

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

<b>City / Project</b>	<b>Finding and Recommendation</b>	<b>Management Response</b>
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.

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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.