



March 17, 2010

To: Finance and Administration Committee
From: Will Kempton, Chief Executive Officer
Subject: Financial and Compliance Audit of Costs Claimed Under Combined Transportation Funding Program Project Number 99-STAN-SIP-1192, City of Stanton

Overview

An audit has been completed of a project funded through the Combined Transportation Funding Program of Measure M for the City of Stanton by audit firm Mayer Hoffman McCann P.C. Auditors concluded that the City of Stanton was in compliance with the Combined Transportation Funding Program Guidelines.

Recommendation

Receive and file the financial and compliance audit of Combined Transportation Funding Program Project Number 99-STAN-SIP-1192, City of Stanton.

Background

The Fiscal Year 2008-09 Internal Audit Plan Audit included Combined Transportation Funding Program (CTFP) project audits. Audits of eight CTFP projects were performed by external audit firm Mayer Hoffman McCann P.C. (MHM) and audit reports were issued and presented to the Orange County Transportation Authority (OCTA) Board of Directors on February 8, 2010.

Among the projects selected for audit was one for the City of Stanton (City). Auditors questioned all expenditures due to a lack of supporting documentation. However, subsequent to the report's issuance, the City notified OCTA that supporting documentation had been located. The OCTA Board of Directors requested that a review of the located documents be performed.

Discussion

MHM has completed its review of documentation provided by the City and has issued a report confirming that costs submitted were eligible and properly supported.

MHM also indicated that the match requirement for this project was not met by \$1,520; however, MHM reported that OCTA had reviewed and accepted this project in combination with a second traffic signal project. Combined, the City met the required 20 percent match for the two projects. As such, a finding related to this matter was not made.

Summary

An audit has been completed of a CTFP project of the City of Stanton. External audit firm MHM has concluded that expenditures by the City for the project were in compliance with CTFP guidelines.

Attachment

- A. 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

Approved by:



Kathleen M. O'Connell
Executive Director, Internal Audit
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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 February 26, 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.

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	\$ -	\$ -	\$ -
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. We noted that the City reported expenditures for this project along with another SIP project at Cerritos Avenue/Dale Street. The expenditures and match costs for these two projects were reported and invoiced together. Auditors reviewed all supporting documentation for both projects during this audit. When expenditures and match costs for the two projects are separated, we noted that the 20% matching requirement was \$1,520 short for the Cerritos Avenue/Western Avenue project; however, the Orange County Transportation Authority renewed and accepted the accounting for these projects and the related match requirements in a combined format.

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

(1) General Information (Continued)

and approved in a combined form, no finding was made regarding the match requirement for the Cerritos Avenue/Western Avenue 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.



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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 February 26, 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 identify 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 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 Stanton and is not intended to be and should not be used by anyone other than those specified parties.



Irvine, California
February 26, 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 of 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

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.