted a duplicated materials and supplies charge of \$46 for reimbursement. In addition, an error in the allocation of monthly fuel costs for the period January through June 2018, resulted in submission of \$17,605 in excess fuel charges. The combined overcharges for fuel and materials and supplies costs incurred during the third and fourth quarters of FY 2017-18 totaled \$26,704, of which OCLTA reimbursed \$21,363.

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INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
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- Labor costs charged to the Project were not always reasonable nor allocable. The City submitted labor charges of \$35,893 that had previously been submitted for reimbursement during the third and fourth quarters of FY 2017-18. The City also submitted labor charges totaling \$10,968 for FY 2018-19 and \$6,233 for FY 2019-20, that were incurred beyond the approved 42-weeks of service per year limit, as per the agreement. The combined overcharges for labor costs totaled \$53,094, of which OCLTA reimbursed \$42,475.
- The City could not identify the methodology used to allocate indirect labor charges for a transit supervisor. During the testing period, labor charges allocated totaled \$69,558, of which OCLTA reimbursed \$55,646.

Quarterly Ridership Report

We reviewed four quarterly ridership reports and determined that reports were properly supported, submitted to OCLTA within three months of year end as required by CTFP guidelines, and reflected that the minimum standard of boardings per revenue vehicle hour was met, in accordance with the agreement.

ADA Compliance

We reviewed documentation evidencing that ADA-accessible vehicles are utilized, and transportation services are provided to those with disabilities.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Beach
May 8, 2023**

Audit Comments, Recommendations, and Management Responses

Fuel Overcharges

The City submitted fuel costs of \$9,053 that had previously been submitted for reimbursement and submitted a duplicated materials and supplies charge of \$46 for reimbursement. In addition, an error in the allocation of monthly fuel costs for the period January through June 2018, resulted in submission of \$17,605 in excess fuel charges. The combined overcharges for fuel and materials and supplies costs incurred during the third and fourth quarters of FY 2017-18 totaled \$26,704, of which OCLTA reimbursed \$21,363.

Recommendation 1:

Internal Audit recommends the City refund OCLTA \$21,363 for the overcharges and implement controls to ensure the accuracy of charges prior to submission.

Management Response:

Concur. The City has already implemented additional controls to ensure that duplicate charges are not submitted for reimbursement moving forward. Staff now completes a detailed written checklist prior to submitting invoices to OCLTA to ensure all data is correct and in compliance with the terms of the agreement. In addition, staff changed the methodology used to allocate fuel expenses to improve accuracy. Fuel reimbursements are now requested based on average fuel cost and actual vehicle miles traveled. The City will work with OCLTA to provide reimbursement for any past overcharges.

Labor Overcharges

The City submitted labor charges of \$35,893 that had previously been submitted for reimbursement during the third and fourth quarters of FY 2017-18. The City also submitted labor charges totaling \$10,968 for FY 2018-19 and \$6,233 for FY 2019-20, that were incurred beyond the approved 42-weeks of service per year limit, as per the agreement. The combined overcharges for labor costs totaled \$53,094, of which OCLTA reimbursed \$42,475.

Lastly, the City could not identify the methodology used to allocate indirect labor charges for a transit supervisor. During the testing period, labor charges allocated totaled \$69,558, of which OCLTA reimbursed \$55,646.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Beach
May 8, 2023**

Recommendation 2:

Internal Audit recommends the City refund OCLTA \$42,475 for the overcharges and work with OCLTA staff to identify and apply a reasonable methodology for recalculating indirect labor charges. If a reasonable methodology and recalculation is not applied, the City should refund the full \$55,646 to OCLTA. If recalculated indirect labor charges are less than the amount originally submitted, the amount of OCLTA reimbursement exceeding the recalculated amount should be refunded to OCLTA.

Going forward, the City should implement controls to ensure the accuracy of charges prior to submission and should retain evidence of the allocation methodology used for deriving indirect costs.

Management Response:

Concur. The City has already implemented additional controls to ensure that duplicate charges are not submitted for reimbursement moving forward, as described above. The City will work with OCLTA to provide reimbursement for any past overcharges. The City also changed the methodology for calculating indirect labor charges in the Transit division to ensure greater accuracy. The City's "salaries redistributed" calculation is now based on the relative percentage of vehicle service hours for the Project V-funded trolley service vs. the City's total transit service hours. City staff will work with OCLTA to recalculate indirect labor costs using the revised methodology.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**



Comprehensive Transportation Funding Programs

**City of Laguna Hills
Environmental Cleanup Program
Laguna Hills CPS-Mod™ & ARS-CL™ Screen Project
Phase IX Project
Project No. 20-LHLL-ECP-3983**

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Hills
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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Hills
May 8, 2023**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Laguna Hills CPS-Mod™ & ARS-CL™ Screen Project Phase IX Project (Project) of the City of Laguna Hills (City), Project Number 20-LHLL-ECP-3983, awarded by the Orange County Local Transportation Authority (OCLTA), under the Comprehensive Transportation Funding Programs (CTFP) Environmental Cleanup Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- The City utilized a contractor from the list of approved vendors provided by the County of Orange, and allowed for use by OCLTA, to fulfill competitive contracting requirements.
- 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 City established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines. 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

The OCLTA provided funding totaling \$200,000 for construction under the Environmental Cleanup Program, Project No. 20-LHLL-ECP-3983. The Project was to manufacture and install catch basin debris gates at multiple locations throughout the City. Costs incurred for the Project totaled \$250,000, of which \$200,000 was funded by the CTFP, and \$50,000 was funded by the City. The Project began on January 28, 2021, and was completed on May 6, 2021.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Hills
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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted, within the timeframes dictated by CTFP guidelines; any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the City to account for Measure M2 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 and selected all contractor expenditures for review. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements.
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 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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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City of Laguna Hills
May 8, 2023**

8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed fiscal year and 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 Laguna Hills
May 8, 2023**

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

The City utilized a contractor from the list of approved vendors provided by the County of Orange to fulfill competitive contracting requirements. The County established agreements with vendors with fixed prices for the purchase and installation of devices to remove litter, debris, and other water quality pollutants, and OCLTA has allowed use of these vendors in lieu of cities having to conduct their own procurement.

Separate Project Fund

The City recorded costs of the Project in the Capital Improvement Project Fund (Fund 600).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

The City incurred costs totaling \$250,000 for the Project. The Project funding consisted of CTFP funds of \$200,000 and \$50,000 from the City. The City's required match was met. We tested expenditures totaling \$250,000, and determined the expenditures were properly supported, approved, recorded, and in accordance with the contract and/or CTFP requirements.

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.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Comprehensive Transportation Funding Programs
City of Laguna Hills
May 8, 2023**

Project Completion

The Project was programmed for funding in fiscal year 2020-21, and a Notice to Proceed was approved on January 28, 2021, which was prior to the end of the programmed fiscal year. The Project was completed on May 6, 2021, which was within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on July 27, 2021, which was within 180 days after Project completion, in accordance with CTFP guidelines.

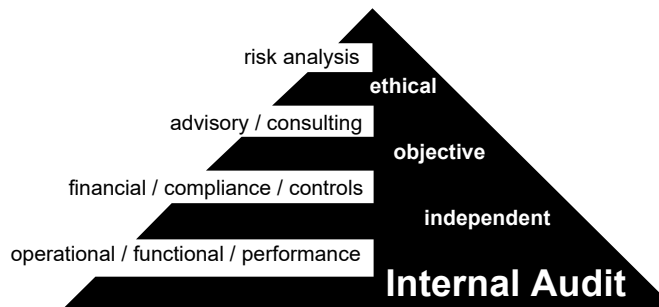
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Mission Viejo Regional Traffic Signal Synchronization Program Marguerite Parkway Corridor Signal Synchronization Project Project No. 16-MVJO-TSP-3793

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Marguerite Parkway Corridor Signal Synchronization Project (Project) of the City of Mission Viejo (City), Project Number 16-MVJO-TSP-3793, awarded by the Orange County Local Transportation Authority (OCLTA), under the Comprehensive Transportation Funding Programs (CTFP) Regional Traffic Signal Synchronization Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- 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 City established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines. 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

The OCLTA provided funding totaling \$710,272, for construction under the Regional Traffic Signal Synchronization Program, Project No. 16-MVJO-TSP-3793. The Project was to develop traffic signal improvement plans and implement signal synchronization timing along Marguerite Parkway from El Toro Road to Auto Mall. Costs incurred for the Project totaled \$887,840 of which \$710,272 was funded by the CTFP, and \$177,568 was funded by the City. The Project began on April 11, 2017, and was completed on March 13, 2020.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted, within the timeframes dictated by CTFP guidelines; any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the City to account for Measure M2 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 and selected a haphazard sample of eight out of 26 contractor expenditures, and a haphazard sample of 123.5 hours out of 451.5 hours of payroll expenditures for testing. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements. 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.
7. For right-of-way acquisition costs, we reviewed supporting documentation 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.

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8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed fiscal year and 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.

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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded construction costs of the Project under Project Code 17230 in the Measure M2 Project P Fund (Fund 221 – CTFP), Gas Tax Fund (Fund 211 – Local Match) and Air Quality Improvement Trust Fund (Fund 219 – Local Match) within the general ledger and maintained manual schedules detailing agency labor costs and contracted inspection costs charged to the Gas Tax Fund (Fund 211) and identified to Project Code 17230.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

The City incurred costs totaling \$887,840 for the Project. The Project funding consisted of CTFP funds of \$710,272 and \$177,568, from the City. The City's required match was met. We tested expenditures totaling \$559,307, and determined the expenditures were properly supported, approved, recorded and in accordance with the contract and/or CTFP requirements.

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.

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Project Completion

The Project was programmed for funding in fiscal year 2016-17, and contract work was awarded on April 11, 2017, which was prior to the end of the programmed fiscal year. The Project was completed on March 13, 2020, which was within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on April 30, 2020, which was within 180 days after Project completion, in accordance with CTFP guidelines.

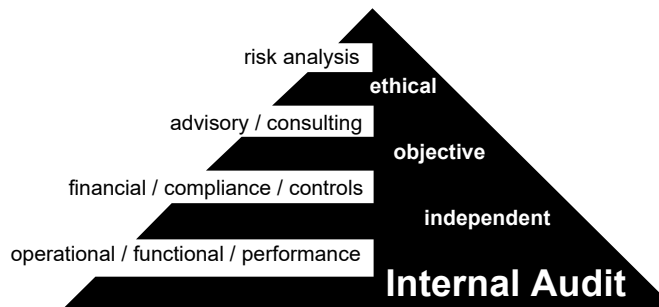
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Orange Environmental Cleanup Program Debris Separating Baffle Box and Connector Pipe Screens Installation Project Project No. 19-ORNG-ECP-3951

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Debris Separating Baffle Box and Connector Pipe Screens Installation Project (Project) of the City of Orange (City), Project Number 19-ORNG-ECP-3951, awarded by the Orange County Local Transportation Authority (OCLTA), under the Comprehensive Transportation Funding Programs (CTFP) Environmental Cleanup Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- 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 City established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines. 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

The OCLTA provided funding totaling \$206,857, for construction under the Environmental Cleanup Program, Project No. 19-ORNG-ECP-3951. The Project was to install debris separating baffle box and connector pipe screens at Collins Avenue and Tustin Street. Costs incurred for the Project totaled \$258,571, of which \$206,857 was funded by the CTFP, and \$51,714 was funded by the City. The Project began on June 9, 2020, and was completed on January 21, 2021.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted within the timeframes dictated by CTFP guidelines; any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the City to account for Measure M2 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 and selected all construction expenditures and advertising expenditures, and a haphazard sample of eight out of 29 payroll expenditures for review. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements. 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.
7. For right-of-way acquisition costs, we reviewed supporting documentation 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.

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8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed fiscal year and 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.

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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project under Project Code 30108 in the Reimbursable Capital Projects Fund (Fund 550 - CTFP) and the Sanitation & Sewer Fund (Fund 220 – Local Match).

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

The City incurred costs totaling \$258,571 for the Project. The Project funding consisted of CTFP funds of \$206,857 and \$51,714 from the City. The City's required match was met. We tested expenditures totaling \$245,097, and determined the expenditures were properly supported, approved, recorded, and in accordance with the contract and/or CTFP requirements.

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.

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Project Completion

The Project was programmed for funding in fiscal year 2019-20, and contract work was awarded on June 9, 2020, which was prior to the end of the programmed fiscal year. The Project was completed on January 21, 2021, which was within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on March 31, 2021, which was within 180 days after Project completion, in accordance with CTFP guidelines.

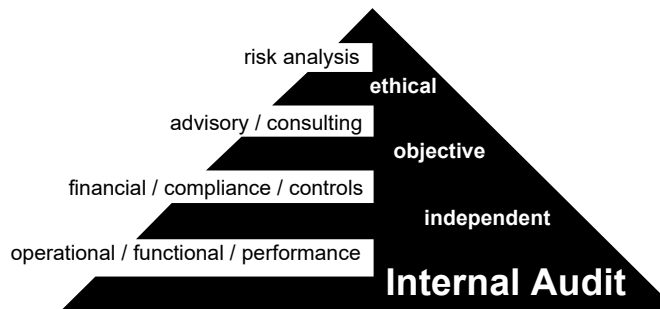
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of San Clemente Community-Based Transit/Circulators Program San Clemente Rideshare Services Project No. 16-SCLM-CBT-3841 Operations and Maintenance

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the operating subsidy provided under Project Number 16-SCLM-CBT-3841, City of San Clemente (City) San Clemente Rideshare Services (Project), awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Community-Based Transit/Circulators Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported.
- 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 City established and maintained separate cost centers for the Project.
- The City submitted quarterly ridership reports to OCLTA within three months of year end, as required by the CTFP guidelines.
- The City did not provide required Americans with Disabilities Act (ADA) qualified services from Project inception in January 2017 through March 2018. Effective April 1, 2018, the City procured a contract with Butterfli Technologies, Incorporated (Butterfli), to provide rides utilizing wheelchair-accessible vehicles. OCLTA awarded additional Project V grant funds under Cooperative Agreement No. C-9-1723 (agreement), for funding of these services.

Background

Community-Based Transit/Circulators Program (Project V)

On November 16, 2016, the OCLTA entered into an agreement with the City to provide an operating subsidy to support San Clemente Rideshare Services, in an amount not to exceed \$914,400 for up to seven years. The Project provides a community-based transit service to enable the existing users of bus routes 191 and 193 to maintain their existing mobility capabilities through a ridesharing transit service. Under the agreement, the operating subsidy is no more than \$9 per boarding or 90 percent of operations and maintenance costs up to \$130,629, whichever is less. The City agreed to provide at least ten percent in matching funds and any excess cost over the annual cap. Transportation services are provided by Lyft, Inc., under an agreement with the City.

Costs submitted for reimbursement from January 2018 through September 2020 totaled \$402,395, of which \$362,156 was funded by the CTFP and \$40,239 was funded by the City. During the same period, the City incurred an additional \$374,307.82 in costs that exceeded the annual boarding funding cap of \$130,629.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
2. The Project complied with competitive contracting requirements.
3. The 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. Quarterly ridership reports were submitted to OCLTA within three months of year end as required by the CTFP guidelines and the Project met the minimum standard of boardings per revenue vehicle hour, in accordance with the agreement.
5. Records and documentation related to the Project were adequately maintained.

The scope was limited to funding provided from January 2018 through September 2020, for the Project. The methodology included the following procedures:

1. We reviewed the agreement with the City to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed contracted operator procurement files to verify evidence of competitive bid procedures.
3. We inquired of management and identified fund accounting procedures used by the City to account for Measure M2 revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed by the City.
5. We obtained a detailed listing of Project expenditures and haphazardly sampled 12 invoices out of 33 invoices for review. We determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the agreement and CTFP requirements. Since the sample was non-statistical, conclusions are limited to the sample items tested.
6. We reviewed the quarterly ridership reports to determine whether the reports were properly supported and submitted to OCLTA within three months of year end, as required by the CTFP guidelines and met the minimum standard of boardings per revenue vehicle hour in accordance with the agreement.
7. We reviewed documentation supplied by the transportation service provider evidencing that ADA-accessible vehicles are utilized and reviewed trip sheet documents evidencing that services are being provided to those with disabilities.

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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.

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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded operating costs of the Project in the General Fund under the vendor code 027327 for Lyft, Inc., and maintained manual schedules detailing monthly charges.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

Costs submitted for reimbursement from January 2018 through September 2020 totaled \$402,395, of which \$362,156 was funded by the CTFP and \$40,239 was funded by the City. During the same period, the City incurred an additional \$374,308 in costs that exceeded the funding cap. Internal Audit haphazardly sampled and tested 12 out of 33 invoices during the period totaling \$272,987 and determined that expenditures charged to the Project were reasonable, allocable, and adequately supported.

Quarterly Ridership Report

We reviewed four quarterly ridership reports and determined that reports were properly supported and submitted to OCLTA annually, within three months of year-end, as required by CTFP guidelines. The program did not meet the ridership requirement of ten boardings per revenue vehicle hour from January 2019 through September 2019. Recognizing the uniqueness of the City's rideshare program, the OCLTA Board of Directors approved changes to the agreement that removed the ridership performance standard effective September 1, 2019.

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ADA Compliance

The City did not provide required ADA qualified services from Project inception in January 2017 through March 2018. Effective April 1, 2018, the City procured a contract with Butterfli to provide wheelchair-accessible on demand services and OCLTA awarded additional Project V grant funds, under an agreement for funding of these services.

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Audit Comment, Recommendation, and Management Response

Non-Compliance with ADA Requirements

The City rideshare program did not comply with ADA requirements during the period January 2017 through March 2018. CTFP guidelines require agencies to comply with ADA requirements as a condition of funding.

The City received another Project V grant from OCLTA in December 2018 to provide funding for ADA equivalent services. Starting April 1, 2018, the City contracted with a third-party provider to provide rides utilizing wheelchair-accessible vehicles. OCLTA staff withheld payments to fund the rideshare program until June 2019.

Recommendation 1:

Internal Audit recommends the City implement controls to ensure compliance with ADA requirements for current and future CTFP projects.

Management Response:

The City corrected the initial issue to comply with the ADA requirements. Staff will review future contracts to ensure ADA compliance in accordance with any grant requirements.

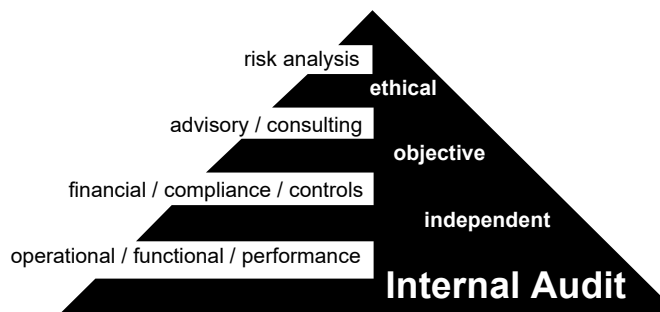
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

County of Orange Regional Capacity Program La Pata Avenue Phase II Project No. 13-ORCO-ACE-3655 Construction Phase

May 8, 2023



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

Distributed to: Kia Mortazavi, Executive Director, Planning
Kurt Brotcke, Adriann Cardoso, Charvalen Alacar

**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of La Pata Avenue Phase II - Construction Phase (Project) of the County of Orange (County), Project Number 13-ORCO-ACE-3655, awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Regional Capacity Program.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported, except for \$468,644.83 in contractor mitigation costs incurred after project completion on December 4, 2018, as reported by the County, and beyond the five-year approved funding deadline. OCLTA reimbursed the County \$140,593.45 towards these costs.
- The County did not adhere to competitive bidding requirements when selecting Orange County Waste and Recycling (OCWR) for Project mitigation work.
- 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 County established and maintained a separate cost center for the Project.
- The Project was encumbered and completed within the timeframes dictated by CTFP guidelines and extensions were approved in accordance with CTFP guidelines. The County submitted the final report to OCLTA within 180 days of the Project completion date as required by CTFP guidelines. However, as noted above, mitigation expenditures totaling \$468,644.83 were incurred, and \$140,593.40 was funded by the CTFP, after project completion, per the County's final report, and beyond the five-year funding deadline approved by the OCLTA Board of Directors (Board).

Background

Regional Capacity Program

The OCLTA provided funding totaling \$18,773,866 for construction under the Regional Capacity Program, Project No.13-ORCO-ACE-3655. The project was for the construction of La Pata Avenue gap closure between Ortega Highway and north boundary of Prima Deshecha landfill. Costs incurred for the Project totaled \$62,579,553 of which \$18,773,866 was funded by the CTFP and \$43,805,687 was funded by the County. The Project was funded and programmed for fiscal year (FY) 2013-14. The Project began on December 10, 2013. On December 14, 2015, the OCLTA Board approved a scope change to consolidate Phase One and Phase Two for construction of the Project, with a combined County matching rate of 70 percent. On June 13, 2016, the OCLTA Board approved a 24-month extension to Project funding. The County reported that the Project was completed on December 4, 2018.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
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 encumbered, completed, and the final report submitted, within the timeframes dictated by CTFP guidelines; any extensions were approved in accordance with CTFP guidelines.
5. Records and documentation related to the Project were adequately maintained.

The scope was 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 inquired of management and identified fund accounting procedures used by the County to account for Measure M2 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 and selected a haphazard sample of 70 out of 216 contractor expenditures and a haphazard sample of 2,004 hours out of 128,929 hours of payroll expenditures for testing. For the expenditures tested, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the contract and/or CTFP requirements. In addition, we tested expenditures to determine compliance with CTFP limitations on contract change order, labor overhead, project management, and mitigation costs. 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.
7. For right-of-way acquisition costs, we reviewed supporting documentation 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.

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8. We reviewed the Project start date and completion date to determine whether the Project was encumbered prior to the end of the programmed FY and 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.

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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that the County complied with competitive contracting requirements except when selecting OCWR for Project mitigation work totaling \$960,170.

Separate Project Fund

The County recorded costs of the Project under Activity Codes ER09018 and ER16012 in the Road Fund (Fund 115).

Accounting and Cash Management Procedures

The County established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and County Documentation

The County incurred costs totaling \$62,579,553 for the Project. The Project funding consisted of CTFP funds of \$18,773,866 and \$43,805,687 from the County. The County's required 30 percent match was met, funding for construction change orders did not exceed ten percent of the total construction costs, funding for project management costs did not exceed 15 percent of total construction costs, and funding for project management overhead costs did not exceed 30 percent of project management labor charges, as outlined in CTFP guidelines. In addition, total mitigation costs did not exceed 50 percent of total construction costs.

Internal Audit tested expenditures totaling \$16,603,665 and determined the expenditures were properly supported, approved, recorded, and in accordance with the contract and/or CTFP requirements, except for mitigation costs that were incurred after the allowable five-year funding period and after project completion, as reported in the County's final report. A total of \$468,644.83 in mitigation costs were incurred after project completion and after the five-year funding deadline approved by the OCLTA Board. Despite this, OCLTA staff approved reimbursement toward these costs in the amount of \$140,593.45, on June 9, 2022.

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Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

There was no right-of-way acquired during the construction phase of this project.

Project Completion

The construction phase of the Project was programmed for funding in FY 2013-14. Contract work was awarded on December 10, 2013, which was prior to the programming deadline. The Project was completed on December 4, 2018, per the County's final report, which was within the three-year timeframe, plus the two-year extension, approved by the OCLTA Board. The final report was submitted to OCLTA on May 28, 2019, which was within 180 days after Project completion, in accordance with CTFP guidelines. However, Internal Audit noted that contractor mitigation expenditures totaling \$468,644.83 were incurred after both Project completion and the five-year funding period deadline.

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Audit Comments, Recommendations, and Management Responses

Non-Compliance with Competitive Bidding Requirements

The County selected OCWR for Project work totaling \$960,170 without utilizing a competitive procurement process, as required by CTFP guidelines. The OCLTA reimbursed \$288,051 towards these costs.

CTFP guidelines state that, “Agencies should select consultants based upon established contract management and applicable public contracting practices....as well as competitive bidding environments for construction contracts.”

Recommendation 1:

Internal Audit recommends the County implement controls to ensure all contractors are competitively procured, in accordance with CTFP guidelines.

Management Response (County):

The County agrees with the comment and recommendation provided by Internal Audit. Controls will be implemented to ensure all contractors are competitively procured, in accordance with CTFP guidelines.

Mitigation Expenditures Past Allowable Funding Period

The County submitted Project mitigation costs totaling \$468,644.83 that were incurred after the project completion date and after the five-year extended funding period approved by the OCLTA Board. OCLTA staff approved reimbursement of 30 percent of these costs, totaling \$140,593.45.

CTFP guidelines require funds to be used within three years of contract award, with a provision for the Board to approve a one-time delay of up to 24 months. In June 2016, the OCLTA Board approved an extension to the Project funding period for 24 months through December 2018. The County submitted a final report dated May 28, 2019, indicating a project completion date of December 4, 2018. CTFP guidelines define project completion as “the date all final invoices have been paid and any pending litigation has been adjudicated for either the engineering phase or for the right-of-way phase, and all liens/claims have been settled for the construction phase”. However, subsequently, the County submitted costs for reimbursement that were incurred under additional contracts for mitigation after December 2018 and beyond the five-year Board-approved funding period.

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OCLTA staff indicated that, in this circumstance, rather than using the date of the construction contract award (for measuring the three-year, plus two-year approved extension period), staff considered the dates of subsequent contract awards made for mitigation services and, for those contract expenditures, considered a new three-year period from the date of the subsequent contract awards. This interpretation, and extended funding period, was not brought to the OCLTA Board for approval.

Recommendation 2 (OCLTA Management):

Internal Audit recommends management enforce timely use of funds requirements or obtain Board approval for exceptions to the CTFP guidelines.

Management Response (OCLTA Management):

Management agrees with the audit findings, and staff will consider ways to avoid future occurrences of allowing multiple contracts within a single project to be tracked according to their timeline needs by either clarifying the CTFP Guidelines or seeking a Board action on a case-by-case basis. The next set of CTFP Guidelines revisions is planned to go to the Board in the summer of 2023, where adjustments will be made to clarify the timely use of funds requirements.

As background, this Project presented notable distinctions from conventional CTFP construction undertakings, chiefly characterized by using multiple contracts to deliver a \$63 million project. This contrasts with typical CTFP projects where only one primary contract must be tracked. The Project featured a broader scale of implementation elements, evidenced by its new roadway construction through an area with utility and geological challenges. Finally, the Project's overall timeline was protracted compared to the usual duration of CTFP projects. For example, this Project required mitigation efforts and a monitoring period beyond the five years allowed under CTFP rules.

These complexities were not sufficiently understood at the onset when the OCLTA Board considered the project for funding.

It should also be noted that OCLTA carefully reviewed all expenditures to confirm the eligibility of all the costs for this \$63 million project. As a result of that careful review and confirmation of eligible versus ineligible costs, OCLTA could only support reimbursing the County for \$8,553,865.88 out of the original \$10,000,000 award. Thus, the additional time beyond a five-year period was only used to conclude the mitigation work necessary to deliver the Project per its regulatory approval requirements.

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Comprehensive Transportation Funding Programs

County of Orange Community-Based Transit/Circulators Program Orange County Ranch Ride Project No. 16-ORCO-CBT-3822 Operations and Maintenance

May 8, 2023



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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the operating subsidy provided under Project Number 16-ORCO-CBT-3822, Orange County (County) Ranch Ride (Project), awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Programs (CTFP) Community-Based Transit/Circulators Program. The County executed a subrecipient agreement with Rancho TMA, Inc. (RTMA), to administer, maintain, and manage the Project.

Based on the audit:

- Costs charged to the Project were reasonable, allocable, and adequately supported, except for amounts overcharged to RTMA by their contracted transportation service provider and used in reimbursement claims to the County. As a result of these overcharges, OCTA over-reimbursed the County \$90 for the third quarter of Fiscal Year 2020-21 (FY) 2020-21.
- 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 County established and maintained separate cost centers for the Project.
- The County submitted quarterly ridership reports to OCLTA within two months of quarter end, as required by the cooperative agreement.
- RTMA's contracted transportation service provider, Lux Bus America Co. (Lux), utilizes Americans with Disabilities Act (ADA)-accessible vehicles and provides transportation services to those with disabilities.

Background

Community-Based Transit/Circulators Program (Project V)

On February 6, 2017, the OCLTA entered into Cooperative Agreement No. C-6-1309 (agreement) with the County to provide an operating subsidy to support the Orange County Ranch Ride shuttle service, in an amount not to exceed \$2,041,547, for up to seven years. The Project provides transit services to the communities of Ladera Ranch, Rancho Mission Viejo, and South County. Under the agreement, the operating subsidy is no more than \$9.00 per boarding or ninety percent of operations and maintenance costs, whichever is less. The County agreed to provide at least ten percent in matching funds. The County entered into a subrecipient agreement with RTMA for administration of the Project. Transportation services are provided by Lux under a contract with RTMA.

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Costs submitted for reimbursement during FY 2019-20 and FY 2020-21 totaled \$38,450, of which \$34,605 was funded by the CTFP and \$3,835 was funded by RTMA. During the same period, RTMA incurred an additional \$14,088 in costs that exceeded the \$9.00 per boarding funding cap.

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Objectives, Scope, and Methodology

The objectives were to determine whether:

1. Costs charged to the Project were reasonable, allocable, eligible, and adequately supported.
2. The Project complied with competitive contracting requirements,
3. The 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. Quarterly ridership reports were submitted to OCLTA within two months of the quarter end and the Project met the minimum standard of ten boardings per revenue vehicle hour, in accordance with the agreement,
5. Records and documentation related to the Project were adequately maintained.

The scope was limited to funding provided during FY 2019-20 and FY 2020-21 for the Project.

The methodology included the following procedures:

1. We reviewed the agreement and the County's subrecipient agreement with RTMA to obtain an understanding of the Project and CTFP requirements.
2. We obtained and reviewed contracted operator procurement files to verify evidence of competitive bid procedures.
3. We inquired of management and identified fund accounting procedures used by the County to account for Measure M2 revenues and expenditures.
4. We reviewed Project financial records to determine that proper accounting and cash management procedures were followed by the County.
5. We obtained a detailed listing of Project expenditures and selected all invoices for review. We determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved timeframe and in accordance with the agreement and CTFP requirements.
6. We reviewed the quarterly ridership reports to determine whether the reports were properly supported and submitted to OCLTA within two months of the quarter end and met the minimum standard of ten boardings per revenue vehicle hour in accordance with the agreement.

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7. We reviewed evidence supplied by the transportation service provider evidencing that ADA-accessible vehicles are utilized and reviewed trip sheet documents evidencing that services are being provided to those with disabilities.

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.

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Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

We reviewed documentation evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The County recorded operating costs of the Project in the Orange County Ranch Ride, Project V Fund (Fund 174). The RTMA recorded operating costs of the Project in their General Fund.

Accounting and Cash Management Procedures

The County established adequate controls to ensure that Project funds were used only for approved Project costs. Costs charged to the Project were reviewed and approved by the County project manager. Payments from OCLTA were tracked separately within the accounting system.

Project Costs and City Documentation

Costs submitted for reimbursement during FY 2019-20 and FY 2020-21 totaled \$38,450, of which \$34,605 was funded by the CTFP and \$3,835 was funded by RTMA. During the same period, RTMA incurred an additional \$14,088 in costs that exceeded the funding cap. Internal Audit tested all invoices during the period totaling \$52,538 and determined that expenditures charged to the Project were reasonable, allocable, and adequately supported, except for \$9,930 in overcharges by the contracted service provider. Lux, the contracted service provider, invoiced RTMA at rates higher than the rates agreed to by contract. These overcharges were then used as the basis for reimbursement claims to the County, and, ultimately, to OCLTA. Due to the funding caps outlined by the agreement, these overcharges did not impact the CTFP-funded amount except in the third quarter of FY 2020-21, by \$90.

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Quarterly Ridership Report

We reviewed three quarterly ridership reports and determined that reports were properly supported, submitted to OCLTA within two months of quarter end, and reflected that the minimum standard of ten boardings per revenue vehicle hour was met, in accordance with the agreement.

ADA Compliance

- We reviewed documentation evidencing that ADA-accessible vehicles are utilized and transportation services are provided to those with disabilities.

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Audit Comment, Recommendation, and Management Response

Overbillings by the Transportation Service Provider

Testing identified \$9,930 in overbillings by the contracted transportation service provider, Lux. Under the contract between RTMA and Lux the rate for a 22-seat mini-bus for five hours of service is \$550, with an additional hourly rate of \$95 per hour. However, review of 25 invoices for the period FY 2019-20 and FY 2020-21, noted that invoiced rates for the 22-seat mini-bus ranged from \$575 to \$1,200, with an additional hourly rate of \$115.

Due to funding caps in the agreement between OCTA and the County, the overcharges did not impact CTFP-funded amounts except in the third quarter of FY 2020-21, when OCLTA over-reimbursed the County \$90.

Recommendation 1:

Internal Audit recommends the County implement controls to ensure RTMA's contracted service provider is charging rates consistent with the contract.

Management Response:

The County agrees with the comment and recommendation.