

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Contracts with Mott MacDonald Group, Inc. for Program Management and Planning Support Services

Internal Audit Report No. 26-508

March 11, 2026



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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of the contracts with Mott MacDonald Group, Inc. (Mott MacDonald) for program management and planning support services. Based on the audit, procurements were handled in accordance with policies and procedures, and Mott MacDonald is providing services in compliance with their contracts. However, recommendations have been made to recover consultant overbillings, enhance review of allowances, and strengthen requirements over consultant timesheets.

Background

Effective September 24, 2023, OCTA entered into Agreement No. C-2-2855 with Mott MacDonald for program management consultant services for Capital Programs (capital programs contract) for the Highway Programs and Rail Departments. The payment method is a specified rate of compensation basis, with an original maximum obligation of \$40,525,384, and the term goes through September 23, 2028, with a 24-month option term. Fourteen amendments have been executed that add sub-consultants, change sub-consultant functions, replace key personnel and change functions, add named personnel, add other direct cost items, add supplemental terms related to liability and indemnification, and add program management consultant services for coastal rail projects to the scope of work. On November 24, 2025, the Board of Directors authorized the Chief Executive Officer to negotiate and execute Amendment No. 15 in the amount of \$38,774,000 for additional program consultant services.

Effective August 14, 2023, OCTA entered into Agreement No. C-3-2501 with Mott MacDonald for consultant services for regional rail planning support. OCTA pays Mott MacDonald on a time-and-expense basis, with a maximum obligation of \$250,000, and the term goes through July 31, 2026. Amendment No. 1 revised key personnel and added a subcontractor for coastal permitting.

Effective March 4, 2024, OCTA entered into Agreement No. C-3-2949 with Mott MacDonald for transit planning support services. OCTA pays Mott MacDonald on a time-and-expense basis, with a maximum obligation of \$250,000, and the term goes through February 28, 2027.

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Objectives, Scope, and Methodology

The objectives were to assess and test oversight controls, contract compliance, and invoice review controls related to the Mott MacDonald agreements for program management consultant services for capital programs, transit planning support services, and regional rail planning support.

The methodology consisted of testing compliance with selected procurement policies and procedures, testing amendments for compliance with procurement policies and procedures, and assessing invoice review controls and testing invoices for compliance with controls, policies, and contract provisions.

The scope was limited to the three contracts and all amendments to the contracts. The scope also included invoices paid from contract inception through January 2026.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Audit Comments, Recommendations, and Management Responses

Use of Field versus Office Overhead Rate

Several consultant staff are being billed using office overhead rates, rather than field overhead rates, resulting in overbillings of \$233,958.

Office and field overhead rates for Mott MacDonald and several sub-consultant firms are agreed upon and listed in the contract schedules. Field overhead rates should be used to calculate labor billing rates when consultant employees work primarily at OCTA-provided offices or project sites. Office overhead rates are only applied when consultant employees work primarily out of consultant offices.

Internal Audit identified six consultant staff who are being billed using office overhead rates, even though they work primarily at OCTA-provided offices and/or project sites. Internal Audit calculated the overbillings at \$233,958. It should be noted that one of the employees is also being billed using an office overhead rate under an unrelated contract with OCTA.

Recommendation 1:

Internal Audit recommends that management recover the overbillings and establish a process to evaluate and enforce when consultant staff should be billed using a field overhead rate.

Management Response:

Management agrees with the recommendation and will recover \$224,765. Staff conducted a detailed evaluation of the billing rate for the six consultants in question and based on this review, five of the six consultants will be reclassified to field overhead rates. The consultants have been notified of the overbilling issue, and OCTA will recover the overbillings. Going forward, as projects evolve, staff will continue to monitor consultant level of effort needed as well as work locations to ensure billing remains consistent with the appropriate overhead rates. This will be documented and used to evaluate and enforce when consultant staff are required to utilize a field overhead rate.

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One of the six consultants identified will continue to utilize the office overhead rate, as that individual works primarily out of the consultant's home office and works part-time on OCTA projects.

Overbillings and Questioned Costs

Internal Audit questioned several invoiced cost items, as follows:

- Mott MacDonald triple-billed for an airline ticket, resulting in overbillings of \$1,196.31.
- One sub-consultant staff member was billed at a rate higher than their contracted rate, resulting in an overbilling of \$349.72.
- One invoice overcharged for sub-consultant services in the amount of \$281.20.
- Another sub-consultant billed staff at an increased labor rate for work performed prior to the effective date of the related contract amendment, resulting in an overbilling of \$4,972.80.
- Mott MacDonald began billing a monthly vehicle allowance of \$1,100 for one of its principal project managers starting in December 2023. While the vehicle allowance amount is included in contract schedules, Internal Audit questioned the necessity of a vehicle allowance for a principal project manager based primarily out of OCTA headquarters. Prior to authorization of the vehicle allowance, invoices included mileage reimbursements of approximately \$35 per month for this principal project manager.
- A monthly cell phone allowance of \$75 is charged for two sub-consultant staff members; however, Internal Audit questioned the inclusion of cell phone allowance in the contract schedule, as these charges are typically considered "tools of the trade" and the cost of such included in the overhead cost pool.
- One sub-consultant staff member commutes regularly from San Diego County to the City of Santa Ana, either for an overnight stay, or for the day. This sub-consultant regularly claims per diem whether or not the trip includes an overnight stay. Internal Audit noted several instances whereby the day travel did not appear to meet the 12-hour threshold required to claim per diem, according to federal rules.

Recommendation 2:

Internal Audit recommends that management recover the identified overbillings, negotiate and remove cell phone allowance from the contract schedule, reconsider the necessity of paying a vehicle allowance versus providing mileage reimbursement, and ensure per-diem costs associated with same-day travel comply with federal guidance.

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Management Response:

Management agrees with the recommendation and will recover the identified overbillings in the first four bullets.

Regarding the monthly vehicle allowance noted in the fifth bullet, this vehicle allowance is included in the executed consultant agreement and is being utilized by 11 different individuals from that consultant to access multiple highway, transit, and rail projects, including the Coastal Rail Stabilization Priority Project.

Regarding cell phone allowances, OCTA will recover this overbilling, and the sub-consultant agrees to not charge for cell phone allowances going forward.

Regarding the last bullet, OCTA staff has reviewed and confirmed that in some cases, the subconsultant overbilled for per diem, and OCTA will recover the overbillings associated with this issue. Going forward, the subconsultant and OCTA staff will review per-diem claims to ensure they comply with federal requirements.

Consultant Timesheets

Mott MacDonald and several sub-consultants do not submit original, complete timesheets to support labor hours billed.

Under the capital programs contract, Mott MacDonald and several sub-consultants are submitting partial timesheets, time reports, or other documents that show only the hours billed to each OCTA project. Complete timesheets should reflect all hours worked by employees, including administrative time and time charged to other projects. When consultants export timesheet information, remove hours associated with other projects, and manually add information, there is less assurance about the validity of the employee timesheets.

Under the transit planning support services contract, invoices do not include any timesheets or time reports to support labor hours billed.

Recommendation 3:

Internal Audit recommends that management require consultants to submit original, complete employee timesheets that reflect all hours worked.

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Management Response:

Management agrees with the recommendation and will require the consultants to submit complete employee timesheets. The division has coordinated with the Planning Division on this response.