



I n t e r n a l A u d i t D e p a r t m e n t

O R A N G E C O U N T Y

AUDIT HIGHLIGHT JANUARY 6, 2014

INTERNAL CONTROL AUDIT

OC WASTE & RECYCLING CONTRACT ADMINISTRATION FOR THE LA PATA AVENUE GAP CLOSURE PROJECT Audit No. 1334

WHAT THE AUDIT DID

At the request of OC Waste & Recycling (OCWR), we audited contract administration processes to evaluate compliance with the terms and conditions in the Memorandum of Understanding (MOU) between OCWR and OC Public Works (OCPW) for the La Pata Avenue Gap Closure Project, and to evaluate OCWR's accounting and budgetary practices in fulfilling its financial obligations to the project that is estimated to cost between **\$80 - \$110 million**.

WHY IS THIS AUDIT IMPORTANT?

On October 22, 2002, the Board of Supervisors approved a Settlement Agreement with the Rancho Mission Viejo Company. The agreement included a provision that the County's Integrated Waste Management Department, now known as OC Waste & Recycling, is responsible for **7.2% of the project costs** to improve, widen, realign, reconstruct or extend La Pata Avenue or any portion of La Pata Avenue to meet primary arterial highway standards. This project will widen La Pata Avenue from three to five lanes from south of Ortega Highway in the City of San Juan Capistrano to the existing road terminus at the Prima Deshecha Landfill. In February 2009, OCWR and OC Public Works (OCPW) entered into a Memorandum of Understanding (MOU) that stipulated cost sharing for the construction of the La Pata Avenue Project.

WHAT THE AUDITORS FOUND?

Our audit found that OCWR is in compliance with selected terms and conditions in the MOU with OC Public Works, and that OCWR's accounting and budgetary practices are generally in place to fulfill its financial obligations to the project. Our audit identified **three (3) Significant Control Weaknesses** and **five (5) Control Findings** to enhance contract administration processes for the La Pata Avenue Gap Closure Project.