

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT**



Comprehensive Transportation Funding Programs

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

October 8, 2018



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

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

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

Table of Contents

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

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

Conclusion

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

Based on the audit:

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

Background

Arterial Capacity Enhancements Program

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

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

Objectives, Scope, and Methodology

The objectives were to determine whether:

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

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

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

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

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

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

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

Detailed Results

Our audit disclosed the following:

Compliance with Competitive Contracting Requirements

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

Separate Project Fund

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

Accounting and Cash Management Procedures

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

Project Costs

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

Use of Local Agency Forces

No construction phase work was performed by local agency personnel.

Right-of-Way Acquisition

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

Project Completion

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