



**October 24, 2018**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Financial and Compliance Audits of Eight Measure M2  
Comprehensive Transportation Funding Programs Projects

### **Overview**

Audits have been completed of eight projects funded through the Measure M2 Comprehensive Transportation Funding Programs. Two recommendations were made to the City of Orange to improve compliance with procurement requirements and program guidelines.

### **Recommendations**

- A. Receive and file financial and compliance audits of eight Comprehensive Transportation Funding Programs projects.
- B. Direct staff to follow up with the City of Orange on the status of implementation of two recommendations.

### **Background**

Measure M2 includes a number of competitive grant programs that provide funding for regional streets and roads projects. These programs allocate funds through a competitive process and target projects that improve traffic flow by considering factors such as the degree of congestion relief, cost effectiveness, and project readiness, among other factors. The Comprehensive Transportation Funding Programs (CTFP) serves as the mechanism the Orange County Transportation Authority uses to administer transit, as well as local streets and roads, funding programs.

The Fiscal Year 2017-18 Internal Audit Plan included CTFP project audits. The Internal Audit Department (Internal Audit) conducted audits of eight projects closed during the period April 1, 2016 through March 31, 2018.

### ***Discussion***

#### **Selection of Projects**

Internal Audit obtained from the Planning Division a listing of all projects closed from April 1, 2016 through March 31, 2018. From this population, Internal Audit selected eight projects for audit.

Statistics for the population of projects closed and the sample selected for audit are as follows:

Total allocation amounts of projects in population:	\$ 71,275,037
Total allocation amounts of projects selected for audit:	21,762,967
Percentage selected for audit:	31%

The objectives of the audits were to determine whether the projects were completed in accordance with program guidelines, applications, and agreements; costs charged to the project were eligible, reasonable, and allocable; records and documentation were adequately maintained; jurisdictions complied with competitive contracting requirements; and adequate accounting and cash management procedures were employed.

#### **Auditor Findings and Recommendations**

The City of Orange (City) was provided \$136,00 in funding under the Safe Transit Stops Program for the construction and installation of seven bus shelters. The City procured the bus shelters from a vendor without competition and did not document their decision to utilize local agency forces to install the bus shelters, as required by program guidelines. Internal Audit recommended that, in the future, the City implement controls to ensure procurements fully comply with requirements and advise City staff of program guidelines requiring documentation of the decision to utilize local agency forces on these projects. The City agreed and indicated that improvements will be made to ensure documentation is maintained to evidence compliance with requirements. See Attachment A.

Audits of selected projects by the cities of Anaheim, Costa Mesa, Fullerton, Irvine, La Habra, and Tustin, and by the County of Orange were also performed.

No recommendations were made related to these audits. See Attachments B, C, D, E, F, G, and H.

***Summary***

Audits have been completed of eight projects funded through the CTFP. Internal Audit made two recommendations to the City of Orange.

***Attachments***

- A. Comprehensive Transportation Funding Programs, City of Orange, Safe Transit Stops Program, Orange Safe Transit Stop Improvements, Project, Project No. 14-ORNG-STS-3752
- B. Comprehensive Transportation Funding Programs, City of Anaheim, Arterial Capacity Enhancements Program, Brookhurst Street Widening, Project No. 11-ANAH-ACE-3502
- C. Comprehensive Transportation Funding Programs, City of Costa Mesa, Environmental Cleanup Program, Industrial Way Water Quality and Storm Drain Improvement Project, Project No. 13-CMSA-ECP-3675
- D. Comprehensive Transportation Funding Programs, City of Fullerton, Regional Traffic Signal Synchronization Program, Placentia Avenue Signal Synchronization, Project No. 12-FULL-TSP-3611
- E. Comprehensive Transportation Funding Programs, City of Irvine, Environmental Cleanup Program, Peters Canyon Wash Channel Water Capture and Reuse Pipeline Project, Project No. 13-IRVN-ECP-3677
- F. Comprehensive Transportation Funding Programs, City of La Habra, Intersection Capacity Enhancements Program, Whittier Boulevard and Beach Boulevard Intersection Improvements, Project No. 14-LHAB-ICE-3717
- G. Comprehensive Transportation Funding Programs, City of Tustin, Arterial Capacity Enhancements Program, Warner Avenue Extension Project, Project No. 13-TUST-ACE-3659
- H. Comprehensive Transportation Funding Programs, County of Orange, Arterial Capacity Enhancements Program, La Pata Phase I, Project No. 12-ORCO-ACE-3596

**Prepared by:**



Gabriel Tang  
Principal Internal Auditor, Internal Audit  
714-560-5746

**Approved by:**



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