



December 3, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: State Route 55 Improvement Project Between Interstate 405 and Interstate 5, Design and Construction Management, Internal Audit Report No. 26-504

Overview

The Internal Audit Department has completed an audit of the design and construction management contracts for the State Route 55 Improvement Project between Interstate 405 and Interstate 5. Based on the audit, oversight and invoice review controls are in place and operating effectively and consultants comply with their respective agreements; however, one recommendation was made to enhance controls over amendment processing.

Recommendation

Direct staff to implement the recommendation provided in the State Route 55 Improvement Project Between Interstate 405 and Interstate 5, Design and Construction Management, Internal Audit Report No. 26-504.

Background

The Orange County Transportation Authority (OCTA), in partnership with the California Department of Transportation, is implementing the State Route 55 (SR-55) Improvement Project between Interstate 405 (I-405) and Interstate 5 (I-5) (project). The four-mile-long project will add general purpose and high-occupancy vehicle (HOV) lanes in each direction between I-405 and I-5 and will also add auxiliary lanes between interchanges. The budget is \$410,908,000, and the current forecast at completion is \$505,719,000. The project is in the construction phase, with the baseline plan estimating construction completion in February 2027 and the current forecast estimating completion in March 2027.

Effective February 5, 2018, OCTA entered into Agreement No. C-7-1719 with WKE, Inc. for the preparation of plans, specifications, and estimates for the project. The agreement is a firm-fixed price contract, with an original value of \$16,891,455, and an initial term through December 31, 2024. Subcontractors are HNTB Corporation, Earth Mechanics, Inc., Group Delta Consultants, Inc., FPL and Associates, Inc., Tatsumi and Partners, Inc., Guida Surveying, Inc., and Utility Specialists, Inc. Subcontractors were added, key personnel were revised, and services were added to the scope of work through ten amendments, increasing the firm-fixed price to \$21,117,055.48. Amendment No. 11 revised key personnel and extended the contract term through December 31, 2026.

Effective October 21, 2021, OCTA entered into Agreement No. C-0-2582 with AECOM Technical Services, Inc. for construction management (CM) support services for the project. The agreement is a time and expense contract, with an original maximum obligation of \$18,524,620, and an initial term through September 30, 2025. The subcontractors are Fountainhead Consulting Corporation, HDR Construction Control Corporation, Analyzer International, Inc., Ghirardelli Associates, Inc., V&A, Inc., Ninyo & Moore, and Guida Surveying, Inc. Amendments No. 1 and No. 2 revised key personnel and added staff. Letter Amendments No. 3 through No. 6 revised the contract schedules and extended the term through September 25, 2026. Amendment No. 7 increased the maximum obligation to \$24,797,276 and extended the term through June 30, 2027.

Discussion

Staff did not follow all applicable procedures when processing amendments to the CM contract. The Internal Audit Department (Internal Audit) identified instances whereby staff did not validate an added staff pay rate, added staff at a rate exceeding the contract escalation limit, added staff already named in the contract at rates exceeding their authorized rates, and back-dated two letter amendments one to five days earlier than allowed by procedures. In addition, other direct cost amounts supporting an increase to the contract maximum obligation were not adequately scrutinized.

Internal Audit recommends controls be strengthened over amendment processing to ensure labor rates are validated and compliant with contract provisions, amendments comply with effective dating procedures, and other direct cost estimates are reasonable and supported. Management agreed to establish a standardized procedure to ensure that all required information and supporting documentation are obtained, verified, and provided prior to processing of any amendment. Management will also conduct department

refresher training and ensure appropriate justification and supporting documentation for other direct costs are provided and retained.

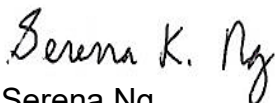
Summary

Internal Audit has completed an audit of the design and construction management of the State Route 55 Improvement Project Between Interstate 405 and Interstate 5 and offered one recommendation for improvement.

Attachment

- A. State Route 55 Improvement Project Between Interstate 405 and Interstate 5, Design and Construction Management, Internal Audit Report No. 26-504

Prepared by:



Serena Ng
Senior Manager, Internal Audit
714-560-5938

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591