





June 25, 2025

To: Finance and Administration Committee  For

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director 
Internal Audit

Subject: Project Controls, Internal Audit Report 25-513

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of the Project Controls function within the Capital Programs Division. Based on the audit, project changes are properly documented and approved, invoices are properly reviewed and approved, and project master schedules, monthly progress reports, and capital action plans are timely prepared and distributed. One recommendation has been made to improve verification of consultant-billed labor hours.

Recommendation

Direct staff to implement one recommendation provided in Project Controls, Internal Audit Report No. 25-513.

Background

Project Controls (PC) acts as an essential support function to the Capital Programs Division by developing and monitoring project schedules, budgets, and progress reports for the various capital improvement projects, and by performing detailed reviews of consultant invoices to support documentation prior to review and authorization for payment by management.

Program management procedures establish program control practices and outline key responsibilities of PC and project management staff. PC staff compiles and distributes project master schedules and monthly progress reports, reviews and approves project change requests, performs review of consultant invoices, and prepares capital action plan reports that are presented to the Board of Directors (Board) on a quarterly basis.

The Capital Action Plan (CAP) report presented to the Board on February 10, 2025, reflected 35 Measure M2-funded projects and four freeway projects, totaling approximately \$6.28 billion. The CAP also included the status of nine grade separation projects totaling \$0.73 billion, and 13 rail and station projects totaling \$1.17 billion.

Discussion

Staff should obtain timesheets to verify the accuracy of labor hours billed. Acceptance of manually prepared, summary-level labor hour reports increases the risk of overpayments and decreases the ability for project managers to assess the reasonableness of the hours being charged. PC management indicated they accept directions from individual project managers as to what is acceptable support for labor hours billed. Internal Audit recommended PC staff require timesheets to support labor hours billed and require Capital Programs Executive Director approval, rather than individual project manager approval, for exceptions to invoice review requirements. Management agreed and will implement the recommendation.

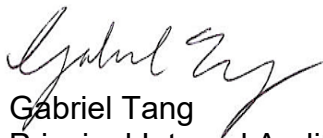
Summary

Internal Audit has completed an audit of the PC function within the Capital Programs Division and has offered one recommendation for improvement.

Attachment

- A. Project Controls, Internal Audit Report No. 25-513

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Approved by:


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