



September 9, 2015

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Orange County Transportation Authority Audit Report,
State-Local Partnership Program

Overview

The California State Controller's Office has conducted an audit of Proposition 1B funds awarded to the Orange County Transportation Authority for the Laguna Niguel/Mission Viejo Metrolink parking lot expansion project. There were no findings resulting from the audit.

Recommendation

Receive and file as an information item.

Background

The Orange County Transportation Authority (OCTA) Laguna Niguel/Mission Viejo Metrolink parking lot expansion project was programmed and approved to receive \$695,000 in Proposition 1B bond funds under the State-Local Partnership Program.

Under an agreement with the California Department of Transportation, the State Controller's Office (SCO) performs post-award audits to determine whether implementing agencies' management control and financial systems are adequate to accumulate and segregate reasonable, allocable, and allowable costs to projects funded with Proposition 1B funds.

The audit was conducted on-site beginning on November 3, 2014, and a final report was issued on June 30, 2015.

Discussion

The SCO concluded that OCTA complied with applicable procurement requirements, that project costs incurred and reimbursed were in compliance with program guidelines, procedures, and agreements, and that project deliverables (outcomes) were consistent with the project scope, schedule, and benefits as described in baseline agreements.

Summary

The SCO has conducted an audit of Proposition 1B funds awarded to OCTA for the Laguna Niguel/Mission Viejo Metrolink parking lot expansion project. There were no findings resulting from the audit.

Attachment

- A. Orange County Transportation Authority Audit Report, State-Local Partnership Program, Proposition 1B Bond-Funded Project EA No. R315GA/P2535-0030

Prepared by:



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

**ORANGE COUNTY
TRANSPORTATION AUTHORITY**

Audit Report

**STATE-LOCAL PARTNERSHIP PROGRAM
PROPOSITION 1B BOND-FUNDED PROJECT
EA No. R315GA/P2535-0030**

September 1, 2007, through October 31, 2014



BETTY T. YEE
California State Controller

June 2015



BETTY T. YEE
California State Controller

June 30, 2015

Laurine Bohamera, Chief
Audits and Investigations
California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Ms. Bohamera:

The State Controller's Office (SCO) audited the Orange County Transportation Authority's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of September 1, 2007, through October 31, 2014.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225, and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond-funded project, Laguna Niguel/Mission Viejo Metrolink, and determined that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18, and/or California Public Contract Code sections 10140-10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Schedule 1 of this report is a summary of project costs programmed, approved, expended, and audited during the audit period.

Our audit did not disclose any findings.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey V. Brownfield". The signature is written in a cursive style with a large, prominent "J" and "B".

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Jan Goto, Audit Manager
Division of Audits – Bond Unit
State Controller's Office
Kaitlin Hiuga, Auditor-in-Charge
Division of Audits – Bond Unit
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the Orange County Transportation Authority's (implementing agency) financial management system relative to projects funded and reimbursed by Proposition 1B bond funds during the audit period of September 1, 2007, through October 31, 2014.

The SCO performed the audit in accordance with generally accepted government auditing standards and based on audit procedures performed, we determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by Title 2, *Code of Federal Regulations*, Part 225 (2 CFR 225), and California Department of Transportation (Caltrans) and Transportation Commission (Commission) program guidelines and agreements.

We audited the Proposition 1B bond-funded project Laguna Niguel/Mission Viejo Metrolink and determined that:

- The implementing agency complied with applicable federal and state procurement requirements as required by Title 49, *Code of Federal Regulations*, Part 18 (49 CFR 18), and/or California Public Contract Code sections 10140–10141.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

Our audit did not disclose any findings.

Background

In accordance with Caltrans and Commission-executed project agreement(s) or approved amendments, the project, Laguna Niguel/Mission Viejo Metrolink, was programmed and approved to receive \$695,000 in Proposition 1B bond funds, for one or more phases of work, under the State-Local Partnership program.

The implementing agency is responsible for implementation and successful completion of each project component and activities as defined in the project's agreements. The project's completion date was December 4, 2013.

This audit was performed by the SCO on behalf of Caltrans (Audit Request No. P2535-0030). The authority to conduct this audit is given by:

- Interagency Agreement No. 77A0027, dated December 1, 2007, between the SCO and Caltrans, which provides that the SCO will perform audits of project expenditures that were funded and reimbursed by the Proposition 1B Bond Fund to ensure compliance with Caltrans and Commission Proposition 1B program guidelines.
- Government Code section 12410, which states, “The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.”

Objectives, Scope, and Methodology

The SCO audited the implementing agency’s financial management system relative to projects funded and reimbursed by the Proposition 1B Bond Fund during the audit period of September 1, 2007, through October 31, 2014.

The objectives of our audit were to determine whether:

- The implementing agency’s accounting system and internal controls were adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines, procedures, project agreements, or approved amendments.
- The implementing agency complied with applicable federal and state procurement requirements as required by 49 CFR 18, California Public Contract Code sections 10140–10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

To achieve our audit objectives, we performed the following audit procedures:

- Reviewed the implementing agency’s prior audits and single audit reports;
- Reviewed the implementing agency’s written policies and procedures relating to accounting systems, construction project management, and contract management; and

- Interviewed employees, completed the internal control questionnaire, and performed a limited system walk-through in order to gain an understanding of the implementing agency's internal controls, accounting systems, timekeeping and payroll systems, and billing processes related to transportation projects; specifically, projects funded by Proposition 1B.

For the project under review, we performed the following audit procedures:

- Obtained project files and reviewed preliminary information to ensure that the implementing agency complied with applicable state and federal procurement requirements;
- Obtained project expenditure reports, selected a sample of activities that were funded by Proposition 1B, and obtained and reviewed supporting documentation to ensure that project expenditures were reasonable, allocable, and allowable in accordance with Caltrans and Commission program guidelines, procedures, agreements, and applicable state and federal requirements;
- Reviewed significant contract change orders to ensure that they were properly approved and supported;
- Reviewed project final reports, close-out documents, finance letters, and baseline agreements to ensure that variances or changes to the project's scope, schedule, costs, and benefits were properly approved and supported; and
- Reviewed the project payment history file and/or invoices sent to the Caltrans accounting office to ensure that the implementing agency properly prepared and/or billed Caltrans for reimbursement of project expenditures as required by Caltrans' local assistance procedures.

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.

We did not audit the implementing agency's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objectives.

Conclusion

We determined that the implementing agency's accounting system and internal controls appear adequate to accumulate and segregate reasonable, allocable, and allowable project costs as required by 2 CFR 225, and Caltrans and Commission program guidelines and agreements.

We audited the Proposition 1B bond-funded project, Laguna Niguel/Mission Viejo Metrolink, and determined that:

- The implementing agency complied with applicable federal and state procurement requirements required by 49 CFR 18, California Public Contract Code sections 10140–10141, and/or provisions stated in the contract.
- The project costs incurred and reimbursed were in compliance with required Caltrans and Commission program guidelines, procedures, agreements, or approved amendments; contract provisions; and/or applicable state and federal laws and regulations.
- The project deliverables (outputs) and outcomes were consistent with the project scope, schedule, and benefits described in the executed project baseline agreements or approved amendments thereof.

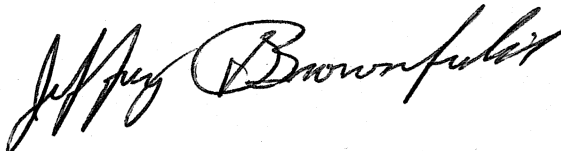
Our audit did not disclose any findings.

**Views of
Responsible
Officials**

We discussed our audit results with Orange County Transportation Authority's (OCTA) representative during an exit conference conducted on May 20, 2015. Janet Sutter, OCTA Executive Director, Internal Audits, agreed with the audit results. Ms. Sutter declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Orange County Transportation Authority, Caltrans, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 30, 2015

**Schedule 1—
Summary of Project Costs
Approved, Expended, and Audited
September 1, 2007, through October 30, 2014**

Project No./EA No.: Project ID No. 1213000020
EA No. R315GA

Project Information: OCTA: Laguna Niguel/Misson Viejo Metrolink

Project Financial Information:

<u>Phases Reimbursed by Proposition 1B Bond Fund</u>	<u>Programmed and Approved</u>	<u>Expended</u>	<u>Audited</u>
Construction Engineering	\$ 44,000	\$ 44,000	\$ 44,000
Construction	651,000	651,000	651,000
Total	<u>\$ 695,000</u>	<u>\$ 695,000</u>	<u>\$ 695,000</u>

Project Delivery Baseline:

<u>Project Phase(s):</u>	<u>Baseline</u>	<u>Approved</u>	<u>Actual</u>
Beginning construction	12/27/12	12/27/12	04/30/13
End construction	04/17/13	04/17/13	10/28/13
Beginning closeout	04/17/13	04/17/13	10/28/13
End closeout	06/17/13	06/17/13	04/01/14