



**May 21, 2026**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit Department

**Subject:** Audit of Toll Lanes Integrator System

### **Overview**

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of oversight, contract compliance, and invoice review controls related to the contract with Kapsch Trafficom USA, Incorporated, for provision of toll lanes integrator systems. Based on the audit, management should implement controls to ensure contract terms are enforced, damages and fee adjustments are applied, work is not authorized until applicable amendments are executed, and invoice packages are complete.

### **Recommendation**

Direct staff to implement four recommendations provided in the Audit of Toll Lanes Integrator System, Internal Audit Report No. 26-501.

### **Background**

On June 14, 2018, OCTA entered into Agreement No. C-71911 (contract), with Kapsch Trafficom USA, Incorporated (Kapsch) to design, implement, install, operate, and maintain toll lane integrator systems on the 405 and 91 Express Lanes (EL). The contract is divided into two phases, an Implementation Phase and an Operations and Maintenance Phase. The Implementation Phase includes the design, testing, and installation of new toll lanes integrator systems on both the 91 EL and the 405 EL. After the go-live date of each EL system, the contract transitioned to the Operations and Maintenance Phase, which includes toll operations, system maintenance, and software maintenance.

The contract includes firm-fixed prices for completed and approved milestones during the Implementation Phase, along with liquidated damages to be assessed

for failure to meet guaranteed completion dates. Following the Implementation Phase, the contract entered the Operations and Maintenance Phase, which includes fixed-monthly pricing for operations and maintenance services and variable unit pricing for image review services. The contract outlines performance standards and penalties to be assessed for failure to meet the standards. Kapsch is required to develop and submit reports that reflect performance against standards along with their monthly invoices.

The Express Lanes Department utilizes Parsons Transportation Group, Incorporated (Parsons) to assist with project and contract oversight, including approval of project milestones and review of monthly performance reports provided by Kapsch. Invoices are reviewed by the assigned project manager and approved by the general manager.

### ***Discussion***

Kapsch failed to meet guaranteed completion dates for system implementation, and liquidated damages, totaling \$3,150,000, were not assessed. System implementation for the 91 EL was approximately three months late, while implementation of the 405 EL was over eight months late. The Internal Audit Department (Internal Audit) recommended management collect liquidated damages due, or document and obtain appropriate approval for waiver of such damages. Management asserted that delays in system implementation were not the responsibility of Kapsch and, as a result, damages were not assessed. Management agreed that decisions regarding waiver of the liquidated damages should have been documented and the contract amended to reflect the revised guaranteed completion dates.

Kapsch failed to provide complete performance measure reports, and to date, OCTA has not imposed contractually outlined fee adjustments against invoiced amounts. Monthly reports were required to be provided upon commencement of the Operations and Maintenance Phases, which began on April 1, 2020, and December 1, 2023, for the 91 and 405 EL, respectively. Reports that were provided, starting in August 2024, were largely insufficient to determine performance against standards and estimate penalties due. Internal Audit recommended management collect penalties due and implement procedures to ensure enforcement of contract penalty provisions going forward. Management agreed and indicated they are currently working with Kapsch to determine penalty amounts to be applied for both current and prior activities.

Management directed Kapsch to perform additional work prior to obtaining contract authorization for the work through an amendment. Amendment No. 11, authorizing additional work valued at \$3,965,452, was executed on

June 24, 2024; however, the work performed for this amendment occurred more than six months prior to the amendment date. Internal Audit recommended management not authorize additional work prior to execution of an amendment for such work and improve processes to ensure amendments are timely requested and executed. Management agreed that additional work should not be performed prior to the execution of an amendment authorizing such work.

Invoice packages lacked adequate supporting documentation. The contract requires invoices to be accompanied by a monthly progress report, an updated baseline implementation schedule (for milestone payments), and system generated reports to support charges for image review services. Of the 23 invoices tested, all lacked a monthly progress report as well as a system report supporting image review services, and four of the six invoices for milestone payments lacked an updated baseline implementation schedule. Internal Audit recommended management develop and implement an invoice review checklist to ensure all invoice requirements are met and develop a method to independently obtain system data supporting image review service charges. Management agreed and indicated that an invoice review checklist and a process to verify image review services have been implemented.

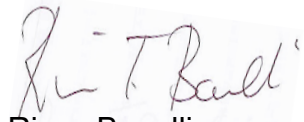
**Summary**

Internal Audit has completed an audit of oversight, contract compliance, and invoice review controls related to the contract with Kapsch and has offered four recommendations for improvement.

**Attachment**

- A. Audit of Toll Lanes Integrator System

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