



December 10, 2014

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Financial and Compliance Audits of Ten Measure M Competitive Funding Program Projects

Overview

Audits have been completed of eight projects funded through the Measure M Combined Transportation Funding Program and two projects funded through the Measure M2 Comprehensive Transportation Funding Program. The audits were performed by external audit firm BCA Watson Rice LLP.

For three Measure M projects, the auditors found that final reports were not submitted within 180 days of project completion, as required by program guidelines. The auditors recommended, for future projects, that final reports be submitted timely.

Recommendation

Receive and file financial and compliance audits of eight Measure M Combined Transportation Funding Program projects and two Measure M2 Comprehensive Transportation Funding Program projects.

Background

Measure M (M1) and Measure M2 (M2) allocate revenues for local and regional streets and roads projects. The M1 Combined Transportation Funding Programs (M1 CTFP) and M2 Comprehensive Transportation Funding Program (M2 CTFP) are the mechanisms the Orange County Transportation Authority uses to administer funding for street and road projects throughout the County.

The Fiscal Year 2013-14 Internal Audit Plan included M1 CTFP and M2 CTFP project audits. The Internal Audit Department (Internal Audit) engaged external

audit firm BCA Watson Rice LLP (BCA) to conduct audits of ten projects closed during the period July 1, 2012 through March 31, 2014.

Discussion

Selection of Projects

Internal Audit obtained from the Planning Division a listing of all projects closed from July 1, 2012 through March 31, 2014. From this population, Internal Audit selected ten projects for audit.

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

Total final payments of projects in population:	\$ 88,293,924
Total final payments of projects selected for audit:	27,343,542
Percentage selected for audit:	31%

Audit Results for M1 Projects

Auditors found that costs charged to the project were reasonable, allocable and adequately supported, records and documentation were adequately maintained, jurisdictions complied with competitive contracting requirements, and adequate accounting and cash management procedures were employed. With regard to completion of projects within program guidelines, auditors found that the cities of Buena Park, Garden Grove, and Orange did not submit final reports within 180 days of the project completion date, as required by the program guidelines. The cities responded that, in the future, final reports will be submitted timely (Attachments A, B, and C).

Audit Results for M2 Projects

The auditors found that projects were completed in accordance with program guidelines and agreements, costs charged to the project were reasonable, allocable and adequately supported, records and documentation were adequately maintained, jurisdictions complied with competitive contracting requirements, and adequate accounting and cash management procedures were employed.

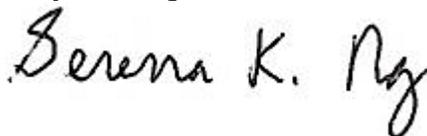
Summary

Audits have been completed of eight projects funded through the M1 CTFP and two projects funded through the M2 CTFP. External auditor BCA recommended that final reports be submitted within 180 days of project completion as required by program guidelines.

Attachments

- A. Combined Transportation Funding Program Financial and Compliance Audit, City of Buena Park, Beach Boulevard/SR-91 Eastbound Ramps Widening Project (Construction), Project No. 05-BPRK-RIP-2656
- B. Combined Transportation Funding Program Financial and Compliance Audit, City of Garden Grove, Fairview Street/Trask Avenue Intersection Improvements Project (Construction), Project No. 03-GGRV-IIP-1104
- C. Combined Transportation Funding Program, Financial and Compliance Audit, City of Orange, East Chapman Traffic Signal Coordination Project (Construction), Project No. 05-ORNG-GMA-2566
- D. Combined Transportation Funding Program Financial and Compliance Audit, City of Anaheim, Katella Avenue (Humor to Jean) Project (Engineering and Construction), Project No. 03-ANAH-MPH-2004
- E. Combined Transportation Funding Program Financial and Compliance Audit, City of Fullerton, Malvern Avenue Signal Improvement Project (Construction), Project No. 05-FULL-SIP-2535
- F. Combined Transportation Funding Program, Financial and Compliance Audit, City of La Habra, Imperial Highway (LAC to SAC)/Imperial Highway Smart Street Project (Engineering, Right-of-Way, and Construction), Project No. 05-LHAB-MPH-2608
- G. Combined Transportation Funding Program Financial and Compliance Audit, City of Laguna Woods, Santa Maria Multi-Modal Project (Engineering and Construction), Project No. 08-LWDS-TDM-3039
- H. Combined Transportation Funding Program Financial and Compliance Audit, County of Orange, Laguna Canyon Road Project (Construction), Project No. 99-ORCO-MPAH-1048
- I. Comprehensive Transportation Funding Program Financial and Compliance Audit, City of Aliso Viejo, Storm Water Litter Control Phase II Project (Implementation), Project No. 12-ALSO-ECP-3603
- J. Comprehensive Transportation Funding Program Financial and Compliance Audit, City of Mission Viejo, Oso Parkway Widening: Interstate 5 to Country Club Drive Project (Right-of-Way), Project No. 11-MVJO-ACE-3537

Prepared by:



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Approved by:



Janet Sutter
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714-560-5591

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**City of Buena Park
Beach Boulevard/SR-91 Eastbound Ramps Widening Project
(Construction)
Project No. 05-BPRK-RIP-2656**

Submitted by

BCA Watson Rice LLP

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Beach Boulevard/SR-91 Eastbound Ramps Widening Project (the Project) of the City of Buena Park (the City), Project Number 05-BPRK-RIP-2656 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- The City established and maintained a separate cost center for the project.
- The City did not submit the Final Report to OCLTA within 180 days of the project completion date and did not include a revised cost estimate, as required by CTFP guidelines.

BACKGROUND

The Orange County Local Transportation Authority funded \$424,617 under Project No. 05-BPRK-RIP-2656 to the City under the Regional Interchange Program. The project was to widen the SR-91 eastbound on-ramp to a two-lane metered ramp to improve the mobility along the Beach Boulevard corridor. The costs incurred for the project totaled \$1,258,892 of which \$550,972 was funded by the CTFP (\$424,617 under Project No. 05-BPRK-RIP-2656 and \$126,355 under Project No. 08-BPRK-GMA-3050) and \$707,920 was funded by the City. The project began on June 17, 2008 and was completed on June 26, 2012 (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of Buena Park incurred costs totaling \$1,258,892 for the project, of which \$732,124 was for the construction phase of the project and \$526,768 was for all other phases (design, engineering, testing, and inspection) of the project. Of the \$732,124 total construction costs, \$723,984 was for construction work performed by Hill Crest Contractor, \$2,600 was for construction work performed by Pilgrime Fence Company, and \$5,540 was for construction work performed by Cross Town Electric. The project funding consisted of CTFP funds from OCLTA totaling \$550,972 (\$424,617 under Project No. 05-BPRK-RIP-2656 and \$126,355 under Project No. 08-BPRK-GMA-3050) and \$707,920 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the City Engineer.

Project Completion and Final Report

The project was completed on June 26, 2012 and the final report was submitted to OCLTA by the City on July 13, 2013, which is 382 days after the project completion date and over five years from the date in which the funds were originally programmed. OCLTA's CTFP guidelines require that the City submit a final report to OCLTA within 180 days after the acceptance of the improvements, study, or project (i.e., Notice of Completion) by the City Council or within three years from the date in which the funds were originally programmed.

Recommendation

We recommend for future projects, the City submit Final Reports to OCLTA within 180 days after the project has been completed, as required by CTFP guidelines.

City's Response

Moving forward with future CTFP projects, the City will submit Final Report within 180 days as stated in the CTFP guideline.

Separate Project Fund

The City recorded costs of the project in the State Gas Tax Fund (24). The City tracked the project by using a separate cost center (590068) within the State Gas Tax Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Buena Park and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
July 22, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF PROJECT COSTS

Cooperative No.: C-95-967
Agency: City of Buena Park
Project Title: Beach Boulevard/SR-91 Eastbound Ramps Widening Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs² Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
05-BPRK-RIP-2656	\$ 424,617	\$ 629,446	\$ 1,054,063	\$ 1,258,892	\$ -	\$ -

¹ A matching requirement of 50% of total project costs was required and met by the City.

² The costs include costs incurred on this project and Project No. 08-BPRK-GMA-3050.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**City of Garden Grove
Fairview Street/Trask Avenue Intersection Improvements Project
(Construction)
Project No. 03-GGRV-IIP-1104**

Submitted by

BCA Watson Rice LLP

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Fairview Street/Trask Avenue Intersection Improvements Project (the Project) of the City of Garden Grove (the City), Project Number 03-GGRV-IIP-1104 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- The City established and maintained a separate cost center for the project.
- The City did not submit the Final Report to OCLTA within 180 days of the project completion date as required by CTFP guidelines.

BACKGROUND

The Orange County Local Transportation Authority funded \$445,640 under Project No. 03-GGRV-IIP-1104 to the City under the Intersection Improvement Program. The project was to widen the westerly side of Fairview Street to add a southbound through lane and a southbound right turn lane at its intersection with Trask Avenue to enhance traffic flow at the intersection. The costs incurred for the project totaled \$2,630,775 of which \$1,381,289 was funded by the CTFP (\$445,640 under Project No. 03-GGRV-IIP-1104 for Construction and \$935,649 under Project No. 03-GGRV-IIP-1104 for Right of Way) and \$1,249,486 was funded by the City. The project began on June 8, 2010 and was completed on August 23, 2011 (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of Garden Grove incurred costs totaling \$2,630,775 for the project, of which \$698,749 was for the construction phase of the project and \$1,932,026 was for the right-of-way phase of the project. Of the \$698,749 total construction costs, \$553,590 was for construction work performed by RJ Noble Company, \$40,692 was for professional consultant costs for surveying, soil testing/geotechnical, and inspecting, and \$104,467 was for engineering and administrative labor costs incurred by the City. The project funding consisted of CTFP funds from OCLTA of \$1,381,289 (\$445,640 under Project No. 03-GGRV-IIP-1104 Construction and \$935,649 under Project No. 03-GGRV-IIP-1104 Right-of-Way) and \$1,249,486 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the City Engineer.

Project Completion and Final Report

The project was completed on August 23, 2011 and the final report was submitted to OCLTA by the City on September 21, 2012, which is 364 days after the project completion date. OCLTA's CTFP guidelines require that the City submit a final report to OCLTA within 180 days after the acceptance of the improvements, study, or project (i.e., Notice of Completion) by the City Council or within three years from the date in which the funds were originally programmed.

Recommendation

We recommend for future projects, the City submit Final Reports to OCLTA within 180 days after the project has been completed as required by CTFP guidelines.

City's Resp on se

We acknowledge that the project in question was submitted for final reporting beyond the CTFP 180-day completion deadline and therefore was considered late.

For current and future projects, we will make our best effort to submit Final Reports to OCLTA within 180 days after the project has been completed as required by CTFP guidelines.

Separate Project Fund

The City recorded costs of the project in the Measure M Regional CTFP Fund. The City tracked the project by using a separate cost center (7255) within the Measure M Regional CTFP Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Garden Grove and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
August 6, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF PROJECT COSTS

Cooperative No.: C-95-974
Agency: City of Garden Grove
Project Title: Fairview Street/Trask Avenue Intersection Improvements Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs² Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
03-GGRV-IIP-1104	\$ 445,640	\$ 789,232	\$ 1,234,872	\$ 2,630,775	\$ -	\$ -

¹ A matching requirement of 30% of total project costs was required and met by the City.

² Costs incurred on this project include costs of both construction and right-of-way phases.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**City of Orange
East Chapman Traffic Signal Coordination Project
(Construction)
Project No. 05-ORNG-GMA-2566**

Submitted by

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the East Chapman Traffic Signal Coordination Project (the Project) of the City of Orange (the City), Project Number 05-ORNG-GMA-2566 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- The City established and maintained a separate cost center for the project.
- The City did not submit the Final Report to OCLTA within 180 days of the project completion date, as required by CTFP guidelines.

BACKGROUND

The Orange County Local Transportation Authority funded \$358,947 under Project No. 05-ORNG-GMA-2566 to the City under the Growth Management Areas Program. The project was part of the implementation of the City's Traffic Signal Network to improve operation of traffic signals and enhance traffic flow. The total costs incurred for the project totaled \$648,360 of which \$613,054 was funded by the CTFP (\$358,947 under Project No. 05-ORNG-GMA-2566, \$203,619 under Project No. 05-ORNG-SIP-2023, \$20,000 under Project No. 05-ORNG-GMA-2725, and \$30,488 under Project No. 08-ORNG-GMA-3014) and \$35,306 was funded by the City. The project began on September 26, 2009 and was completed on April 24, 2012. (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of Orange incurred costs totaling \$648,360 for the project, of which \$93,589 was for the design phase of the project and \$554,771 was for the construction phase of the project. Of the \$554,771 total construction costs, \$381,471 was for construction work performed by Pro Tech Engineering Corporation, \$120,096 was for direct material costs related to the construction, and \$53,205 was for administrative labor costs incurred by the City. The project funding consisted of CTFP funds from OCLTA of \$613,054 (\$358,947 under Project No. 05-ORNG-GMA-2566, \$203,619 under Project No. 05-ORNG-SIP-2023, \$20,000 under Project No. 05-ORNG-GMA-2725, and \$30,488 under Project No. 08-ORNG-GMA-3014) and \$35,306 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the City Engineer.

Project Completion

The project was completed on April 24, 2012 and the final report was submitted to OCLTA by the City on September 16, 2013, which is over 180 days after the project completion date. OCLTA's CTFP guidelines require that the City submit a final report to OCLTA within 180 days after the acceptance of the improvements, study, or project (i.e., Notice of Completion) by the City Council or within three years from the date in which the funds were originally programmed.

Recommendation

We recommend for future projects, the City submit Final Reports to OCLTA within 180 days after the project has been completed as required by CTFP guidelines.

City's Response

The City of Orange acknowledges and will comply with OCTA's CTFP guidelines regarding the timely submittal of Final Reports within 180 days of project acceptance.

Separate Project Fund

The City recorded costs of the project in the Reimbursable Capital Projects Fund (550). The City tracked the project by using a separate cost center (16031) within the Reimbursable Capital Projects Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Orange and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
July 17, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF AUDIT RESULTS

Cooperative No.: C-95-986
Agency: City of Orange
Project Title: East Chapman Traffic Signal Coordination Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
05-ORNG-GMA-2566	\$ 358,947	\$ -	\$ 358,947	\$ 648,360 ²	\$ -	\$ -

¹ There was no minimum matching requirement.

² The costs include costs incurred on this project, Project No. 05-ORNG-SIP-2023, Project No. 05-ORNG-GMA-2725, and Project No. 08-ORNG-GMA-3014.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**City of Anaheim
Katella Avenue (Humor to Jean) Project
(Engineering and Construction) Project
No. 03-ANAH-MPH-2004**

Submitted by

BCA Watson Rice LLP

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Katella Avenue (Humor to Jean) Project (the Project) of the City of Anaheim (the City), Project Number 03-ANAH-MPH-2004 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- 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

The Orange County Local Transportation Authority funded \$6,626,604 (\$1,132,054 for engineering and \$5,494,550 for construction) under Project No. 03-ANAH-MPH-2004 to the City under the Master Plan of Arterial Highways Program. The project was to widen Brookhurst Street Intersection to Nutwood Street. The costs incurred for the project totaled \$9,287,197 (\$1,614,493 for engineering and \$7,672,704 for construction) of which \$6,626,604 (\$1,132,054 for engineering and \$5,494,550 for construction) was funded by the CTFP under Project No. 03-ANAH-MPH-2004 and \$2,660,593 was funded by the City. The project began on March 3, 2010 and was completed on November 10, 2011 (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of Anaheim incurred costs totaling \$9,287,197 for the project, of which \$1,614,493 was for the engineering phase of the project and \$7,672,704 was for the construction phase of the project. The project funding consisted of CTFP funds from OCLTA of \$6,626,603 (\$1,132,054 for engineering and \$5,494,550 for construction under Project No. 03-ANAH-MPH-2004 and \$2,660,593 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the Project Manager.

Project Completion and Final Report

The project was completed on November 10, 2011. The Notice of Completion was accepted on March 7, 2012, and the City submitted the final report to OCLTA on July 27, 2012, which is within 180 days after the acceptance of the improvements, study, or project (i.e., Notice of Completion) by the City Council.

Separate Project Fund

The City recorded costs of the project in the Reimbursable Competitive Projects Fund (277). The City tracked the project by using a separate cost unit (K843) within the Reimbursable Competitive Projects Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Anaheim and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
August 6, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF PROJECT COSTS

Cooperative No.: C-95-965
Agency: City of Anaheim
Project Title: Katella Avenue (Humor to Jean) Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs² Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
03-ANAH-MPH-2004	\$ 6,626,604	\$ -	\$ 6,626,604	\$ 9,287,197	\$ -	\$ -

¹ There was no matching requirement.

² Costs incurred include both engineering and construction phases.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**City of Fullerton
Malvern Avenue Signal Improvement Project
(Construction)
Project No. 05-FULL-SIP-2535**

Submitted by

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Malvern Avenue Signal Improvement Project (the Project) of the City of Fullerton (the City), Project Number 05-FULL-SIP-2535 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- 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

The Orange County Local Transportation Authority funded \$201,675 to the City under the Signal Improvement Program. The project was part of the Malvern/Chapman Avenue coordination and signal improvement program, which consisted of installing new controllers and implementation of new signal timing and coordination patterns to mitigate congestion and changing traffic patterns at the intersection from Malvern/Chapman to Euclid Street. The total costs incurred for the project totaled \$275,435 of which \$201,675 was funded by the CTFP under Project No. 05-FULL-SIP-2535, and \$73,760 was funded by the City. The project began on October 18, 2010 and was completed on February 14, 2012. (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of Fullerton incurred costs totaling \$275,435 for the project, of which \$252,993 was for construction and \$22,442 was for administrative labor costs incurred by the City. The project funding consisted of CTFP funds from OCLTA of \$201,675 under Project No. 05-FULL-SIP-2535 and \$73,760 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the City Engineer.

Project Completion

The project was completed on February 14, 2012 and the final report was submitted to OCLTA by the City on June 7, 2012, which is within 180 days after the project completion date.

Separate Project Fund

The City recorded costs of the project in the Capital Improvement Fund (74). The City tracked the project by using a separate cost center (46001) within the Capital Improvement Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Fullerton and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
August 18, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF AUDIT RESULTS

Cooperative No.: C-95-973
Agency: City of Fullerton
Project Title: Malvern Avenue Signal Improvement Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
05-FULL-SIP-2535	\$ 201,674	\$ 55,087	\$ 256,761	\$ 275,435	\$ -	\$ -

¹ A matching requirement of 20% of total project costs was required and met by the City.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**City of La Habra
Imperial Highway (LAC to SAC) / Imperial Highway Smart Street Project
(Engineering, Right-of-Way, and Construction)
Project No. 05-LHAB-MPH-2608**

Submitted by

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Imperial Highway (LAC to SAC) / Imperial Highway Smart Street (LA County to Rose) Project (the Project) of the City of La Habra (the City), Project Number 05-LHAB-MPH-2608 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- 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

The Orange County Local Transportation Authority funded \$6,545,128 under Project No. 05-LHAB-MPH-2608 to the City under the Master Plan of Arterial Highways Program. The project was to widen Imperial Highway at major intersections between the LA County line in La Habra to Rose Drive in Placentia. Total costs incurred for the project totaled \$17,088,442, of which \$2,110,508 was for engineering, \$2,764,599 was for right-of-way, and \$12,213,335 was for construction. The project funding consisted of CTFP funds from OCLTA of \$13,669,695 (\$6,545,128 under Project 05-LHAB-MPAH-2608 and \$7,124,567 under Project 97-LHAB-SSP 2012) and \$3,418,747 from the City's other funds. The project began on September 22, 2009 and was completed on July 5, 2011 (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of La Habra incurred costs totaling \$17,088,442 for the project, of which \$2,110,508 was for the engineering phase, \$2,764,599 was for the right-of-way phase, and \$12,213,335 was for the construction phase. The project funding consisted of CTFP funds from OCLTA of \$13,669,695 (\$6,545,128 under Project 05-LHAB-MPAH-2608 and \$7,124,567 under Project 97-LHAB-SSP 2012) and \$3,418,747 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City's accounting system crashed in 2012, which resulted in accounting records (i.e. General Ledger and Trial Balances) from 2007 through 2012 not being available to audit. However, the City was able to provide all invoices submitted to OCLTA, timekeeping reports for labor costs, and all contractor/consultant invoices with supporting documents on the project, and final cost reports submitted to OCLTA. Our audit was performed based on these documents, and we found that the City established adequate controls to ensure that project funds were used only for approved project costs. In addition, all costs charged to the project were reviewed and approved by the City Senior Civil Engineer.

Project Completion and Final Report

The project was completed on July 5, 2011 and the final report was submitted to OCLTA by the City on December 19, 2011, which is within 180 days after the acceptance of the improvements, study, or project (i.e., Notice of Completion) by the City Council.

Separate Project Fund

The City recorded costs of the project in the Measure M Fund. The City tracked the project by using a separate cost center (152531) within the Measure M Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of La Habra and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
October 10, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF PROJECT COSTS

Cooperative No.: C-95-980
Agency: City of La Habra
Project Title: Imperial Highway (LAC to SAC) / Imperial Highway Smart Street (LA County to Rose Drive) Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs² Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
05-LHAB-MPH-2608	\$ 6,545,128	\$ -	\$ 6,545,128	\$ 17,088,442	\$ -	\$ -

¹ There was no matching requirement.

² The costs include costs of engineering, right-of-way, and construction phases on this project and Project No. 97-LHAB-SSP-2012.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**City of Laguna Woods
Santa Maria Multi-Modal Project
(Engineering and Construction)
Project No. 08-LWDS-TDM-3039**

Submitted by

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Santa Maria Multi-Modal Project (the Project) of the City of Laguna Woods (the City), Project Number 08-LWDS-TDM-3039 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- 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

The Orange County Local Transportation Authority funded \$492,145 (\$90,000 for Engineering and \$402,145 for Construction) under Project No. 08-LWDS-TDM-3039 to the City under the Transportation Demand Program. The project was part of the construction of a Multi-Modal Trail to Santa Maria Avenue which will reduce the number of vehicle miles traveled by providing a protected travel way for bicycles, Segway Personal Transporter and golf carts and other non-motor vehicular means of transportation in lieu of the automobile. The total costs incurred for the project totaled \$792,777 of which \$492,145 was funded by the CTFP under Project No. 08-LWDS-TDM-3039 and \$300,632 was funded by the City. The project began on December 19, 2007 and was completed on January 5, 2012. (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of Laguna Woods incurred costs totaling \$792,777 for the project, of which \$116,786 was for the engineering phase of the project and \$675,991 was for the construction phase of the project. The project funding consisted of CTFP funds from OCLTA of \$492,145 (\$402,145 for Construction and \$90,000 for Engineering) under Project No. 08-LWDS-TDM-3039 and \$300,632 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the City Engineer for costs up to \$10,000 and approved by the City Manager for costs over \$10,000.

Project Completion

The project was completed on January 5, 2012 and the final report was submitted to OCLTA by the City on May 4, 2012, which is within 180 days after the project completion date.

Separate Project Fund

The City recorded costs of the project in the Measure M1 Fund (110). The City tracked the project by using a separate cost center (6100 for Construction and 6102 for Engineering) within the Measure M1 Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Laguna Woods and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
July 31, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF AUDIT RESULTS

Cooperative No.: C-0-0936
Agency: City of Laguna Woods
Project Title: Santa Maria Multi-Modal Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
08-LWDS-TDM-3039	\$ 492,145	\$ 132,077	\$ 624,222	\$ 792,777 ²	\$ -	\$ -

¹ There was no minimum matching requirement per CTFP Guidelines; however, the City proposed 16.66% match on their approved application, and the match was met by the City.

² Costs incurred on this project include costs of both construction and engineering phases.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Combined Transportation Funding Program
Financial and Compliance Audit**

**County of Orange Laguna
Canyon Road Project
(Construction)
Project No. 99-ORCO-MPAH-1048**

Submitted by

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**COMBINED TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Laguna Canyon Road Project (the Project) of the County of Orange (the County), Project Number 99-ORCO-MPAH-1048 awarded by the Orange County Local Transportation Authority (OCLTA) under the Combined Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 2) the County complied with competitive contracting requirements, 3) the County'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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- The Laguna Canyon Road Project was undertaken jointly with the California Department of Transportation (Caltrans) under a signed cooperative agreement dated July 16, 2002.
- Costs reimbursed by the County to Caltrans for costs incurred for the project were reasonable, allocable, and adequately supported.
- Caltrans was the lead implementing agency for this project and was responsible for the selection of contracts under this project.
- The County'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 in accordance with the CTFP agreement.
- The County established and maintained a separate object code for the project.
- The County notified OCLTA of delays in the submission of the Final Report as required by CTFP guidelines.

BACKGROUND

The Orange County Local Transportation Authority funded \$3,945,296 under Project No. 99-ORCO-MPAH-1048, County of Orange's Laguna Canyon Road Project to the County under the Master Plan of Arterial Highways Program. The project was for the roadway widening and realignment of the Laguna Canyon Road, from El Toro Road to I-405. This project was a joint undertaking with Caltrans, the lead implementing agency of the project. The project completion costs totaled \$28,180,683, of which \$3,945,296 was funded by the CTFP; \$10,769,414 (construction cost of \$8,839,200 and supportive expenditures of \$1,930,214) was funded by the County, and \$13,465,973 was funded by Caltrans. The project began on December 17, 2002 and was completed on May 2, 2008 (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the County to account for Measure M revenues and expenditures.
4. We reviewed project records to determine whether proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

Caltrans as the lead implementing agency of the project, incurred total construction costs of \$28,180,683 for the work performed by the selected construction company, Sema Construction, Inc. Of this amount, \$12,784,495 was billed by Caltrans to the County as the County's share of the total project costs. The County paid Caltrans' invoices from its Road Fund. The County billed OCLTA \$3,945,296 through the approved CTFP Project No. 99-ORCO-MPAH-1048 funding. We found that all costs billed by Caltrans to the County were reasonable, allocable, adequately supported and in accordance with the cooperative agreement between Caltrans and the County. (See Attachment A for detailed results).

Compliance with Competitive Contracting Requirements

The County, through Caltrans, provided documentation showing that it had complied with State laws regarding competitive contracting requirements.

Accounting and Cash Management Procedures

The County established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project as billed by CalTrans were reviewed and approved by the County Engineer.

Project Completion and Final Report

The project was completed on May 2, 2008 and the County submitted a final report to OCLTA on October 5, 2011, which is 1,255 days after the project completion date. OCLTA's 1999 CTFP guidelines require submission of the Final Report within 120 days of project acceptance or that the County notify OCLTA if the 120-day limit cannot be met so that a Final Report can be submitted at a later date. The County notified OCTA five times during September 2008, October 2009, April 2010, September 2010 and January 2011. Since the County notified OCLTA of the delay, the County has met the final reporting requirement.

Separate Project Fund

The County recorded costs of the project in the Road Fund (115). The County tracked the project by using a separate cost center (ER08943) within the Road Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the County of Orange and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
August 12, 2014

ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
 COMBINED TRANSPORTATION FUNDING PROGRAM

SCHEDULE OF PROJECT COSTS

Cooperative No.: C-95-969
Agency: County of Orange
Project Title: Laguna Canyon Road Project (From El Toro Road to I-405)
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs² Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
99-ORCO-MPAH-1048	\$ 3,945,296	\$ 1,972,648	\$ 5,917,944	\$ 28,180,683	\$ -	\$ -

¹ A matching requirement of 50% of CTFP funding was required and met by the County.

² The costs include costs incurred on this project, Project No. 97-ORCO-GMA-1050, Project No. 97-ORCO-GMA-1051, and Project No. 97-ORCO-GMA-1052.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Comprehensive Transportation Funding Program
Financial and Compliance Audit**

**City of Aliso Viejo
Storm Water Litter Control Phase II Project
(Implementation)
Project No. 12-ALSO-ECP-3603**

Submitted by

BCA Watson Rice LLP

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**COMPREHENSIVE TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Storm Water Litter Control Phase II Project (the Project) of the City of Aliso Viejo (the City), Project Number 12-ALSO-ECP-3603 awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- 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

The Orange County Local Transportation Authority funded \$97,769 under Project No. 12-ALSO-ECP-3603 to the City under the Environment Cleanup Program. The project was installation of Bio Clean High Capacity Filter Inserts on a total of 48 storm drain catch basins located on public streets within the City of Aliso Viejo to collect litter and debris prior to it entering the storm drain system. The costs incurred for the project as of the review date totaled \$102,665 of which \$97,769 was funded by the CTFP under Project No. 12-ALSO-ECP-3603 and \$4,896 was funded by the City. The project began on December 2012 and was completed on March 26, 2013 (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

As of the review date, the City of Aliso Viejo had incurred costs totaling \$102,665 for the project. Of the \$102,665 total implementation costs, \$97,769 was for implementation work performed by Bio Clean Environmental Services, Inc. and \$4,896 was for maintenance work performed by PV Maintenance, Inc. The project funding consisted of CTFP funds from OCLTA totaling \$97,769 under Project No. 12-ALSO-ECP-3603 and \$4,896 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

The total estimated project cost proposed by the City was \$130,454, which is made up of \$97,770 from CTFP funds and \$32,684 from City match funds. The lifespan of the project is approximately ten years. The cost of installation of Bio Clean High Capacity Filter Inserts on a total of 48 storm drain catch basins located on public streets within the City of Aliso Viejo was \$97,770, which was completed during FY 2012-13. The cost of inspection and maintenance of the basins is estimated to be \$32,684 over the lifespan of 10 years and will be paid from City match funds.

Compliance with Competitive Contracting Requirements

We reviewed documentation provided by the City evidencing that competitive contracting requirements were complied with.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the City Engineer.

Project Completion and Final Report

The project was completed on March 26, 2013 and the final report was submitted to OCLTA by the City on April 25, 2013, which is within 180 days after the project completion date.

Separate Project Fund

The City recorded costs of the project in the Measure M Fund (204). The City tracked the project by using a separate project number (086) within the Measure M Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Aliso Viejo and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
August 19, 2014

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
COMPREHENSIVE TRANSPORTATION FUNDING PROGRAM**

SCHEDULE OF PROJECT COSTS

Cooperative No.: C-1-2753
Agency: City of Aliso Viejo
Project Title: Storm Water Litter Control Phase II Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs² Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
12-ALSO-ECP-3603	\$ 97,769	\$ 3,268	\$ 101,037	\$ 102,665	\$ -	\$ -

¹ A matching requirement of 25% of total project costs is required. For ongoing operations and maintenance of the project, a maximum of 10 years can be pledged as a match. The match proposed by the City was \$32,684 or \$3,268 per year for 10 years. The City met the matching requirement for FY 2013-2014.

² The costs incurred included costs for the implementation phase and maintenance for FY 2013-2014.

***ORANGE COUNTY LOCAL
TRANSPORTATION AUTHORITY***

**Comprehensive Transportation Funding Program
Financial and Compliance Audit**

**City of Mission Viejo
Oso Parkway Widening: Interstate 5 to Country Club Drive Project
(Right-of-Way)
Project No. 11-MVJO-ACE-3537**

Submitted by

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**COMPREHENSIVE TRANSPORTATION FUNDING PROGRAM
FINANCIAL AND COMPLIANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL AND COMPLIANCE AUDIT

Board of Directors
Orange County Local Transportation Authority
Orange, California

We have completed our financial and compliance audit of the Oso Parkway Widening: Interstate 5 to Country Club Drive Project (the Project) of the City of Mission Viejo (the City), Project Number 11-MVJO-ACE-3537 awarded by the Orange County Local Transportation Authority (OCLTA) under the Comprehensive Transportation Funding Program (CTFP). The objectives of this audit were to determine whether 1) costs charged to the project were reasonable and allocable, 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 in accordance with the CTFP agreement, and 5) all records and documentation related to the project were adequately maintained.

We conducted our 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.

RESULTS IN BRIEF

We found that:

- Costs charged to the project were reasonable, allocable, and adequately supported.
- The City has a competitive procurement procedure in place for the selection of contractors, and adhered to this procedure 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 in accordance with the CTFP agreement.
- 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

The Orange County Local Transportation Authority funded \$1,269,428 under Project No. 11-MVJO-ACE-3537 to the City under the Arterial Capacity Enhancement Program. The project included the acquisition of a required right-of-way and easements to facilitate the widening of Oso Parkway from Interstate 5 to Country Club Drive. The costs incurred for the project totaled \$1,692,571 of which \$1,269,428 was funded by the CTFP under Project No. 11-MVJO-ACE-3537 and \$423,143 was funded by the City. The project began on January 2009 and was completed on March 25, 2013 (See Attachment A for detailed results).

PROCEDURES PERFORMED

We performed 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 identify contract provisions, verify evidence of competitive bid procedures, reviewed contractor invoices, payments, and change order documents, and to identify the date of contract completion.
3. We identified fund accounting procedures used by the City to account for Measure M revenues and expenditures.
4. We reviewed project records to determine that proper accounting and cash management procedures were followed.
5. We obtained a detail listing of the project's expenditures and judgmentally selected a sample for review. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved budget and in accordance with the contract and/or CTFP requirements.
6. For work performed by local agency personnel, we reviewed documents to determine if the decision that local agency personnel could perform the work most cost effectively or more timely than a contractor was documented in accordance with CTFP guidelines.
7. We reviewed project expenditures to determine that the project was completed in accordance with the CTFP application.

DETAILED RESULTS

Our audit disclosed the following:

Project Costs and Contractor Documentation

The City of Mission Viejo incurred costs totaling \$1,692,571 for the project. The project funding consisted of CTFP funds from OCLTA totaling \$1,269,428 under Project No. 11-MVJO-ACE-3537 and \$423,143 from the City's other funds. We found that all costs charged to the project were reasonable, allocable, and adequately supported.

Compliance with Competitive Contracting Requirements

The project funds were used primarily for the acquisition of required right-of-way and easements. Thus, competitive contracting requirements were not applicable because the cost of the construction contractor selected was not funded by CTFP funds.

Accounting and Cash Management Procedures

The City established adequate controls to ensure that project funds were used only for approved project costs. All costs charged to the project were reviewed and approved by the City Engineer.

Project Completion and Final Report

The project was completed on March 25, 2013 and the final report was submitted to OCLTA by the City on May 30, 2013, which is within 180 days after the project completion date.

Separate Project Fund

The City recorded costs of the project in the CIP Fund (272). The City tracked the project by using a separate cost center (791) within the CIP Fund.

LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of management and the Board of Directors of the Orange County Local Transportation Authority and the City of Mission Viejo and is not intended to be and should not be used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California
August 13, 2014

**ORANGE COUNTY LOCAL TRANSPORTATION AUTHORITY
COMPREHENSIVE TRANSPORTATION FUNDING PROGRAM**

SCHEDULE OF PROJECT COSTS

Cooperative No.: C-1-2775
Agency: City of Mission Viejo
Project Title: Oso Parkway Widening: I-5 to Country Club Drive Project
Project Status: Completed

<u>Project Number</u>	<u>CTFP Funding Provided</u>	<u>Matching¹ Required</u>	<u>Total Funds CTFP + Match</u>	<u>Costs Incurred</u>	<u>Unused Fund Balance</u>	<u>Questioned Costs</u>
11-MVJO-ACE-3537	\$ 1,269,428	\$ 423,143	\$ 1,692,571	\$ 1,692,571	\$ -	\$ -

¹ A matching requirement of 25% of total project costs was required and met by the City.