



October 25, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Limited-Scope Audit: Right-of-Way Acquisition Activities for Interstate 405 Improvement Project, Internal Audit Report No. 18-502

Overview

The Internal Audit Department has completed a limited-scope audit of right-of-way acquisition activities for the Interstate 405 Improvement Project. Based on the audit, administrative settlement and incentive program payments have been properly authorized and reported to the Board of Directors; however, initial activities were not reported timely, and reports are not provided as frequently as requested by the Regional Planning and Highways Committee and the Board of Directors.

Recommendation

Direct staff to implement the recommendation provided in Limited-Scope Audit: Right-of-Way Acquisition Activities for Interstate 405 Improvement Project, Internal Audit Report No. 18-502.

Background

The Interstate 405 Improvement Project (I-405 Project) will add one general purpose lane in each direction from Euclid Street to Interstate 605 (I-605), consistent with the voter-approved Measure M2 Project K. The I-405 Project will also construct an additional lane in each direction that will be combined with the existing high-occupancy vehicle lane to provide dual express lanes in each direction from State Route 73 to I-605. As the lead agency in the property acquisition phase, the Orange County Transportation Authority (OCTA) acquires all necessary property for the I-405 Project.

The Regional Planning and Highways Committee (RP&H) and the Board of Directors (Board) authorized an increase in the Chief Executive Officer's administrative settlement authority and implementation of an incentive payment program, which offers an incentive of 20 percent of the appraised value, with a minimum of \$1,000 and maximum of \$100,000, to all property owners that execute an agreement within 60 days of written offer. Staff was directed to provide monthly reporting of the settlements.

The scope of the audit was limited to compliance with approval and reporting requirements for administrative settlements and the incentive payment program. The scope excluded assessment of compliance with state and federal laws and regulations

Discussion

The reporting of administrative settlements and contracts executed under the incentive payment program did not begin timely, and reports are not provided monthly as requested by the RP&H and the Board. The first report was provided on January 31, 2017, as part of legal counsel's quarterly litigation report to the Board; however, this was several months after the first contracts were signed. The Internal Audit Department (Internal Audit) also identified some minor errors in the dates, amounts, and descriptions in the administrative settlement and contract lists included in the report. Internal Audit recommended that management develop written procedures for the reporting of administrative settlements and contracts executed under the incentive payment program for the I-405 Project. Management responded that written procedures have been drafted.

Summary

Internal Audit completed the audit and offered one recommendation for improvement.

Attachment

- A. Limited-Scope Audit: Right-of-Way Acquisition Activities for Interstate 405 Improvement Project, Internal Audit Report No. 18-502

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