



January 27, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Financial and Compliance Audits of Eight Combined Transportation Funding Program Projects

Overview

Audits have been completed of eight projects funded through the Combined Transportation Funding Program of Measure M by external audit firm Mayer Hoffman McCann P.C. Recommendations have been offered to ensure compliance with the Combined Transportation Funding Program Guidelines. The auditors also questioned expenditures of \$84,417 and \$11,868 invoiced by the cities of Stanton and Westminster, respectively, for inadequately supported expenditures. While the cities indicate that there is sufficient evidence of project completion, that evidence does not meet program requirements. Therefore, the Internal Audit Department is recommending that the Orange County Transportation Authority seek reimbursement of these amounts. In the process of seeking reimbursement, staff will work with these jurisdictions to determine if there is any way within the Combined Transportation Funding Program to substantiate the expenditures in question.

Recommendations

- A. Receive and file financial and compliance audits of eight Combined Transportation Funding Program projects, Internal Audit Report 08-019.
- B. Direct staff to seek reimbursement from the City of Stanton, in the amount of \$84,417, and from the City of Westminster, in the amount of \$11,868, for expenditures invoiced under the Combined Transportation Funding Program but inadequately supported.
- C. Direct Orange County Transportation Authority staff to implement recommendations related to jurisdictions' submission of final reports within 180 days of project completion and clarification of allowable overhead cost allocations.

- D. Direct Orange County Transportation Authority staff to enhance final project review procedures to include additional scrutiny of possible excess right of way.

Background

The Combined Transportation Funding Program (CTFP) was created by the Orange County Local Transportation Authority (OCLTA) to provide local agencies with a common set of guidelines (CTFP Guidelines) and project selection criteria for a variety of funding programs. To participate in the CTFP, an agency must have been found eligible to receive Measure M “turnback” funds.

The Orange County Transportation Authority (OCTA) issues a CTFP “call for projects” on a biennial basis to all eligible local agencies, at which time agencies are required to submit an application to OCTA to receive funding. OCTA reviews and ranks each application using evaluation criteria developed for each program. OCTA’s Board of Directors approves projects and funding allocations.

In 2005, OCTA’s Internal Audit Department (Internal Audit) conducted the first audits of projects funded by CTFP. Specifically, Internal Audit selected 15 projects and engaged three contract audit firms to perform the audits. The audits found that agencies receiving CTFP funding generally complied with the CTFP Guidelines. However, recommendations were made to resolve ambiguities in the CTFP Guidelines and to implement other controls to ensure that the CTFP Guidelines were followed and required documentation submitted by the local agencies was complete and accurate.

The Fiscal Year 2008-2009 Internal Audit Plan Audit included CTFP project audits. Through a competitive procurement process, Internal Audit engaged external audit firm Mayer Hoffman McCann P.C. (MHM) to conduct audits of eight completed projects. The audits were recently completed.

Discussion

Selection of Projects

Internal Audit obtained from OCTA’s Development Division an unaudited ledger of all CTFP projects closed out during fiscal year 2007-08. From this population, Internal Audit selected eight projects for audit. The first selection criteria included all projects greater than \$750,000 to ensure adequate coverage of significant projects across the applicable 21 jurisdictions. One

project from this initial selection was eliminated because the jurisdiction, the City of Orange, had two projects that met the criteria.

The second selection criteria was designed to ensure a variety of project categories under the CTFP were represented. The CTFP categories include programs such as the Intersection Improvement Program (IIP), the Signal Improvement Program (SIP), and others. In total, five of the six project categories were represented in the sample. No project was selected from the Transportation Demand Management Program category due to immateriality. Finally, Internal Audit randomly selected one additional jurisdiction not selected under the first two criteria to expand coverage. A summary of the selected projects and audit results can be found at Attachment A.

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

Total costs of projects closed during fiscal year 2007-08:	\$32,978,263
Total costs of projects selected for audit:	19,988,982
Percentage of total closed project costs selected for audit:	61%
Total number of projects closed during fiscal year 2007-08:	71
Total number of projects selected for audit:	8

Audit Objectives

The primary objective of the audits was to ensure compliance with CTFP Guidelines and verify that project records and documentation supported the amounts invoiced to OCTA. A secondary objective of the audits was to ensure that policies, procedures, and processes of the OCTA are in place and operating effectively to promote compliance with the Ordinance.

Audit Findings and Recommendations

Auditors MHM identified issues both with CTFP projects and OCTA administration. A summary of the findings for the jurisdictions audited can be found at Attachment A, and the detailed audit reports can be found in Attachments B through H. The auditor's recommendations for OCTA can be found at Attachment I.

Two jurisdictions did not have sufficient documentation to support expenditures. CTFP Guidelines require that documents supporting expenditures be retained for five years following project completion. The City of Stanton began its project in fiscal year 1999-00, completed it in 2001-02, but

did not submit the final report until fiscal year 2007-08. Between 1999 and this 2009 audit, the city destroyed pertinent records. As a result, auditors questioned all expenditures and Internal Audit is recommending that OCTA seek reimbursement of \$84,417 of CTFP funding from the City of Stanton. The City of Stanton maintains that while records are unavailable, there is obvious evidence of project completion.

Similarly, the City of Westminster was unable to produce detailed timesheets to support labor charges for its project which began in fiscal year 1999-00 and for which a final report was submitted to OCTA in fiscal year 2007-08. Auditors questioned \$11,868 of labor costs and associated overhead. Internal Audit is recommending that OCTA seek reimbursement of \$11,868 from the City of Westminster. The City of Westminster maintains that summary records of time incurred and charged to the project is adequate evidence.

Three jurisdictions were found to have submitted final project reports more than 180 days following project completion. Auditors recommended that cities' establish procedures to ensure timely filing of final reports. The City of Orange took exception to this recommendation, indicating that because of delayed payment approval by OCTA the final report was not submitted timely. OCTA management indicated that the final report submission deadline is independent of the reimbursement cycle and Internal Audit agrees.

Auditors also found, through discussion with OCTA Development Division staff, that the disposition of a remnant piece of property purchased by the City of Lake Forest for its transportation project was not negotiated with OCTA as required by CTFP Guidelines. The City of Lake Forest, in its final project report, did not declare the excess right-of-way but had used it for aesthetic improvements and landscaping. The City of Lake Forest disputed the auditor's finding, indicating that semi-annual project update information provided to OCTA represented sufficient communication as to excess right-of-way. Internal Audit has reviewed the documentation provided to the auditor and has determined that it did not reflect right-of-way status or discussions with OCTA about disposition.

During 2009, OCTA's Development Division initiated a review of certain CTFP projects and identified the City of Lake Forest's project as one with unreported excess right-of-way. Staff met with the City of Lake Forest in December 2009 and came to agreement that the excess was an uneconomic remnant. Internal Audit recommends that OCTA's Development Division develop enhanced procedures for ongoing monitoring of possible excess right-of-way.

In addition to findings and recommendations related to jurisdictions' compliance with the CTFP Guidelines, MHM has made two recommendations related to OCTA's administration of the program (Attachment I). First, the auditors recommended that OCTA ensure that final project reports are submitted within the required 180 days. Management responded that the CTFP Guidelines offer no punitive consequences. As a result, OCTA's Chief Executive Officer sent reminder letters to all agencies with delinquent reports. Management also indicated that punitive language is being added to the guidelines for Measure M2.

Auditors also found unclear language in the CTFP Guidelines with regard to overhead charges. The CTFP Guidelines indicate that cities may charge overhead "at allowable rate(s) up to 30% of payroll and fringe benefits..." The auditors recommended that OCTA clarify this language to indicate that the overhead rate should be the actual overhead rate, not to exceed 30 percent of salaries and fringe benefits. Management responded that the Renewed Measure M guidelines will include clarifying language.

Summary

Audits have been completed of eight CTFP projects funded by Measure M. External auditors MHM have provided recommendations related to both the jurisdictions' compliance with the Ordinance, as well as recommendations to improve OCTA's administration of CTFP projects.

Attachments

- A. Orange County Transportation Authority Combined Transportation Funding Program Summary of Project Audit Results
- B. City of Stanton, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 99-STAN-SIP-1192 Cerritos Avenue/Western Avenue Traffic Signal Project For the Period September 12, 2000 through September 19, 2007
- C. City of Westminster, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 00-WEST-GMA-3198 Intelligent Transportation Project (Phase III) For the Period August 9, 2002 through October 24, 2007
- D. City of Orange, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 00-ORNG-IIP-3141 Chapman Avenue & Prospect Street Intersection Improvement Project For the Period June 24, 2003 through January 30, 2008
- E. City of Lake Forest, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 03-LFOR-MPH-1171

- Widening and Improvement of El Toro Road: Interstate 5 to Jutewood Place/Cornelius Drive For the Period August 19, 2003 through June 4, 2008
- F. City of San Clemente, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 99-SCLM-MPH-2004 Improvement of Avenida La Pata Extension For the Period February 27, 2002 through August 8, 2007
- G. County of Orange, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Program Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 Warner Avenue Bridge Widening Project For the Period November 22, 2006 through May 21, 2008
- H. City of Irvine, California Closeout Audit of Costs Claimed Combined Transportation Funding Program Project Number 99-IRVN-RIP-1104 Improvement to Interchange at Jeffery Road & Interstate 405 Project For the Period January 20, 2005 through September 12, 2007
- I. January 12, 2010 letter from Mayer Hoffman McCann to Kathleen M. O'Connell

Approved by:



Kathleen M. O'Connell
Executive Director, Internal Audit
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**ORANGE COUNTY TRANSPORTATION AUTHORITY
COMBINED TRANSPORTATION FUNDING PROGRAM
SUMMARY OF PROJECT AUDIT RESULTS**

Jurisdiction	Project # / Description	CTFP Funding	Findings	Recommendations
Stanton	99-STAN-SIP-1192	\$84,417	City did not retain documentation supporting any invoices. Auditors questioned all costs, or \$84,417	Seek reimbursement of \$84,417.
Westminster	00-WEST-SIP-3198	221,744	City did not maintain timesheets to support labor and overhead costs claimed. Auditors questioned salaries of \$9,086 and associated overhead of \$2,782.	Seek reimbursement of \$11,868.
Orange	00-ORNG-IIP-3141	943,376	The city did not submit the final project report to OCTA within 180 days of project completion.	The city should implement procedures to ensure timely submission of final project reports.
Lake Forest	03-LFOR-MPH-1171	13,707,215	Final report submitted by city contained errors, none of which affected CTFP funding. In addition, excess right-of-way purchased for the improvements were not used for transportation purposes and the city did not advise OCTA of this so that the parties could come to agreement on disposition.	City and OCTA should enter into negotiations for final disposition of excess right-of-way. Matter was resolved on December 7, 2009. OCTA should develop enhanced procedures for ongoing monitoring of possible excess right of way.
San Clemente	99-SCLM-MPH-2004	1,044,484	The city did not submit the final project report to OCTA within 180 days of project completion.	The city should implement procedures to ensure timely submission of final project report.
Irvine	99-IRVN-RIP-1104	2,916,879	Final report submitted by city contained errors, none of which affected CTFP funding.	None.
County of Orange (on behalf of Santa Ana)	96-SNTA-GMA-1047	550,000	None.	None.
County of Orange	00-ORCO-MPAH-3049	1,377,028	None.	None.

TOTAL**\$19,988,982**

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

For the Period
September 12, 2000 through September 19, 2007

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

For the Period September 12, 2000 through September 19, 2007

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Stanton, California (City) for the period September 12, 2000 through September 19, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-STAN-SIP-1192 with the Orange County Transportation Authority (OCTA) for the Cerritos Avenue/Western Avenue traffic signal project. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period September 12, 2000 through September 19, 2007 in accordance with the CTFP program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period September 12, 2000 through September 19, 2007 under CTFP Project Number 99-STAN-SIP-1192 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Margen H. H. M. C. P. C.

Irvine, California
January 8, 2010

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Program Number 99-STAN-SIP-1192
 Cerritos Avenue/Western Avenue Traffic Signal Project

Schedule of Costs Claimed

For the Period September 12, 2000 through September 19, 2007

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
99-STAN-SIP-1192	\$ 84,417	\$ 19,584	\$104,001	\$ -	\$ -	\$ -	\$ 84,417	\$ 19,584	\$104,001
Local match	-	-	-	-	-	-	-	-	-
Total revenue	84,417	19,584	104,001	-	-	-	84,417	19,584	104,001
Expenditures:									
Construction	84,417	19,584	104,001	-	-	-	84,417	19,584	104,001
Total expenditures	84,417	19,584	104,001	-	-	-	84,417	19,584	104,001
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Notes to Financial Schedule

For the Period September 12, 2000 through September 19, 2007

(1) General Information

On August 8, 1995, the City of Stanton, California (City), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On September 12, 2000 the Cerritos Avenue/Western Avenue Traffic Signal Project was approved as Project Number 99-STAN-SIP-1192 under the Signal Improvement Program (SIP). The SIP Program is designed to provide funds for improvements that lead to better operation and management of signal systems and traffic congestion relief. Eligible SIP expenditures under the CTFP Guidelines include:

- Timing
 - Design (new or 3+ years since funded)
 - Equipment such as interconnect, controllers, software (new or 5+ years since funded)
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)
- System detection (new or 5+ years since funded)
 - Closed circuit televisions
 - Inductive loops
 - Video imaging detection systems
 - Other detection systems
- Expert systems (such as decision support systems or adaptive control systems)
 - System communication links (i.e., between master systems/traffic operations centers)
 - Modification of existing traffic signal (i.e., conversion to protective permission signals)

In accordance with the CTFP Guidelines, agencies receiving funding under the SIP Program are required to provide matching funds of at least 20% of eligible expenditures. Based upon review, the City did not satisfy its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City of Stanton to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Notes to Financial Schedule (Continued)

For the Period September 12, 2000 through September 19, 2007

(3) Questioned Costs

The City was not able to provide complete documentation to support costs incurred on the project. As such, we have questioned \$84,417 of costs, which represents all costs associated with the project. The nature of the documentation provided and missing is as follows:

- The City provided copies of contracts to support budgeted construction costs, but support was not provided to substantiate payments to the contractors.
- No documentation was provided to substantiate change orders or extra work.
- A general ledger was provided to substantiate the other costs such as equipment purchases. However, no invoices or copies of checks were provided to support these costs.
- A Notice of Completion was provided to substantiate that the work was completed and accepted by the City.



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes total costs incurred by the City of Stanton, California (City), for the period September 12, 2000 through September 19, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-STAN-SIP-1192 with the Orange County Transportation Authority (OCTA) for the Cerritos Avenue/Western Avenue traffic signal project, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Findings and Recommendations section as items 1 and 2.

The City's response to the finding identified in our audit is described in the accompanying Findings and Recommendations section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

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



Irvine, California
January 8, 2010

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Findings and Recommendations

For the Period September 12, 2000 through September 19, 2007

(1) **Need to Ensure that Final Reports are Submitted Within 180 Days After Project Completion**

The City did not submit its final report to OCTA within 180 days after project completion. The Notice of Completion was dated December 3, 2001 and the Final Report was dated September 19, 2007.

Chapter 13, *Final Report*, of the CTFP 2007 Guidelines states, in part:

"The Final Report must be submitted to the Orange County Transportation Authority within 180 days after acceptance of the improvements, study, or project (i.e., Notice of Completion)..."

Recommendation

We recommend that, should the City receive future funding under the CTFP Program, that it establish procedures to ensure that the final report is submitted within 180 days of project completion.

Management Response

As noted in management response (1), the reports have been filed in a timely manner after change of City management in 2007. The City has been submitting final reports within 180 days of project completion.

(2) **Need to Adequately Support Project Costs**

The City of Stanton (City) did not maintain adequate financial records to support project costs claimed for Project Number 99-STAN-SIP-1192. As noted below, only partial records were provided for our review.

- Copies of contracts were provided to support construction costs but support was not provided to substantiate payment to the contractor.
- No documentation was provided to substantiate change orders or extra work.

CITY OF STANTON, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-STAN-SIP-1192
Cerritos Avenue/Western Avenue Traffic Signal Project

Findings and Recommendations (Continued)

For the Period September 12, 2000 through September 19, 2007

(2) Need to Adequately Support Project Costs (Continued)

- The general ledger was provided to substantiate other costs such as equipment; however, no invoices or copies of checks were provided.
- Notice of Completion was provided to substantiate that work was completed.

Although the construction period for this project was from September 12, 2000 through November 14, 2001, the final report submitted to OCTA with the City's request for reimbursement was dated April 3, 2007. Project completion occurs with the filing of the final report. In addition, Guidelines require all supporting documentation to be retained for 5 years after project closeout and final payment.

The 1999 Combined Transportation Funding Program Guidelines, Chapter 14 states, in part:

“...Project records must be maintained for five (5) years ...”

The City stated that the individuals who performed tasks for the project were no longer employed by the City. Without adequate supporting documentation, we were unable to determine whether costs claimed were reasonable and allowable in accordance with the CTFP Guidelines.

Recommendation

We have questioned all project costs totaling \$104,001 as a result of a lack of records to support costs claimed. We recommend that the City maintain project records for at least five (5) years after project completion.

Management Response

The supporting documentation was not available for the auditors to examine because the retention period of seven years had lapsed. The reimbursement report for the completed project in 2001 was not filed until 2007. The City was informed of the audit in 2009. Since the change of management in late 2007, reimbursement reports have been filed in a timely manner.

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

For the Period
August 9, 2002 through October 24, 2007

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

For the Period August 9, 2002 through October 24, 2007

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Westminster, California (City), for the period August 9, 2002 through October 24, 2007 under Combined Transportation Funding Program (CTFP) Project Number 00-WEST-SIP-3198 with the Orange County Transportation Authority (OCTA) for the completion of Phase III of the installation of video imaging detection systems and closed circuit televisions at eight intersections. The costs as presented in the Financial Schedule are the responsibility of the City of Westminster. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period August 9, 2002 through October 24, 2007 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period August 9, 2002 through October 24, 2007 under CTFP Project Number 00-WEST-SIP-3198 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Mayer Hoffman M. C. P.C.

Irvine, California
January 7, 2010

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Program Number 00-WEST-SIP-3198
 TSCOUP Intelligent Transportation project (Phase III)

Schedule of Costs Claimed

For the Period August 9, 2002 through October 24, 2007

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
00-WEST-SIP-3198	\$ 221,744	\$ -	\$ 221,744	\$ 209,876	\$ -	\$ 209,876	\$ 11,868	\$ -	\$ 11,868
Local match	-	113,569	113,569	-	111,213	111,213	-	2,356	2,356
Total revenue	221,744	113,569	335,313	209,876	111,213	321,089	11,868	2,356	14,224
Expenditures:									
Construction engineering	11,868	2,356	14,224	-	-	-	11,868	2,356	14,224
Construction	209,876	111,213	321,089	209,876	111,213	321,089	-	-	-
Total expenditures	221,744	113,569	335,313	209,876	111,213	321,089	11,868	2,356	14,224
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

Notes to Financial Schedule

For the Period August 9, 2002 through October 24, 2007

(1) **General Information**

On August 18, 1995, the City of Westminster, California (City), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On August 9, 2009, the Intelligent Transportation Project (Phase III) was approved as Project Number 00-WEST-SIP-3198 under the Signal Improvement Program (SIP). The SIP Program is designed to provide funds for improvements that lead to better operation and management of signal systems and traffic congestion relief. Eligible SIP expenditures under the CTFP Guidelines include:

- Timing
 - Design (new or 3+ years since funded)
 - Equipment such as interconnect, controllers, software (new or 5+ years since funded)
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)
- System detection (new or 5+ years since funded)
 - Closed circuit televisions
 - Inductive loops
 - Video imaging detection systems
 - Other detection systems
- Expert systems (such as decision support systems or adaptive control systems)
 - System communication links (i.e., between master systems/traffic operations centers)
 - Modification of existing traffic signal (i.e., conversion to protective/ permission signals)

In accordance with the CTFP Guidelines, agencies receiving funding under the SIP Program are required to provide matching funds of at least 20% of eligible expenditures. The City satisfied its required match for this project.

(2) **Summary of Significant Accounting Policies**

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the CTFP Program. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
--Intelligent Transportation Project (Phase III)

Notes to Financial Schedule

For the Period August 9, 2002 through October 24, 2007

(3) Questioned Costs

The City provided a labor and overhead cost schedule that identified the individuals, hours and amounts charged to Project Number 00-WEST-SIP-3198. However the City was not able to provide detailed time sheets to support the hours. As such, we are unable to verify the accuracy of hours reported on the labor and overhead cost schedule. Therefore, we have questioned salaries in the amount of \$9,086 and associated overhead in the amount of \$2,782.



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPOPRTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes total costs incurred by the City of Westminster, California (City) for the period August 9, 2002 through October 24, 2007 under Combined Transportation Funding Program (CTFP) Project Number 00-WEST-SIP-3198 with the Orange County Transportation Authority (OCTA) for the completion of phase III of the installation of video imaging detection system and closed circuit televisions at eight intersections, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedules that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

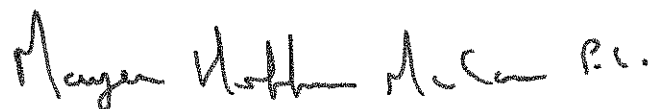
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Finding and Recommendation as item 1.

The City's and OCTA's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's and OCTA's response and, accordingly, we express no opinion on it.

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



Irvine, California
January 7, 2010

CITY OF WESTMINSTER, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-WEST-SIP-3198
Intelligent Transportation Project (Phase III)

Finding and Recommendation

For the Period August 9, 2002 through October 24, 2007

(1) Need to Maintain Timesheets

The City of Westminster (City) was not able to provide time sheets to support hours on the labor and overhead cost schedule. As such, we are unable to verify the accuracy of time charged to the CTFP project. Guidelines require all supporting documentation to be retained for 5 years after project closeout and final payment.

The 1999 Combined Transportation Funding Program Guidelines, Chapter 14 states, in part:

“...Project records must be maintained for five (5) years ...”

According to the Civil Engineering Principal, due to space constraints, the City did not maintain all project documents and were not aware that detailed timesheets should be retained.

Recommendation

We have questioned in-house labor costs in the amount of \$9,086, and related overhead costs in the amount of \$2,782 due to the lack of detailed records to support the costs claimed. We recommend that the City maintain detailed timesheets for at least five (5) years after project completion.

Management Response

The City of Westminster concurs with the findings in this report. The City staff provided satisfied explanations and back-up payrolls to the questioned salary and overhead costs. The City staff will change future in-house procedures to maintain detailed timesheets with the project's records for five years after project completion as recommended.

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Street
Intersection Improvement Project

For the Period
June 24, 2003 through January 30, 2008

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Intersection Improvement Project

For the Period June 24, 2003 through January 30, 2008

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Orange, California (City) for the period June 24, 2003 through January 30, 2008 under Combined Transportation Funding Program (CTFP) Project Number 00-ORNG-IIP-3141 with the Orange County Transportation Authority (OCTA) for the improvement of the intersection at Chapman Avenue and Prospect Street. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period June 24, 2003 through January 30, 2008 in accordance with the CTFP program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period June 24, 2003 through January 30, 2008 under CTFP Project Number 00-ORNG-IIP-3141 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Margaret Hoffman M. Hoffman P.C.

Irvine, California
January 8, 2010

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 00-ORNG-IIP-3141
 Chapman Avenue & Prospect Intersection Improvement Project

Schedule of Costs Claimed

For the Period June 24, 2003 through January 30, 2008

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
00-ORNG-IIP-3141	\$ 943,376	\$ -	\$ 943,376	\$ 943,376	\$ -	\$ 943,376	\$ -	\$ -	\$ -
Local match	-	257,054	257,054	-	257,054	257,054	-	-	-
Total revenue	943,376	257,054	1,200,430	943,376	257,054	1,200,430	-	-	-
Expenditures:									
Right-of-way	263,962	74,451	338,413	263,962	74,451	338,413	-	-	-
Construction engineering	32,000	-	32,000	32,000	-	32,000	-	-	-
Construction	647,414	182,603	830,017	647,414	182,603	830,017	-	-	-
Total expenditures	943,376	257,054	1,200,430	943,376	257,054	1,200,430	-	-	-
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Intersection Improvement Project

Notes to Financial Schedule

For the Period June 24, 2003 through January 30, 2008

(1) General Information

On August 18, 1995, the City of Orange, California (City) entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On June 24, 2003, the Chapman Avenue and Prospect Street Intersection Improvement Project (Project) was approved as Project Number 00-ORNG-IIP-3141 under the Intersection Improvement Program (IIP). The IIP Program is designed to improve eligible interchanges throughout the County of Orange. Eligible IIP expenditures under the CTFP Guidelines include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction activities including:
 - Widening
 - Traffic signals
 - Bus turnouts (if part of the intersection improvements)
 - Bike lanes (striping only)
 - Cross gutter elimination if it improves traffic flow/capacity
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)
- Grade separation projects (street to street)

In accordance with the CTFP Guidelines, agencies receiving funding under the IIP Program are required to provide matching funds of at least 20% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.



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Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total costs incurred by the City of Orange, California (City), for the period June 24, 2003 through January 30, 2008 under Combined Transportation Funding Program (CTFP) Project Number 00-ORNG-IIP-3141 with the Orange County Transportation Authority (OCTA) for the improvement of the intersection at Chapman Avenue and Prospect Street, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City of Orange is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Finding and Recommendation section as item 1.

The City's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

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



Irvine, California
January 8, 2010

CITY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 00-ORNG-IIP-3141
Chapman Avenue & Prospect Intersection Improvement Project

Finding and Recommendation

For the Period June 24, 2003 through January 30, 2008

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion

The City did not submit the final report to OCTA within 180 days of project completion. The Notice of Completion was dated December 12, 2006 and the Final Report was dated January 30, 2008.

Chapter 13, *Final Report*, of the CTFP 1999 Guidelines states, in part:

"The Final Report must be submitted to the Orange County Transportation Authority within 180 days after acceptance of the improvements, study, or project (i.e., Notice of Completion)..."

Recommendation

We recommend that, should the City receive future funding under the CTFP Program, that it establish procedures to ensure that the final report is submitted within 180 days of project completion.

Management Response

The auditor is correct that the Notice of Completion was filed in December 2006, but the Final Report to OCTA was delayed due to OCTA's late approval of the final 10% reimbursement of the project's R/W and Design payment. We filed the final 10% R/W and Design payment request on September 15, 2006, but that payment was not received till February 4, 2008. Without the final 10% R/W and Design payment approval, we could not submit the Final Report to OCTA documenting all the expenditure on the project. In mid January 2008, OCTA finally informed the City that the check has been issued for the 10% payment, so we submitted the Final Report to OCTA on January 29, 2008.

OCTA Response

The city is obligated to submit final reports within 180 days of accepting the improvements regardless of the status of other payments. As per the program guidelines, the final report for each project phase is designed to be independent of the others. The final report for the construction phase is not a full accounting of the project, but an accounting of the construction expenses. Any delays in the processing of final reports for the engineering or right-of-way phases due to missing documentation would not prohibit the City from a timely submittal of the final report for the construction phase.

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of
El Toro Road: Interstate 5 to Jutewood Place/Cornelius Drive

For the Period
August 19, 2003 through June 4, 2008

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

For the Period August 19, 2003 through June 4, 2008

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Lake Forest, California (City), for the period August 19, 2003 through June 4, 2008 under Combined Transportation Funding Program (CTFP) Project Number 03-LFOR-MPH-1171 with the Orange County Transportation Authority (OCTA) for the widening and improvement of El Toro Road from Interstate 5 to Jutewood Place/Cornelius Drive. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period August 19, 2003 through June 4, 2008 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. Accordingly, the accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period August 19, 2003 through June 4, 2008 under CTFP Project Number 03-LFOR-MPH-1171 in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of Lake Forest and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 7, 2010

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 03-LFOR-MPH-1171
 Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Schedule of Costs Claimed

For the Period August 19, 2003 through June 4, 2008

	As Submitted			As Audited			Variance		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
03-LFOR-MPH-1171	\$ 13,707,215	\$ -	\$ 13,707,215	\$ 13,707,215	\$ -	\$ 13,707,215	\$ -	\$ -	\$ -
Local match	-	18,522,988	18,522,988	-	22,654,093	22,654,093	-	(4,131,105)	(4,131,105)
Total revenue	13,707,215	18,522,988	32,230,203	13,707,215	22,654,093	36,361,308	-	(4,131,105)	(4,131,105)
Expenditures:									
Right-of-way	8,888,059	8,888,060	17,776,119	8,888,059	13,267,423	22,155,482	-	(4,379,363)	(4,379,363)
Construction engineering	534,773	2,602,178	3,136,951	534,773	1,476,971	2,011,744	-	1,125,207	1,125,207
Construction	4,284,383	7,032,750	11,317,133	4,284,383	7,909,699	12,194,082	-	(876,949)	(876,949)
Total expenditures	13,707,215	18,522,988	32,230,203	13,707,215	22,654,093	36,361,308	-	(4,131,105)	(4,131,105)
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Notes to Financial Schedule

For the Period August 19, 2003 through June 4, 2008

(1) General Information

On August 18, 1995, the City of Lake Forest, California (City), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. The Widening and Improvement of El Toro Road from Interstate 5 to Jutewood Place/Cornelius Drive was approved under Project Number 03-LFOR-MPH-1171. This project was approved under the Master Plan of Arterial Highways Program (MPAH). Types of improvements and expenditures allowed under the MPAH Program include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the MPAH Program are required to provide matching funds of at least 50% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

(3) Adjustments to Final Report

Total project costs as listed on the final invoice submitted to OCTA by the City were understated by \$4,131,105; however this did not impact the amount submitted for reimbursement by the City, or calculation of the City's match requirement.



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL SCHEDULES PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total cost incurred by the City of Lake Forest, California (City), for the period August 19, 2003 through June 4, 2008 under Combined Transportation Funding Program (CTFP) Project Number 03-LFOR-MPH-1171 with the Orange County Transportation Authority (OCTA) for the widening and improvement of El Toro Road from Interstate 5 to Jutewood Place/Cornelius Drive, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Finding and Recommendation section as item 1.

The City's and OCTA's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's and OCTA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the City of Lake Forest and the Orange County Transportation Authority and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
January 7, 2010

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Finding and Recommendation

For the Period August 19, 2003 through June 4, 2008

(1) Need to Notify/Mutually Agree as to Excess Right of Way

A component of the total cost of this project included the acquisition of right-of-way. In order to obtain the needed right-of-way, the City negotiated the purchase of a much larger parcel of land than was necessary for the project. The excess right-of-way was retained by the City and used for aesthetic improvements and landscaping.

Amendment #1 to the Master Agreement Number C-95-981 states, in part:

“...AUTHORITY requires written notification at the time when right of way is declared excess to the transportation improvement, and prior to the disposal process. Resolution of any issue regarding whether or not a right of way is excess to the transportation improvement will be by the mutual agreement of AUTHORITY and AGENCY....”

The City did not notify OCTA of the non-transportation use of a portion of the acquired land so that the parties could agree on the disposition of this excess land in accordance with the Amendment to the Master Agreement referenced above.

Recommendation

We recommend that the City enter into discussions with OCTA to obtain agreement as to the disposition of the excess right of way.

Management Response

Thank you for the opportunity to review and comment on the Closeout Audit of Costs Claimed on the El Toro Road CTFP project for the period August 19, 2003 through June 4, 2008. As described in Auditor's Notes 1 and 3, the City of Lake Forest exceeded the 50% matching requirement for this project. However, the City remains concerned that the report does not fairly represent the results of the audit or the City's interests in this matter. The Independent Auditor's report contains a schedule of Costs Claimed which City staff assisted with. As a result of this audit, City staff will submit a revised Final Report and supplemental Final Invoice for approximately \$700,000.

CITY OF LAKE FOREST, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 03-LFOR-MPH-1171
Widening and Improvement of El Toro Road: I-5 to Jutewood Place/Cornelius Drive

Finding and Recommendation (Continued)

For the Period August 19, 2003 through June 4, 2008

(1) **Need to Notify/Mutually Agree as to Excess Right of Way (Continued)**

Management Response (Continued)

City staff disputes the above Finding and Recommendation. It is staff's belief the discussions regarding right-of-way acquisition occurred at semi-annual reviews with OCTA staff during audited period. Correspondence to that effect was provided to the Auditor which seems to contradict the Finding. Further, City staff met with OCTA on December 7, 2009, to discuss project's right-of-way acquisition. That discussion concluded that the City acquired only those real property interests that were necessary to deliver the project, under approved funding agreement with OCTA, and no disposition of excess right-of-way occurred or is anticipated in the foreseeable future.

OCTA Response

City staff met with OCTA on December 7, 2009 to discuss the right-of-way acquisition for the subject project. Those discussions determined that per OCTA's definition, excess right-of-way did exist on the project ("excess" being defined as real property interests acquired deemed in excess of what was necessary for the proposed transportation use). However, it was also determined that this excess property amounted to uneconomic remnants and no disposition of excess right-of-way was to be expected.

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

For the Period
February 27, 2002 through August 8, 2007

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

For the Period February 27, 2002 through August 8, 2007

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Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of San Clemente, California (City), for the period February 27, 2002 through August 8, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-SCLM-MPH-2004 with the Orange County Transportation Authority (OCTA) for the Avenida La Pata Extension. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period February 27, 2002 through August 8, 2007 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period February 27, 2002 through August 8, 2007 under CTFP Project Number 99-SCLM-MPH-2004 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of San Clemente and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
January 8, 2010

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension Project

Schedule of Costs Claimed

For the Period February 27, 2002 through August 8, 2007

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
99-SCLM-MPH-2004	\$ 1,044,484	\$ -	\$ 1,044,484	\$ 1,044,484	\$ -	\$ 1,044,484	\$ -	\$ -	\$ -
Local match	-	3,971,219	3,971,219	-	3,971,219	3,971,219	-	-	-
Total revenue	1,044,484	3,971,219	5,015,703	1,044,484	3,971,219	5,015,703	-	-	-
Expenditures:									
Construction engineering	136,237	567,474	703,711	136,237	567,474	703,711	-	-	-
Construction	908,247	3,403,745	4,311,992	908,247	3,403,745	4,311,992	-	-	-
Total expenditures	1,044,484	3,971,219	5,015,703	1,044,484	3,971,219	5,015,703	-	-	-
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

Notes to Financial Schedule

For the Period February 27, 2002 through August 8, 2007

(1) General Information

On August 31, 1995, the City of San Clemente, California (City) entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On February 27, 2002, the Avenida La Pata Extension Project was approved as Project Number 99-SCLM-MPH-2004 under the Master Plan of Arterial Highways (MPAH) Program. The MPAH Program is designed to provide a funding source for the build-out of the MPAH. Eligible MPAH expenditures under the CTFP Guidelines include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the MPAH Program are required to provide matching funds of at least 50% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total costs incurred by the City of San Clemente, California (City), for the period February 27, 2002 through August 8, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-SCLM-MPH-2004 with the Orange County Transportation Authority (OCTA) for the Avenida La Pata Extension, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Finding and Recommendation section as item 1.

The City's response to the finding identified in our audit is described in the accompanying Finding and Recommendation section of the report. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the Orange County Transportation Authority and the City of San Clemente and is not intended to be and should not be used by anyone other than those specified parties.

Mayer Nathan M. Co. P.

Irvine, California
January 8, 2010

CITY OF SAN CLEMENTE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-SCLM-MPH-2004
Improvement of Avenida La Pata Extension

Finding and Recommendation

For the Period February 27, 2002 through August 8, 2007

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion

The City did not submit the final report to OCTA within 180 days of project completion. The Notice of Completion was dated July 31, 2006 and the Final Report was dated August 8, 2007.

Chapter 13, *Final Report*, of the CTFP 2007 Guidelines states, in part:

"The Final Report must be submitted to the Orange County Transportation Authority within 180 days after acceptance of the improvements, study, or project (i.e., Notice of Completion)..."

Recommendation

We recommend that, should the City receive future funding under the CTFP Program, that it establish procedures to ensure that the final report is submitted within 180 days of project completion.

Management Response

This project was completed and accepted by the City of San Clemente. After the acceptance, third party information submitted was reviewed to make sure all information was verifiable and accessible in the City's files before the final report was filed and dated with the OCTA. City management will implement procedures to meet this criteria in the future.

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Numbers
96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

For the Period
November 22, 2006 through May 21, 2008

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

For the Period November 22, 2006 through May 21, 2008

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the County of Orange, California (County), for the period November 22, 2006 through May 21, 2008 under Combined Transportation Funding Program (CTFP) Project Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 with the Orange County Transportation Authority (OCTA) for the widening and improvement of the Warner Avenue Bridge. The costs as presented in the Financial Schedule are the responsibility of the County. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the County for the period November 22, 2006 through May 21, 2008 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, total costs incurred by the County for the period November 22, 2006 through May 21, 2008 under CTFP Project Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Margee Harkin DeSanctis

Irvine, California
January 8, 2010

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 00-ORCO-MPAH-3049 and 96-SNTA-GMA-1047
 Warner Avenue Bridge Widening Project

Schedule of Costs Claimed

For the Period November 22, 2006 through May 21, 2008

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
00-ORCO-MPAH-3049	\$ 1,377,028	\$ -	\$ 1,377,028	\$ 1,377,028	\$ -	\$ 1,377,028	\$ -	\$ -	\$ -
96-SNTA-GMA-1047	550,000	-	550,000	550,000	-	550,000	-	-	-
Other GMA funding	1,044,000	-	1,044,000	1,044,000	-	1,044,000	-	-	-
Local match	-	3,734,511	3,734,511	-	3,734,511	3,734,511	-	-	-
Total revenue	2,971,028	3,734,511	6,705,539	2,971,028	3,734,511	6,705,539	-	-	-
Expenditures:									
Construction	2,583,502	2,976,956	5,560,458	2,583,502	2,976,956	5,560,458			
Construction engineering	387,526	757,555	1,145,081	387,526	757,555	1,145,081	-	-	-
Total expenditures	2,971,028	3,734,511	6,705,539	2,971,028	3,734,511	6,705,539	-	-	-
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

Notes to Financial Schedule

For the Period November 22, 2006 through May 21, 2008

(1) General Information

On May 23, 1995, the County of Orange, California (County), entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. The Warner Avenue Bridge Widening Project was approved under Program Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049. Program Numbers 96-SNTA-GMA-1047 was originally awarded to the City of Santa Ana. Subsequently the funding was assigned to the County. These Projects were approved under the Growth Management Area (GMA) Program and the Master Plan of Arterial Highways (MPAH). Types of improvements and expenditures allowed under the CTFP Guidelines for the GMA Program include:

- Intersection improvements
 - Design (plans, specification, and estimates)
 - Right-of-way
 - Construction
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Signal coordination
 - Interconnect systems to link arterials
 - Expansion to tie into a coordinated system
 - Signal timing
 - Traffic signal detectors
 - Equipment/modifications to create an "open" system
 - Design (plans, specifications, and estimates)
 - Construction
 - Construction Engineering (CTFP funding limited to 15 percent of construction costs)
- Traffic management systems
 - Hardware (pavement sensors, communications cable, programs to run the computer)
 - Design (plans, specifications, and estimates)
 - Construction
 - Construction engineering (CTFP funding limited to 15 percent of construction costs)

COUNTY OF ORANGE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049
Warner Avenue Bridge Widening Project

Notes to Financial Schedule (Continued)

For the Period November 22, 2006 through May 21, 2008

(1) General Information (Continued)

- Arterial highway improvements
 - Design (plans, specifications, and estimates)
 - Right-of-way
 - Construction activities
 - Construction engineering
- Signal preemption (intersection devices only)

The MPAH Program is designed to provide a funding source that will aid in the build-out of the MPAH. Eligible MPAH expenditures under the CTFP Guidelines include:

- Gap closures
- Widening
- New roadways

For each of these types of projects, eligible expenditures include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the MPAH Program are required to provide matching funds of at least 50% of eligible expenditures. The County satisfied its required match for the MPAH project. There was no matching requirement for the GMA project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the County to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.



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Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes the total costs incurred by the County of Orange, California (County), for the period November 22, 2006 through May 21, 2008 under Combined Transportation Funding Program (CTFP) Project Numbers 96-SNTA-GMA-1047 and 00-ORCO-MPAH-3049 with the Orange County Transportation Authority (OCTA) for the widening of the Warner Avenue Bridge, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's Financial Schedule that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the County is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Mayer H. H. M. v. R. v.

Irvine, California
January 8, 2010

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement to Interchange at Jeffery Road &
Interstate 405 Project

For the Period
January 20, 2005 through September 12, 2007

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement of Interchange at Jeffery Road & Interstate 405 Project

For the Period January 20, 2005 through September 12, 2007

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Board of Directors
Orange County Transportation Authority
Orange, California

INDEPENDENT AUDITORS' REPORT

We have audited the Schedule of Costs Claimed (Financial Schedule) submitted by the City of Irvine, California (City), for the period January 20, 2005 through September 12, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-IRVN-RIP-1104 with the Orange County Transportation Authority (OCTA) for the improvement of the interchange at Jeffery Road and Interstate 405. The costs as presented in the Financial Schedule are the responsibility of the City. Our responsibility is to express an opinion on the accompanying Financial Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Financial Schedule was prepared to present the total costs incurred by the City for the period January 20, 2005 through September 12, 2007 in accordance with the CTFP Program as described in Note 1. As more fully described in Note 2, the accounting practices used to prepare the Financial Schedule may differ in some respects from accounting principles generally accepted in the United States of America. The accompanying Financial Schedule is not intended to present the financial position and results of operations of the City of Irvine in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Financial Schedule referred to above presents fairly, in all material respects, the total costs incurred by the City for the period January 20, 2005 through September 12, 2007 under CTFP Project Number 99-IRVN-RIP-1104 with OCTA in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed

in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Margaret H. Hahn, M. C. R.

Irvine, California
January 8, 2010

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
 Combined Transportation Funding Program
 Project Number 99-IRVN-RIP-1104
 Improvement of Interchange at Jeffery Road & Interstate 405 Project

Schedule of Costs Claimed

For the Period January 20, 2005 through September 12, 2007

	As Submitted			As Audited			Questioned Costs		
	CTFP	City Match	Total	CTFP	City Match	Total	CTFP	City Match	Total
Revenues:									
99-IRVN-RIP-1104	\$ 2,916,879	\$ -	\$ 2,916,879	\$ 2,916,879	\$ -	\$ 2,916,879	\$ -	\$ -	\$ -
Local match	-	7,308,841	7,308,841	-	7,142,117	7,142,117	-	166,724	166,724
Total revenue	2,916,879	7,308,841	10,225,720	2,916,879	7,142,117	10,058,996	-	166,724	166,724
Expenditures:									
Construction engineering	-	105,190	105,190	-	665,971	665,971	-	(560,781)	(560,781)
Construction	2,916,879	7,203,651	10,120,530	2,916,879	6,476,146	9,393,025	-	727,505	727,505
Total expenditures	2,916,879	7,308,841	10,225,720	2,916,879	7,142,117	10,058,996	-	166,724	166,724
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial schedule

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement of Interchange at Jeffery Road & Interstate 405 Project

Notes to Financial Schedule

For the Period January 20, 2005 through September 12, 2007

(1) General Information

On July 17, 1995, the City of Irvine, California (City) entered into an agreement with the Orange County Transportation Authority (OCTA) to use Measure M funds under the Combined Transportation Funding Program (CTFP) for transportation projects. On January 20, 2005, the improvement to the interchange at Jeffery Road and Interstate 405 was approved as Project Number 99-IRVN-RIP-1104 under the Regional Improvement Program (RIP). The RIP Program is designed to improve eligible interchanges throughout the County of Orange. Eligible RIP expenditures under the CTFP Guidelines include:

- Design (plans, specifications, and estimates)
- Right-of-way
- Construction activities including:
 - approaches/exits/ramps
 - signals (traffic, ramp meters)
 - widening
 - restriping (high occupancy vehicle bi-pass and mixed flow)
 - bridge structures
- Construction engineering (CTFP funding limited to 15 percent of construction costs)
- Aesthetic improvements, including landscaping (CTFP funding limited to 25 percent of construction costs)

In accordance with the CTFP Guidelines, agencies receiving funding under the RIP Program are required to provide matching funds of at least 50% of eligible expenditures. The City satisfied its required match for this project.

(2) Summary of Significant Accounting Policies

The accompanying Financial Schedule has been prepared from costs incurred and reported by the City to OCTA in accordance with the terms of the agreement. The cash basis of accounting, which differs from generally accepted accounting principles, was utilized in the preparation of the Financial Schedule.

CITY OF IRVINE, CALIFORNIA

Closeout Audit of Costs Claimed
Combined Transportation Funding Program
Project Number 99-IRVN-RIP-1104
Improvement of Interchange at Jeffery Road & Interstate 405 Project

Notes to Financial Schedule (Continued)

For the Period January 20, 2005 through September 12, 2007

(3) Questioned Costs

Total project costs as listed on the final report submitted by the City were overstated by \$166,724; however, this had no impact on the amount requested for reimbursement or the required 50% match by the City.



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Board of Directors
Orange County Transportation Authority
Orange, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF A FINANCIAL SCHEDULE PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the Schedule of Costs Claimed (Financial Schedule) which summarizes total costs incurred by the City of Irvine, California (City), for the period January 20, 2005 through September 12, 2007 under Combined Transportation Funding Program (CTFP) Project Number 99-IRVN-RIP-1104 with the Orange County Transportation Authority (OCTA) for the improvement of the interchange at Jeffery Road and Interstate 405, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting of the CTFP Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Financial Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's Financial Schedule that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Financial Schedule will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting of the CTFP Program that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Financial Schedule of the CTFP Program of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of Financial Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Margaret Martha Miller P.C.

Irvine, California
January 8, 2010



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ATTACHMENT I

January 12, 2010

Ms. Kathleen M. O'Connell, CPA
Executive Director, Internal Audit
Orange County Transportation Authority
600 S. Main Street, 12th Floor
Orange, California 92868

Dear Ms. O'Connell

In planning and performing our audit of the following Combined Transportation Funding Program (CTFP) projects, we considered Orange County Transportation Authority's (OCTA's) internal control structure to the extent necessary to design our audit procedures. An audit is not designed to provide assurance on the internal control structure for other purposes.

<u>Jurisdiction</u>	<u>CTFP Grant Number</u>	<u>Reporting Period</u>
City of Irvine	99-IRVN-RIP-1104	January 20, 2005 through September 12, 2007
City of Lake Forest	03-LFOR-MPH-1171	August 19, 2003 through June 4, 2007
City of Orange	00-ORNG-IIP-3141	June 24, 2003 through January 30, 2008
City of San Clemente	99-SCLM-MPH-2004	February 27, 2002 through August 8, 2007
City of Stanton	99-STAN-SIP-1192	September 12, 2000 through September 19, 2007
City of Westminster	00-WEST-SIP-3198	August 9, 2002 through October 24, 2007
County of Santa Ana	96-SNTA-GMA-1047	November 22, 2006 through May 21, 2008
County of Orange	99-SCLM-MPH-2004	November 22, 2006 through May 21, 2008

During our audit we became aware of certain matters that we believe present an opportunity for OCTA to further strengthen its internal controls, operating efficiency and CTFP Guidelines. These matters do not represent significant deficiencies, material weaknesses in internal control, or material instances of noncompliance. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our reports issued on the projects audited.

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion

The following jurisdictions did not submit their final report to OCTA within 180 days of project completion.

<u>Jurisdiction</u>	<u>Date of Notice of Completion</u>	<u>Final Report Date</u>
City of Orange	December 12, 2006	January 30, 2008
City of San Clemente	July 31, 2006	August 8, 2007
City of Stanton	December 3, 2001	September 19, 2007

(1) Need to Ensure that Final Reports are Submitted Within 180 Days of Project Completion (Continued)

Chapter 13, *Delinquent Report*, of the CTFP 1999 and 2007 Guidelines states, in part:

“...OCTA will work with jurisdictions to ensure the timeliness of final reports by utilizing the following procedures:..

- Require all jurisdictions to file a final report within 180 days of project completion date...’

Recommendation

We recommend that OCTA establish procedures to ensure that all jurisdictions receiving funds under the CTFP Program submit a final report within 180 days of project completion.

Management Response

The current CTFP guidelines offer no punitive actions for delinquent final reports. Staff actively pursues the reports and reminds agency staff to submit final reports. In July 2009, reminder letters were sent under OCTA Chief Executive Office signature to all agencies with delinquent final reports.

The Measure M2 Comprehensive Transportation Guidelines (CTP), currently scheduled to be approved by the Board in January 2010, includes specific language on the procedures to be followed in the event of a delinquent final report. These include punitive actions which ultimately culminate in the cancellation of the project and an invoice being sent to the agency for all monies reimbursed.

(2) Allowable Overhead Rate

OCTA allows jurisdictions receiving funds under the CTFP Program to bill an overhead rate of 30% of payroll and fringe benefits without supporting documentation for the rate charged. This is not consistent with the CTFP Guidelines.

Chapter 13, Exhibit 13-3, *Final Report*, of the CTFP 1999 and 2007 Guidelines state, in part:

“...Overhead at allowable rate up to 30% of payroll and fringe benefits...”

The Final Report as depicted in Exhibit 13-3 of the CTFP Guidelines allows a maximum overhead rate of 30% of salaries and fringe benefits. The claimed overhead, however, should be based upon jurisdiction’s actual costs.

(2) Allowable Overhead Rate (Continued)

Recommendation

We recommend that OCTA provide written clarification to jurisdictions receiving funding under the CTFP program clarifying that the allowable overhead rate is the jurisdiction's actual overhead rate, not to exceed 30% of salaries and fringe benefits.

Management Response

The CTFP guidelines state that overhead is allowable at a rate "**up to 30%**" of the specific agency's payroll and fringe benefits. Some agencies, due to size, cannot calculate their specific overhead rate. In such cases, the Cost Accounting Policies and Procedures Manual of the California Uniform Public Construction Cost Accounting Commission allows for a fixed overhead rate billing dependant on city size.

The Measure M2 CTP guidelines, currently scheduled to be approved by the Board in January 2010, includes the word "actual" to now state "actual overhead at allowable rate up to 30% of payroll and fringe benefits

OCTA's written responses to the other matters identified in our audit are described above. We did not audit OCTA's responses, and accordingly, we express no opinion on them.

Should you have any questions regarding this matter, please do not hesitate to call me at (949) 474-2020 extension 244, or Sam Perera at extension 272.

Sincerely,

MAYER HOFFMAN McCANN P.C.



Marcus D. Davis, CPA
Shareholder