

**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



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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.

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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.

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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 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.

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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.