

**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**



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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.