



August 28, 2013

To: Finance and Administration Committee

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

Subject: Audit of State Transportation Improvement Program Planning, Programming, and Monitoring Program, Grant Year 2010-11

Overview

As required by an agreement with the California Department of Transportation, an independent audit of the State Transportation Improvement Program Planning, Programming, and Monitoring Program Fund Transfer Agreement No. PPM11-6071(055) has been completed by the professional accounting firm of Vasquez & Company LLP. The audit found that the Orange County Transportation Authority complied with Fund Transfer Agreement No. PPM11-6071(055) and that project funds were used in conformance with Article XIX of the California State Constitution.

Recommendation

Receive and file the Orange County Transportation Authority State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) Program, Grant Year 2010-11, Audit Report, Agreement No. PPM11-6071(055)

Background

The State Transportation Improvement Program (STIP) is a multi-year capital improvement program of transportation projects on and off the California State Highway System, funded with revenues from the State Highway Account and other funding sources. The Planning, Programming, and Monitoring Program (PPM) is defined as “the project planning, programming, and monitoring activities related to development of the Regional Transportation Improvement Program and the STIP required by Government Code Section 14527 et. seq. and for the monitoring of project implementation...”

The Orange County Transportation Authority (OCTA) entered into Fund Transfer Agreement No. PPM11-6071(055) (Fund Transfer Agreement) on July 1, 2010, with the California Department of Transportation (Caltrans) for reimbursement of its PPM project in an amount not to exceed \$3,215,000, from monies appropriated in fiscal year 2010-11 for local assistance. In accordance with the Fund Transfer Agreement, an independent audit is required to provide assurance that the project funds were used in conformance with Article XIX of the California State Constitution.

Discussion

The audit found that OCTA complied with the Fund Transfer Agreement, and that STIP PPM funds were used in conformance with Article XIX of the California State Constitution. The audit also found that OCTA's accounting system can segregate and accumulate expenses incurred under the STIP PPM Program. OCTA plans to submit the Final Report of Expenditures, along with the audit report and a claim for the \$1,630,866 in unbilled expenditures, to Caltrans by August 29, 2013.

Summary

An independent audit of the STIP PPM Fund Transfer Agreement has been completed by the professional accounting firm of Vasquez & Company LLP. The detailed audit scope and results are included in the audit report at Attachment A.

Attachment

- A. Orange County Transportation Authority State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) Program, Grant Year 2010-11, Audit Report, Agreement No. PPM11-6071(055)

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**Orange County Transportation Authority
State Transportation Improvement Program (STIP)
Planning, Programming, and Monitoring (PPM) Program
Grant Year 2010-11**

Audit Report

Agreement No. PPM11-6071(055)

**Orange County Transportation Authority
State Transportation Improvement Program (STIP)
Planning, Programming, and Monitoring (PPM) Program
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REPORT OF INDEPENDENT AUDITORS

Ms. Janet Sutter
Executive Director, Internal Audit Department
Orange County Transportation Authority

We conducted a performance audit of Orange County Transportation Authority's (OCTA) State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) Program Funds Transfer Agreement No. PPM11-6071(055) (Agreement) with the State of California Department of Transportation (Caltrans) and Article XIX of the California State Constitution.

Our performance audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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 conclusions based on our audit objectives.

Our audit was limited to the objectives listed in Appendix A of this report which includes determining OCTA's compliance with the requirements in the Agreement and Article XIX of the California State Constitution. Management is responsible for compliance with the Agreement and Article XIX of the California State Constitution.

In planning and performing our performance audit, we obtained an understanding of OCTA's internal control to determine if the internal controls were adequate to help ensure OCTA's compliance with requirements of the Agreement and Article XIX of the California State Constitution, and not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of OCTA's internal control.

The results of our tests indicated that, in all material respects, OCTA complied with the Agreement and the STIP PPM funds were used in conformance with Article XIX of the California State Constitution.

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

Vasquez + Company LLP

Los Angeles, California
August 9, 2013

**Orange County Transportation Authority
State Transportation Improvement Program (STIP)
Planning, Programming, and Monitoring (PPM) Program**

Appendix A

BACKGROUND

On July 1, 2010, OCTA entered into Agreement No. PPM11-6071(055) (Agreement) with the State of California Department of Transportation (Caltrans) to provide reimbursement of \$3,215,000 for activities under the State Transportation Improvement Program (STIP) Planning, Programming, and Monitoring (PPM) Program (Program) from funds allocated for the fiscal year 2010-11. PPM activities included: 1) Planning - developing strategies to address the short and long-term multimodal transportation needs of both Orange County and the region; 2) Programming - consultant, management and staff support to prioritize, allocate, program and manage federal, state, and local funds for transportation improvements through the county transportation improvement program; and 3) Transportation monitoring, data management, and analysis - consultant and staff support to meet the state and federal transportation data collection and monitoring requirements.

OCTA submitted two invoices for reimbursement totaling \$1,584,134 under the Agreement which were paid by Caltrans. The remaining budget of Program expenses that has not yet been invoiced to Caltrans totals \$1,630,866. See **Schedule I**.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this audit were to:

- Determine whether OCTA complied with Agreement No. PPM11-6071(055) with Caltrans and whether STIP PPM funds were used in conformance with Article XIX of the California State Constitution.
- Determine whether OCTA's accounting system conforms to Generally Accepted Accounting Principles (GAAP) and can segregate and accumulate expenses incurred under the Program.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and included tests of accounting records and other procedures we considered necessary in the circumstances.

We performed the following procedures to determine whether OCTA complied with the Agreement and Article XIX (Motor Vehicle Revenues) of the California State Constitution requirements:

1. We reviewed the Agreement between OCTA and Caltrans to obtain an understanding of the Program and STIP PPM funding requirements.
2. We reviewed fund accounting procedures established by OCTA to account for Program transactions.
3. We assessed OCTA's accounting, reporting and invoicing procedures based on observations and interviews with OCTA personnel.

OBJECTIVES, SCOPE AND METHODOLOGY (CONTINUED)

4. We obtained a detailed listing of Program expenditures and selected a statistical sample for testing. For the sample selected, we determined whether the expenditures were properly supported, approved, recorded, and consistent with the approved PPM Activities Plan and in accordance with the Agreement and Article XIX (Motor Vehicle Revenues) of the California State Constitution.
5. We obtained and reviewed contract files for contracts issued by OCTA under the Program to identify contract provisions pertinent to our audit and to verify evidence of competitive bidding.
6. We assessed whether OCTA complied with the reporting requirements of the Agreement. We reviewed the Final Report of Expenditures, including the final invoice and determined whether the final invoice reported actual costs expended in accordance with Attachment A of the Agreement, and that the Final Report of expenditures states that the PPM funds were used in conformance with Article XIX (Motor Vehicle Revenues) of the California State Constitution and for PPM purposes, as defined in the Agreement. We also verified whether both the Final Report of Expenditures and the final invoice were submitted no later than 60 days following the completion of expenditures.

RESULTS OF THE AUDIT

Based on the audit procedures performed, we found the following:

A. PROJECT EXPENSES AND CONTRACTOR DOCUMENTATION

Based on our audit, costs charged to the STIP PPM for Grant Year 2010-11 were found to be in conformance with Article XIX (Motor Vehicle Revenues) of the California State Constitution and eligible for the approved Fiscal Year 2010-11 PPM Activities Plan. Our assessment is based on our testing of \$830,069 (26% of the \$3,226,974 total Program expenditures) in Program expenditures and examination of supporting documents to determine if expenses were properly supported, approved, recorded, and consistent with the approved PPM Activities Plan.

B. REVIEW OF ACCOUNTING, REPORTING, AND INVOICING PROCEDURES

We found that OCTA's accounting system conforms to GAAP and can segregate and accumulate expenses incurred under the Program. Our assessment was based on observations, interviews with OCTA personnel and testing of selected Program expenditures.

Per the Agreement with Caltrans, OCTA has 60 days following the "completion of expenditures" or until August 29, 2013, to submit a Final Report of Expenditures to Caltrans. OCTA plans to submit the Final Report of Expenditures along with this audit report and a claim for the \$1,630,866 in unbilled expenditures to Caltrans by August 29, 2013.

**Orange County Transportation Authority
State Transportation Improvement Program (STIP)
Planning, Programming, and Monitoring (PPM) Program**

Appendix A

C. INTEREST ALLOCATION

OCTA is reimbursed for expenditures incurred for the Program on an actual cost reimbursement basis. Therefore, no interest was allocated or due to the Program.

CONCLUSION

The results of our tests indicated that, in all material respects, OCTA complied with the Agreement and the STIP PPM funds were used in conformance with Article XIX of the California State Constitution.

**Orange County Transportation Authority
State Transportation Improvement Program (STIP)
Planning, Programming, and Monitoring (PPM) Program
Grant Year 2010-11**

Schedule I - Schedule of Program Costs

Project Name	Costs Invoiced	Questioned Costs	Audited Costs	Status
19th Street Bridge Traffic Analysis	\$ 49,800	\$ -	\$ 49,800	Completed
2014 Long Range Transportation Planning (LRTP)	54,428	-	54,428	On-going
Air Quality Conformity Support	18,418	-	18,418	Completed
California State Association of Engineers - Contributions to Local Streets and Roads Assessment	21,008	-	21,008	On-going
Financial Programming Analysis, Monitoring, and Support Services	219,847	-	219,847	On-going
I-5 to El Toro Interchange Project Development Support and Project Study Report	337,598	-	337,598	On-going
Initiate Short Range Transit Plans	88,276	-	88,276	Completed
Noise Abatement Decision Report Update for Eastbound SR-91, West of SR-55 Interchange in Anaheim, CA	6,370	-	6,370	Completed
Noise Barrier Scope	47,361	-	47,361	On-going
OC/Ontario Airport Study	11,225	-	11,225	Completed
On-Call Regional Planning Support	26,855	-	26,855	On-going
Planning Support Services	187,540	-	187,540	Completed
SR-91 from SR-57 to SR-55 Project Development Support and Project Study Report	639,608	-	639,608	On-going
Staffing (FY 2012-2013)	1,518,640	-	1,518,640	
Total	\$ 3,226,974	\$ -	\$ 3,226,974	
Total funding available for FY2010-11			\$ 3,215,000	
Total reimbursed by Caltrans			1,584,134	
Amount due from Caltrans			<u>\$ 1,630,866</u>	