



December 13, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit

Subject: Orange County Transportation Authority, Proposition 1B Bond Programs

Overview

The California Department of Finance has conducted an audit of Proposition 1B funds awarded to the Orange County Transportation Authority for Sand Canyon Grade Separation, Orangethorpe Avenue Grade Crossing, Tustin Avenue and Rose Drive Overcrossing, Kraemer Boulevard Undercrossing, Placentia Avenue Undercrossing, and Oso Parkway Widening. The audit report includes two observations related to the reporting of project benefits and timely submission of Final Delivery Reports.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (OCTA) was awarded a total of \$110.8 million in Proposition 1B Program funds for the Sand Canyon Grade Separation Project, Orangethorpe Avenue Grade Crossing, Tustin Avenue and Rose Drive Overcrossing, Kraemer Boulevard Undercrossing, Placentia Avenue Undercrossing, and Oso Parkway Widening project.

Under an agreement with the California Department of Transportation (Caltrans), the Department of Finance (DOF) performs audits to determine whether expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans program guidelines, and applicable state and federal regulations, whether outputs were consistent with the project scopes and

schedules, and whether outcomes were achieved and adequately reported in Final Delivery Reports (FDR's).

The audit was conducted on-site beginning in February 2017, and a final report was issued on October 27, 2017.

Discussion

The DOF concluded that expenditures were incurred and reimbursed in compliance with executed agreements, Caltrans guidelines, and applicable state and federal regulations; however, the DOF outlined two observations related to reporting of project benefits/outcomes and timeliness of FDR's.

First, the DOF reported that project benefits/outcomes outlined in the FDR's for two projects were not accurate. Follow-up with the DOF and Caltrans confirmed this conclusion to be misstated. Rather, DOF noted that the baseline agreements for two grade separation projects included specific estimates of emissions reductions developed by the Air Quality Management District (AQMD); however, FDR's only included general statements confirming that emissions were reduced. The DOF recommended that supplemental FDR's be submitted which reflect post-project emission metrics. Management disagreed and noted that guidelines do not require project sponsors to report specific metrics and explained that the regional model used to produce estimates changes over time and, therefore, would not be comparable to estimates derived several years prior. Management explained that project benefits are consistent with the baseline agreement and are self-evident because idling vehicles no longer wait for trains to pass. Further, the AQMD has consistently recognized the air quality benefits of grade separation projects. Internal Audit staff agrees with management's response and contacted Caltrans regarding the matter. Caltrans advised that a supplemental FDR with the existing assertions as to emissions reductions would be acceptable. OCTA staff have indicated that these FDR's will be resubmitted.

DOF also reported that FDR's for three projects were not submitted within six months of the projects becoming operable, as required. OCTA staff acknowledged the delay in submissions and agreed to file timely in the future.

Summary

The DOF has conducted an audit of Proposition 1B funds awarded to OCTA for the following projects: Sand Canyon Grade Separation, Orangethorpe Avenue Grade Crossing, Tustin Avenue and Rose Drive Overcrossing, Kraemer Boulevard Undercrossing, Placentia Avenue Undercrossing, and Oso Parkway Widening.

Attachment

- A. California Department of Finance Office of State Audits and Evaluations, Orange County Transportation Authority Proposition 1B Bond Programs Project Numbers 0000020636, 1213000168, 1200020231, 1200020282, 1200020248, and 1200020072

Prepared by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591