

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Comprehensive Transportation Funding Programs

City of Tustin Arterial Capacity Enhancements Program Warner Avenue Extension Project Project No. 13-TUST-ACE-3659

October 8, 2018



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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Warner Avenue Extension Project (Project) of the City of Tustin (City), Project Number 13-TUST-ACE-3659, 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 City met the required Project match.
- 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 Project was completed within the timeframe dictated by CTFP guidelines.
- The City established and maintained a separate cost center for the Project.
- The City 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. 13-TUST-ACE-3659. The Project was to extend Warner Avenue from Red Hill Avenue to Tustin Ranch Road. Costs incurred for the Project totaled \$9,650,063, of which \$5,400,000 was funded by the CTFP and \$4,250,063 was funded by the City and other sources. The Project began on June 4, 2013, and was completed on October 6, 2015.

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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, and the City met the required Project match, as applicable.
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 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 City to account for Project 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 from the general ledger and determined whether the City met the required Project match, as applicable. We tested a haphazard sample of fifteen expenditures, representing 74 percent of Project costs. For the expenditure 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.

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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 to OCLTA 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 in accordance with the 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 provided by the City evidencing that competitive contracting requirements were complied with.

Separate Project Fund

The City recorded costs of the Project in the CTFP Fund (Fund 139) and Community Facility District 06-1 Fund (Fund 434).

Accounting and Cash Management Procedures

The City 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 City incurred costs totaling \$9,650,063 for the Project. The Project funding consisted of CTFP funds of \$5,400,000, and \$4,250,063 from the City and other sources. We found that haphazardly sampled costs charged to the Project were reasonable, allocable, eligible, and adequately supported, and the required 40 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 June 4, 2013, and was completed on October 6, 2015, which is within the three-year timeframe dictated by CTFP guidelines. The final report was submitted to OCLTA on November 2, 2015, which is within 180 days after Project completion.