



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Steve Jones, Vice Chairman
Katrina Foley
Brian Goodell
Patrick Harper
Gene Hernandez
Joe Muller

Orange County Transportation Authority
Headquarters
Conference Room 07
550 South Main Street
Orange, California
Wednesday, July 14, 2021 at 10:30 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the Orange County Transportation Authority (OCTA) Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Guidance for Public Access to the Board of Directors/Committee Meeting

On March 12, 2020 and March 18, 2020, Governor Gavin Newsom enacted Executive Orders N-25-20 and N-29-20 authorizing a local legislative body to hold public meetings via teleconferencing and make public meetings accessible telephonically or electronically to all members of the public to promote social distancing due to the state and local State of Emergency resulting from the threat of Novel Coronavirus (COVID-19).

In accordance with Executive Order N-29-20, and in order to ensure the safety of the OCTA Board of Directors (Board) and staff and for the purposes of limiting the risk of COVID-19, in-person public participation at public meetings of the OCTA will not be allowed during the time period covered by the above-referenced Executive Orders.

Instead, members of the public can listen to AUDIO live streaming of the Board and Committee meetings by clicking the below link:

<http://www.octa.net/About-OCTA/Who-We-Are/Board-of-Directors/Live-and-Archived-Audio/>



Guidance for Public Access to the Board of Directors/Committee Meeting (Continued)

Public comments may be submitted for the upcoming Board and Committee meetings by emailing them to ClerkOffice@octa.net.

If you wish to comment on a specific agenda Item, please identify the Item number in your email. All public comments that are timely received will be part of the public record and distributed to the Board. Public comments will be made available to the public upon request.

In order to ensure that staff has the ability to provide comments to the Board Members in a timely manner, please submit your public comments **90 minutes prior to the start time of the Board and Committee meeting date.**

Call to Order

Roll Call

Pledge of Allegiance

Director Harper

1. Public Comments

Special Calendar

2. Taxable Sales Forecast - California State University, Fullerton Sam Kaur/Andrew Oftelie

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in Spring 2021. Anil Puri, Provost Emeritus and Director of the Woods Center for Economic Analysis from California State University Fullerton will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.



Consent Calendar (Items 3 through 6)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

3. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of June 23, 2021.

**4. Orange County Transportation Authority, Proposition 1B
Bond Program, Project Number P2500-0008**
Janet Sutter

Overview

The California Department of Finance has conducted an audit of Proposition 1B funds awarded to the Orange County Transportation Authority for the Lakeview Avenue Grade Separation, Brookhurst Street Improvements, La Pata Avenue Phase 1, and Laguna Niguel to San Juan Capistrano Passing Siding projects. The audit report found that expenditures were generally in compliance with project agreements and program guidelines; however, four observations were made related to unsupported contract change order expenditures, late submission of final delivery reports, reporting of project benefits/outcomes, and oversight of administering agencies' procurement processes. The results of the audit were transmitted to the California Department of Transportation, which will be responsible for developing a corrective action plan for final disposition of these observations and related recommendations.

Recommendation

Direct staff to work, as requested with the California Department of Transportation on appropriate disposition of the observations and recommendations identified through the audit conducted by the California Department of Finance related to Proposition 1B projects.



5. Fiscal Year 2020-21 Internal Audit Plan, Fourth Quarter Update
Janet Sutter

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2020-21 Internal Audit Plan on July 27, 2020. This update is for the fourth quarter of the fiscal year.

Recommendation

Receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2020-21 Internal Audit Plan as an information item.

6. Fiscal Year 2020-21 Third Quarter Budget Status Report
Anthony Baruch/Andrew Oftelie

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2020-21 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2020-21.

Recommendation

Receive and file as an information item.

Regular Calendar

7. Contractor Selection for the Back-Office System and Customer Service Center Operations for the 405 Express Lanes in Orange County
Kirk Avila

Overview

On June 22, 2020, the Orange County Transportation Authority Board of Directors approved the release of a request for proposals to retain contractor services to provide the back-office system and customer service center operations for the 405 Express Lanes in Orange County. Board of Directors' approval is requested for the selection of a firm to perform the required work.



7. (Continued)

Recommendations

- A. Approve the selection of WSP USA Services Inc., as the firm to provide the back-office system and customer service center operations services for the 405 Express Lanes in Orange County.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2690 between the Orange County Transportation Authority and WSP USA Services Inc., in the amount of \$110,981,893, to provide the back-office system and customer service center operations services for the 405 Express Lanes in Orange County, for an initial term up to eight and a half years, with one three-year, and one two-year option terms.

Discussion Items

8. Chief Executive Officer's Report

9. Committee Members' Reports

10. Closed Session

There are no Closed Session items scheduled.

11. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 28, 2021**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

Economic Outlook

Orange County Transportation Agency

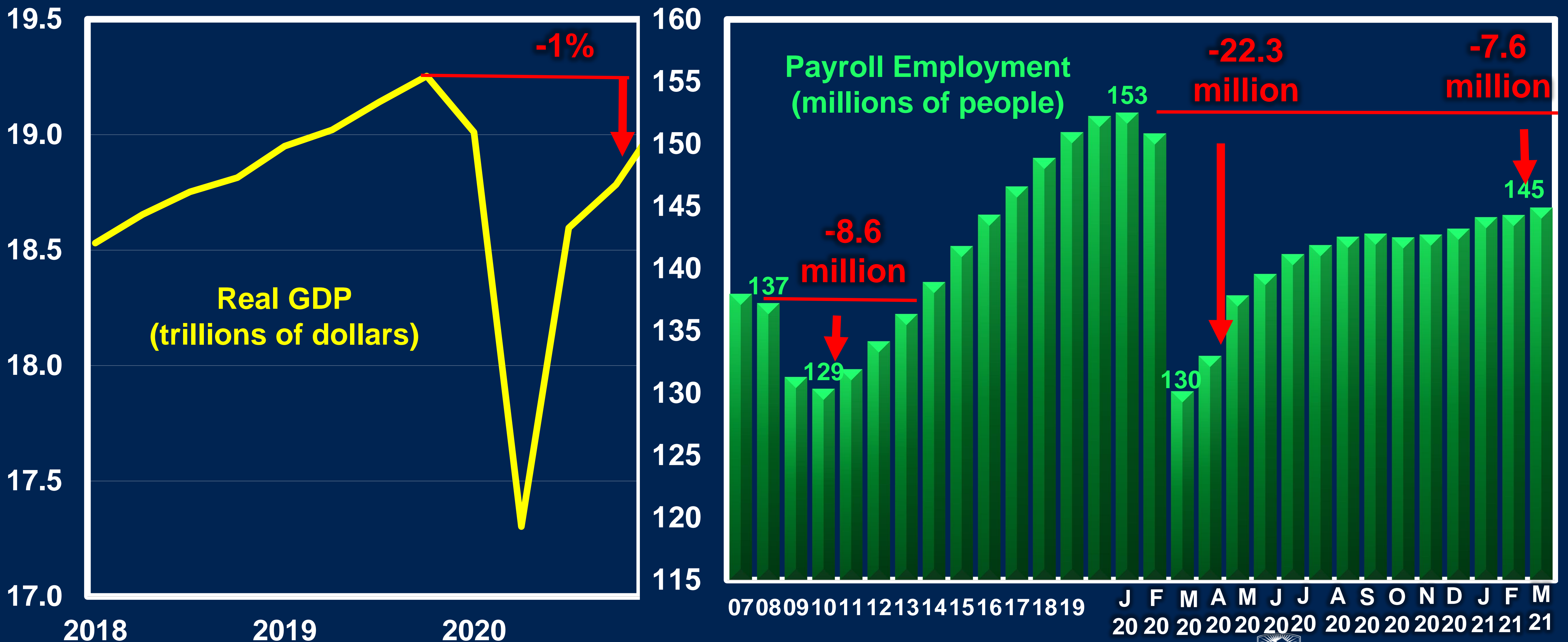
July 2021

Anil Puri, Ph.D.

California State University, Fullerton

The Shortest Recession in History

Recovery Began in May/June 2020 and Has Continued Since

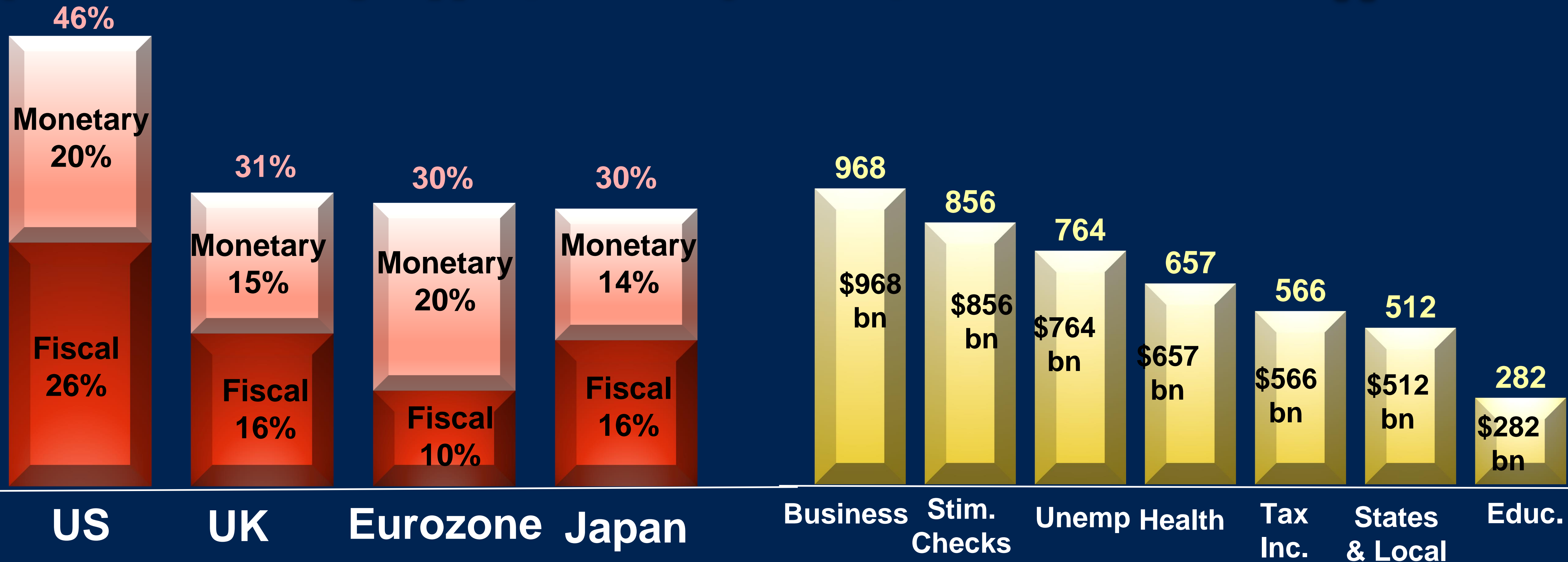


The Era of Big Government Spending is Back

Lavish Government Support Everywhere, Especially in the US

America First: \$10 trillion
(fiscal and monetary support, % of GDP)

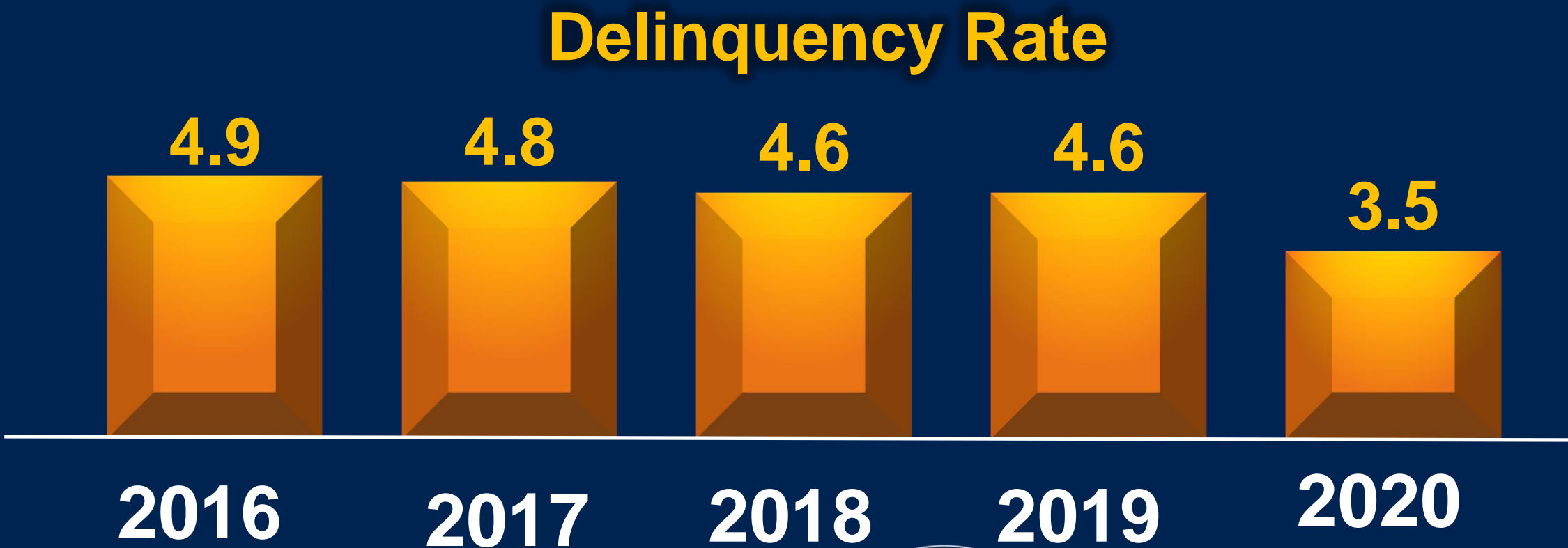
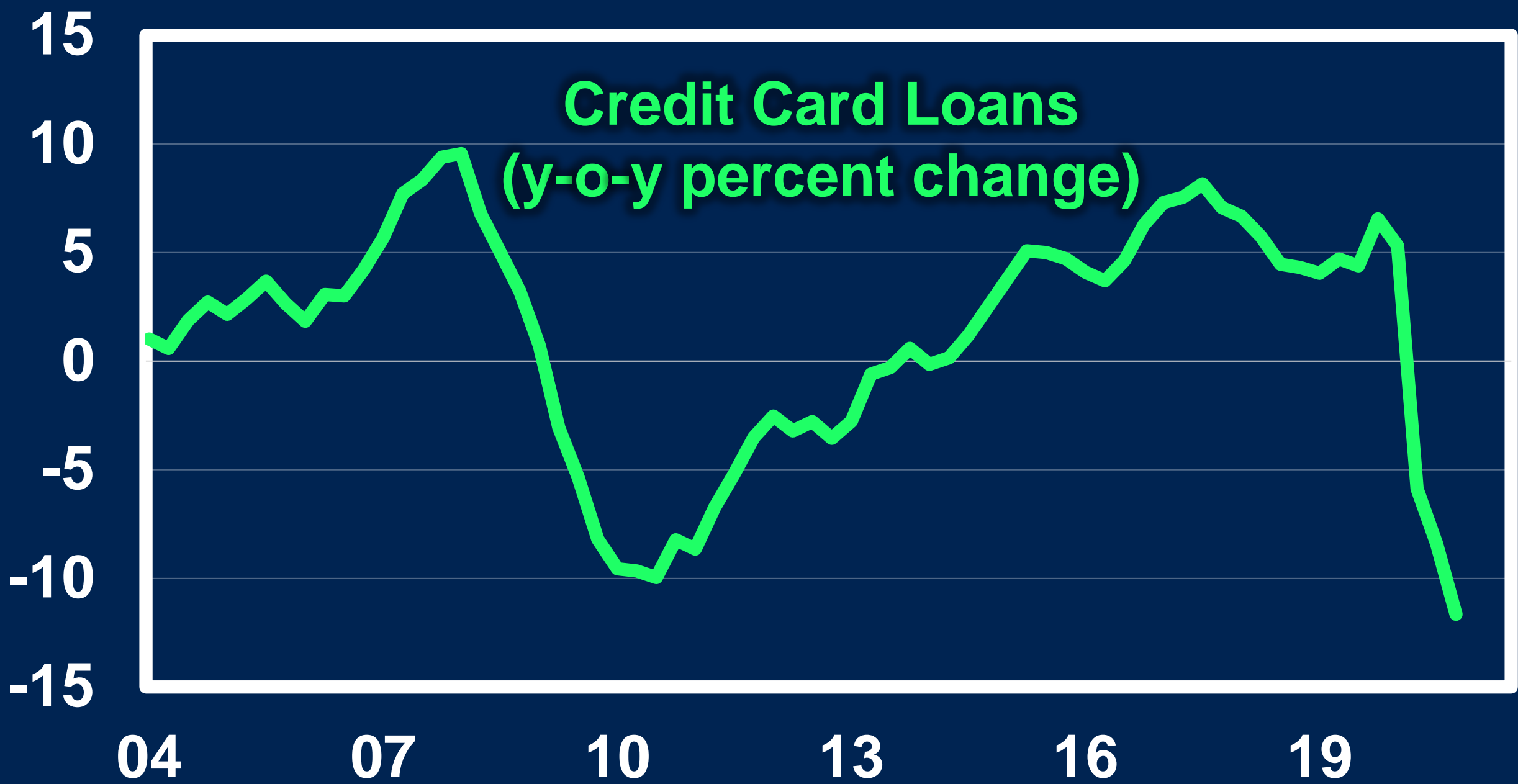
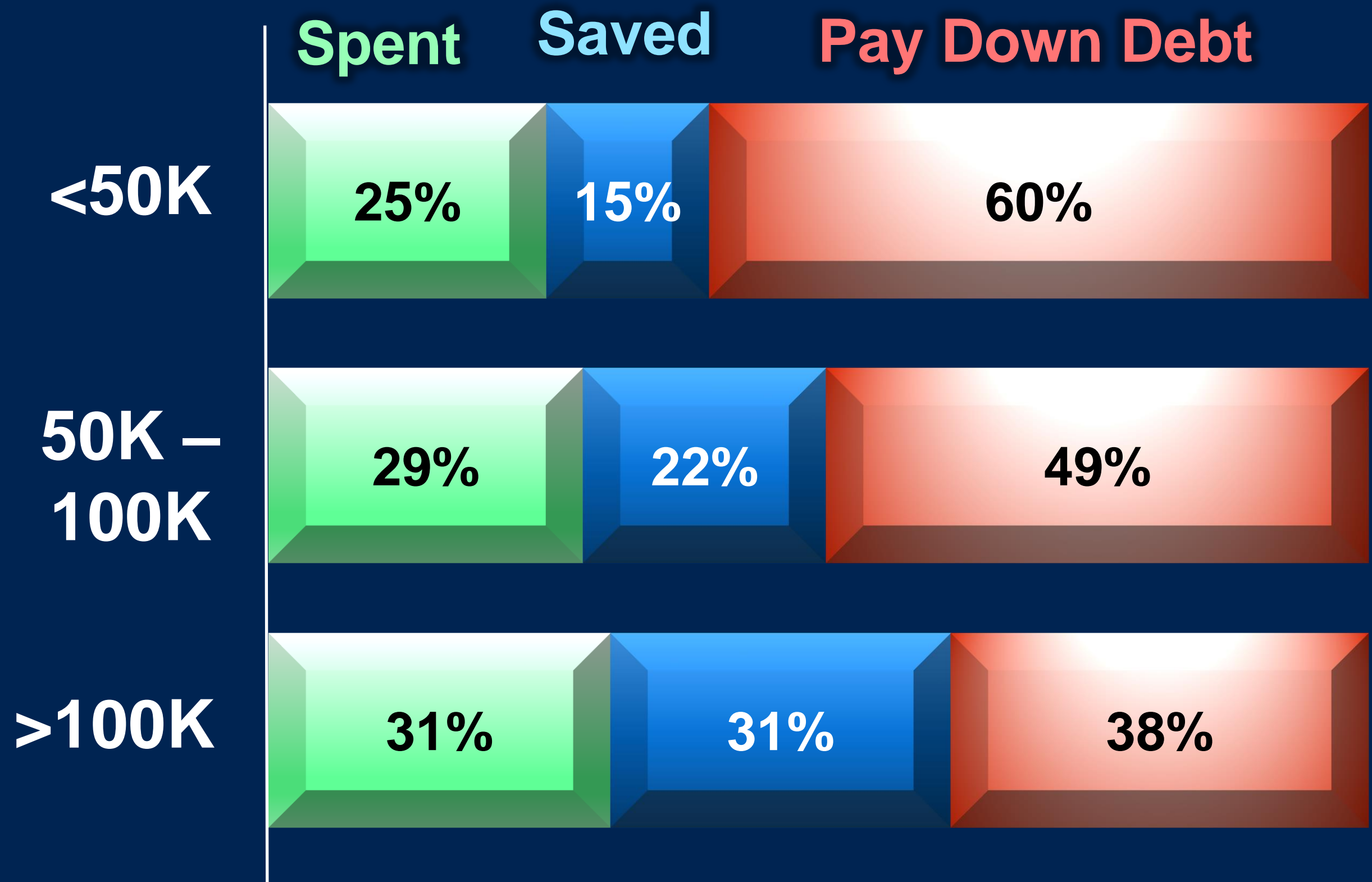
\$6 Trillion in Fiscal Support



Pristine Consumer Balance Sheets

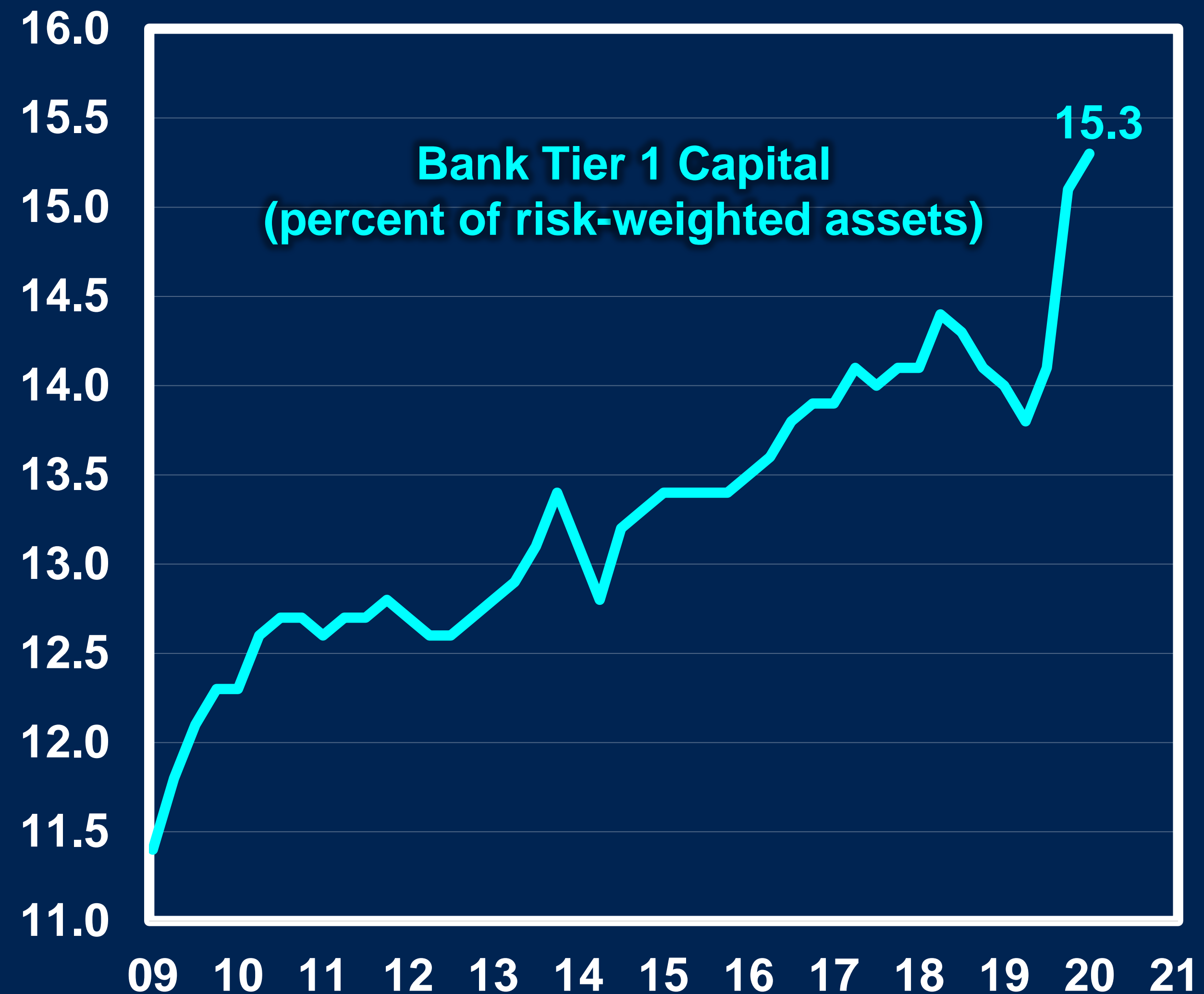
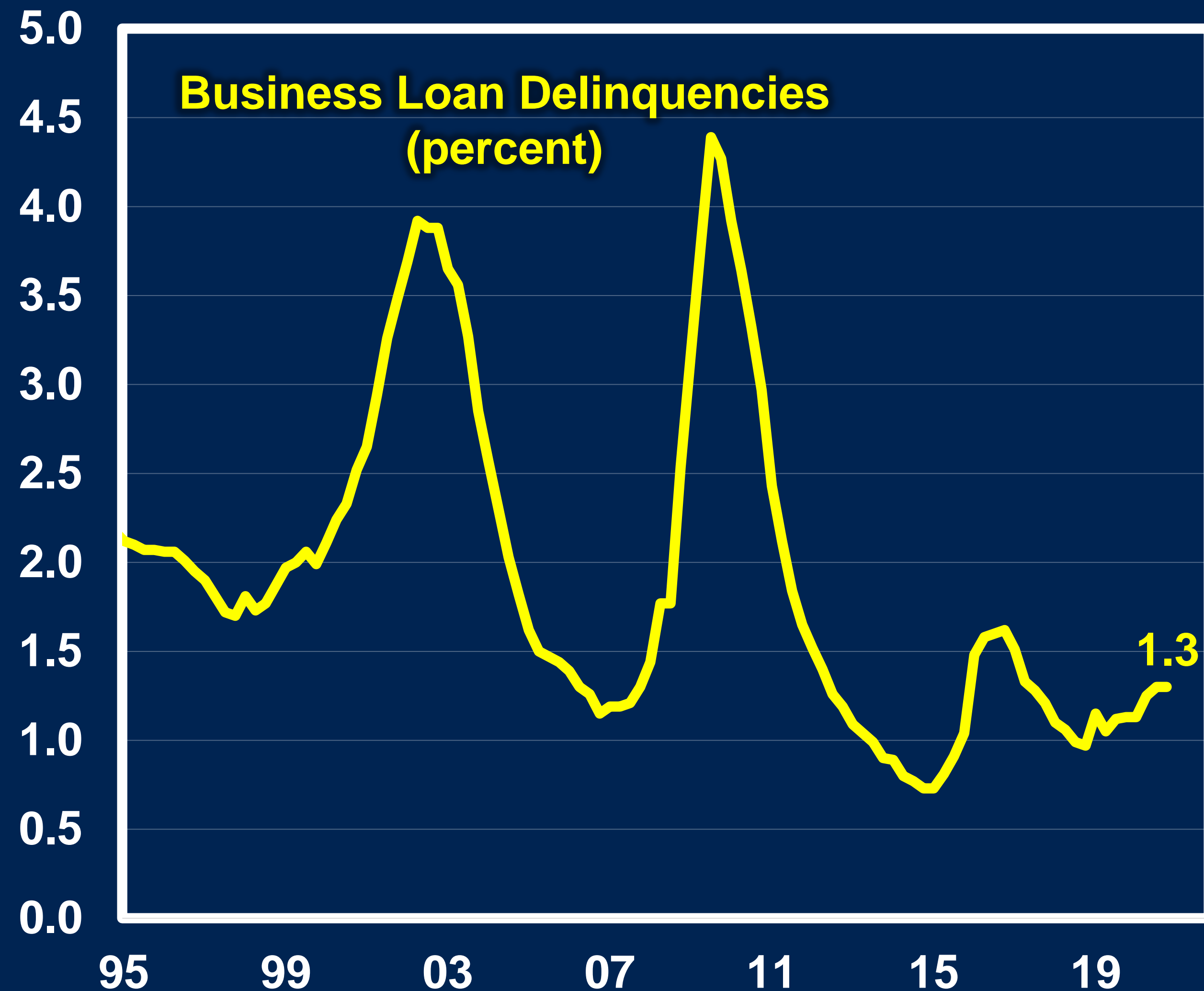
Most Used Stimulus to Pay Down Debt

How Stimulus Was Used



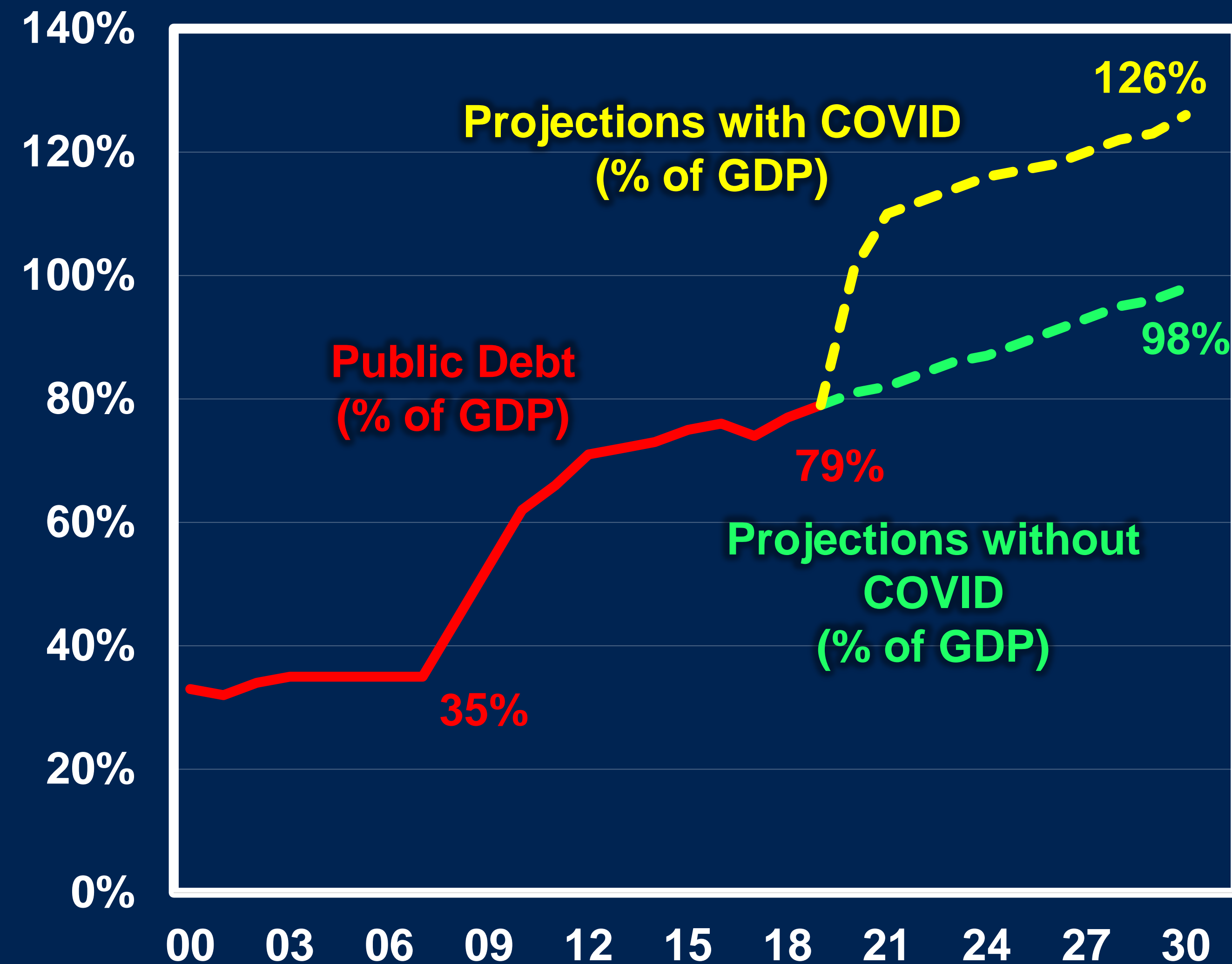
Healthy Business and Banking Sector

Business Delinquencies Remain Low; Banks are Well Capitalized



The Unbearable Lightness of Debt and Inflation

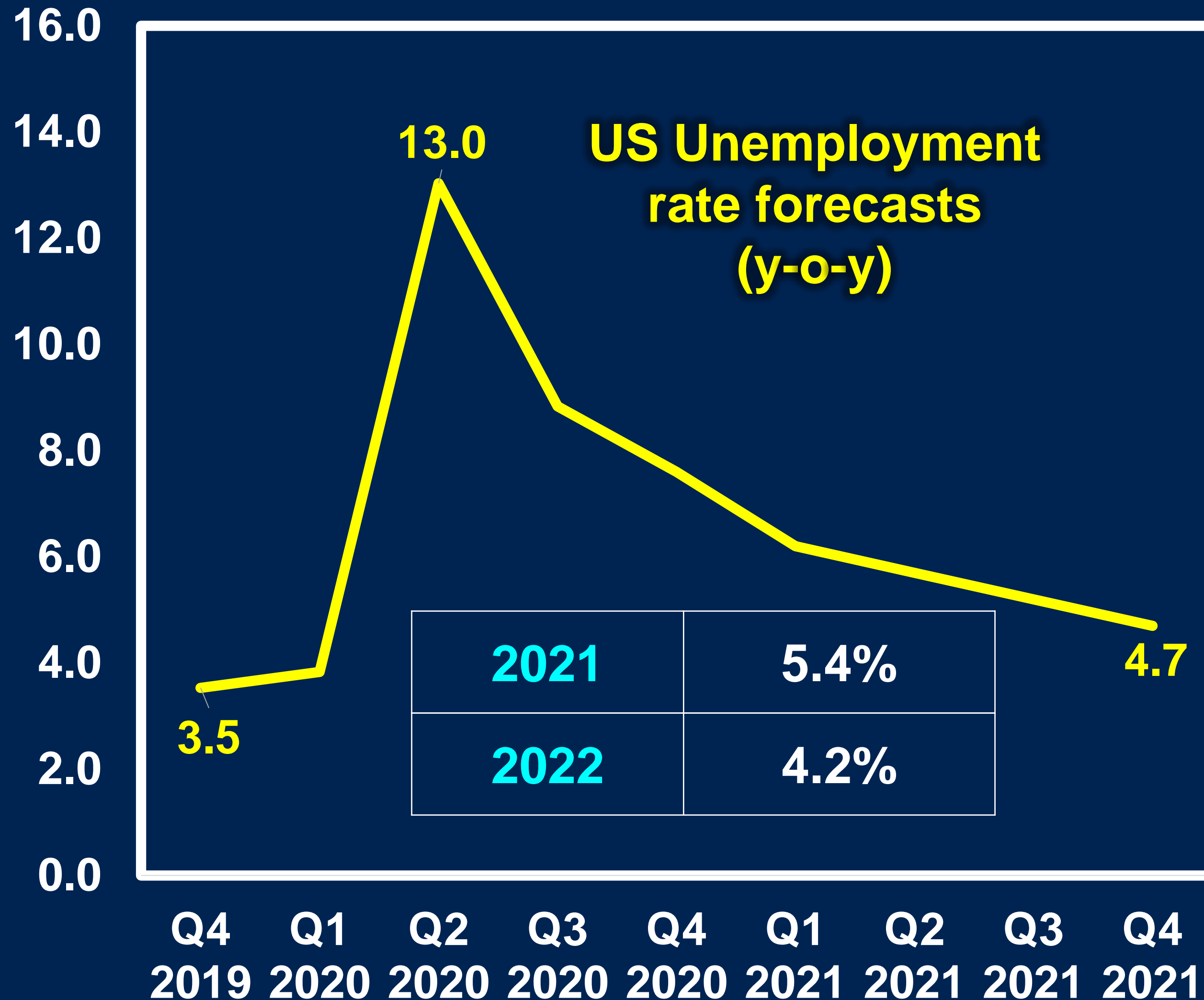
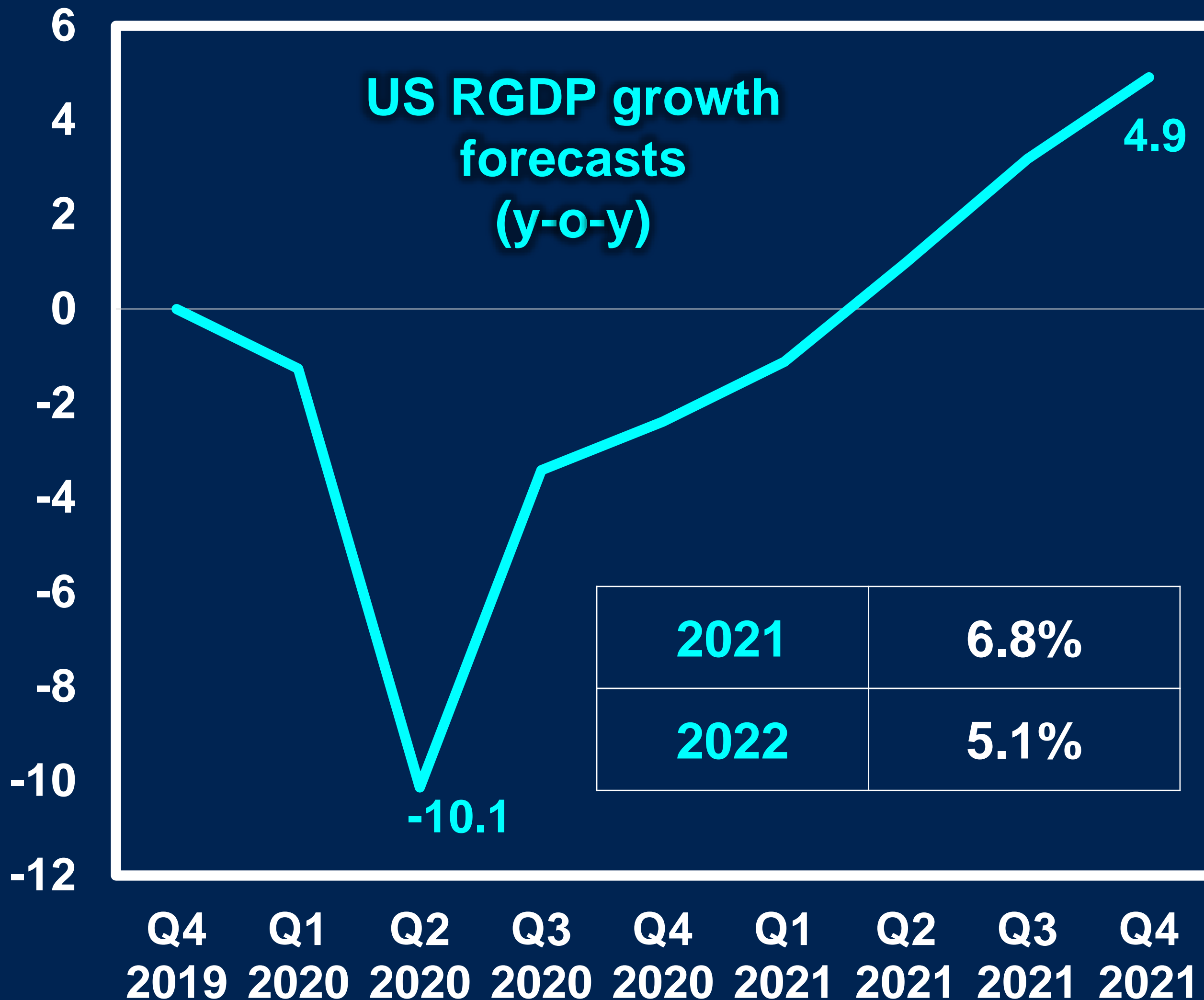
A Fiscal Crisis and Inflation Brewing...Not Now...But Down the Line



Fed	On Hold Until End-23
Markets	Hike End 2022
CSUF	Hike Q3 2022

The New Soaring 20s

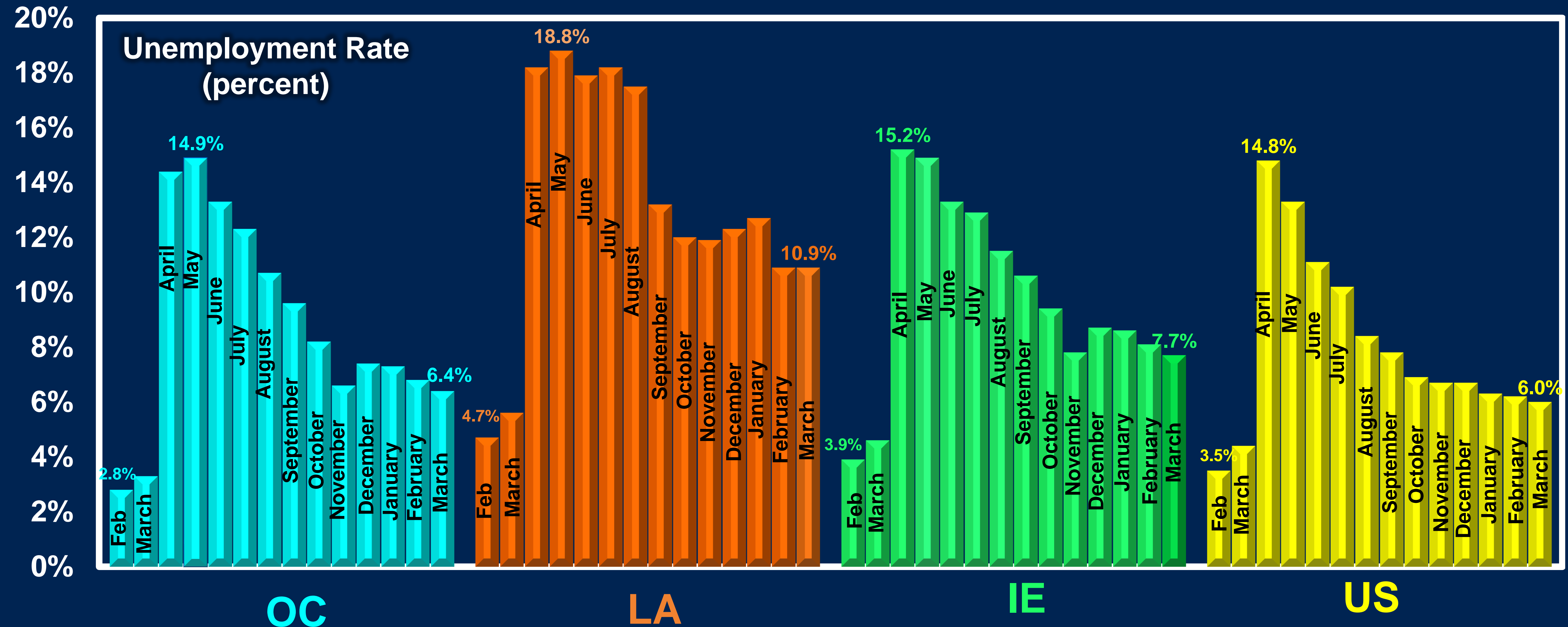
A Juiced Up Recovery Last Seen One Generation Ago



Historic High Unemployment...Has Declined

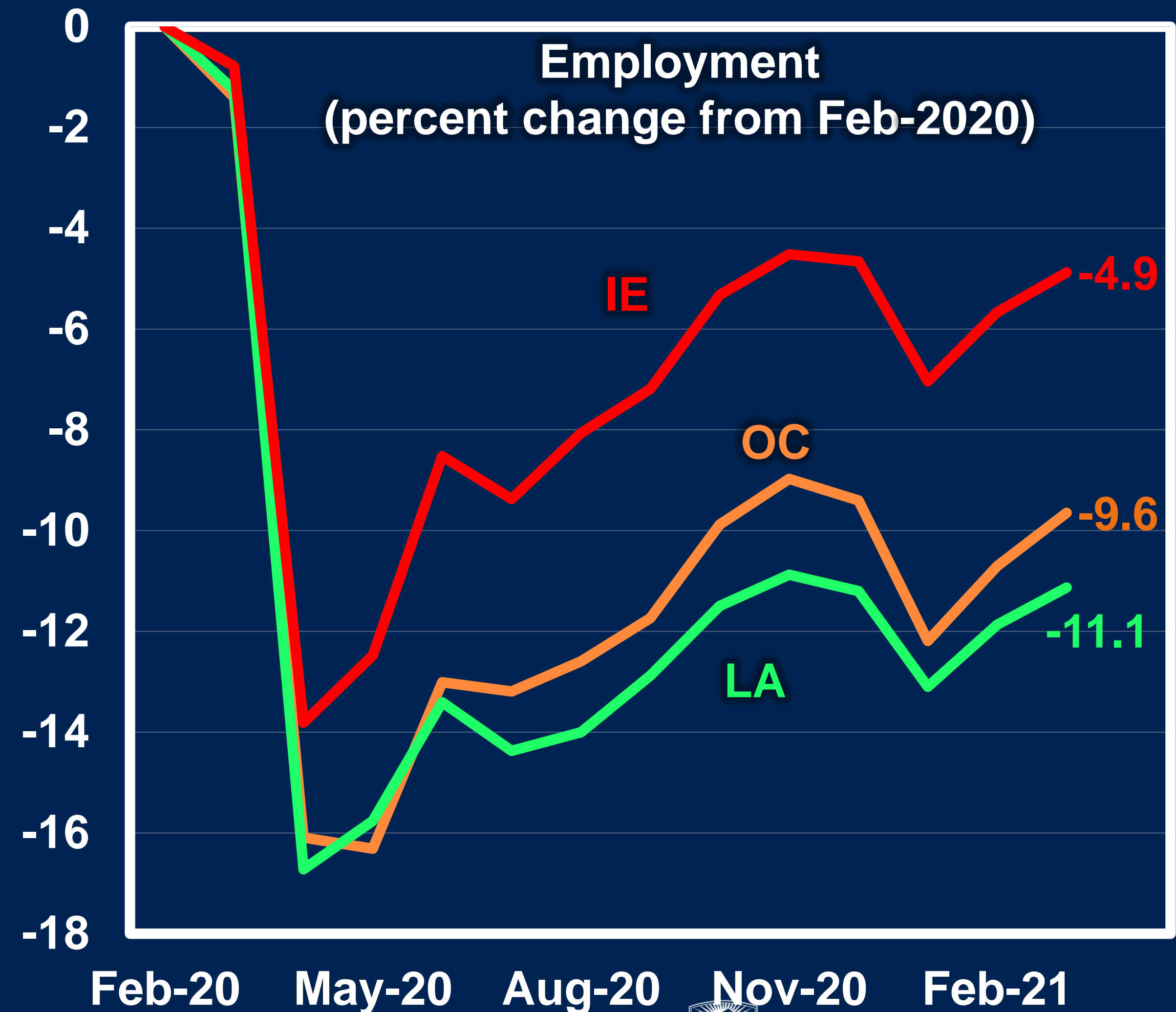
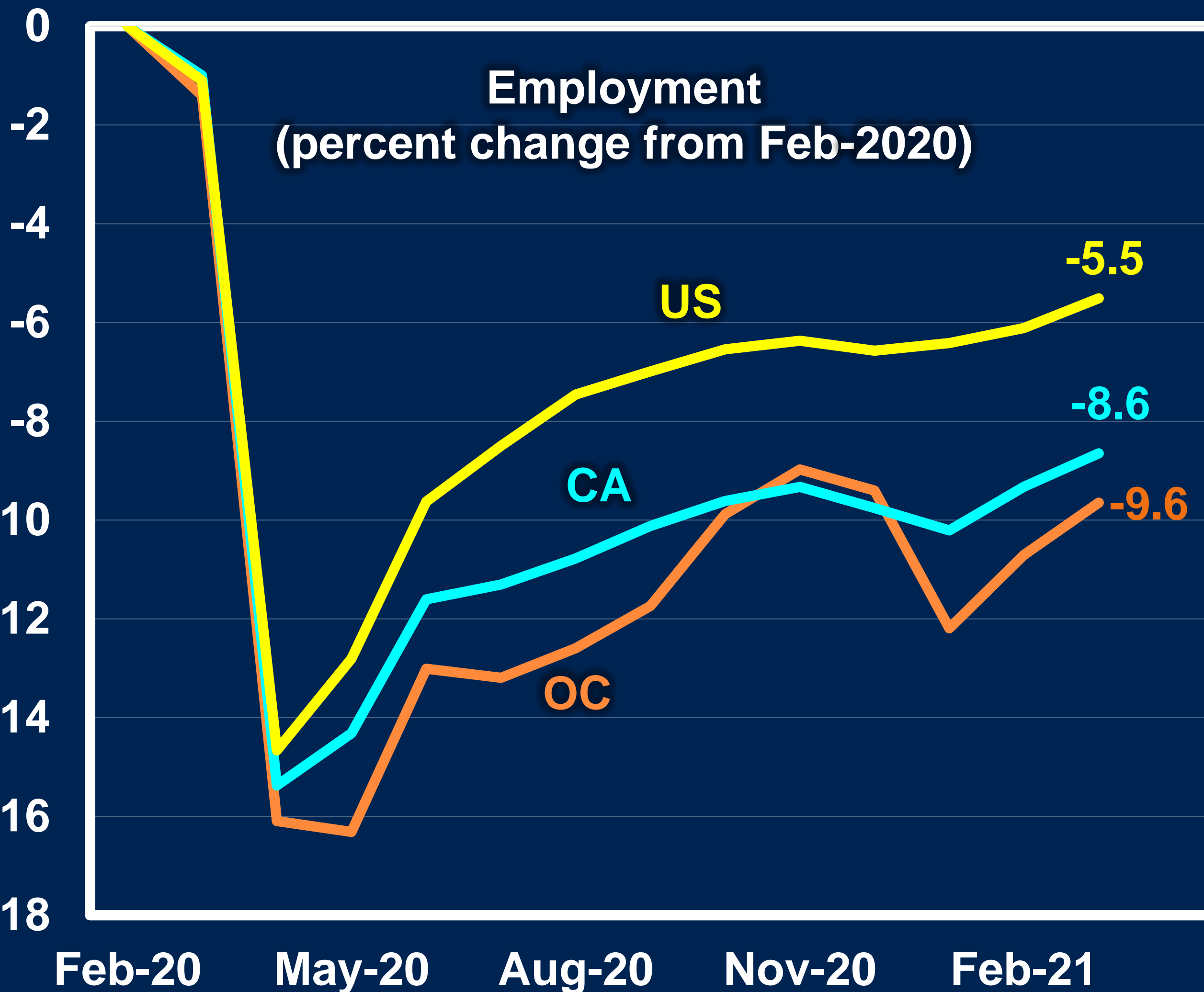
...But Still Remains Elevated for all SoCal Counties

(unemployment rate, percent)



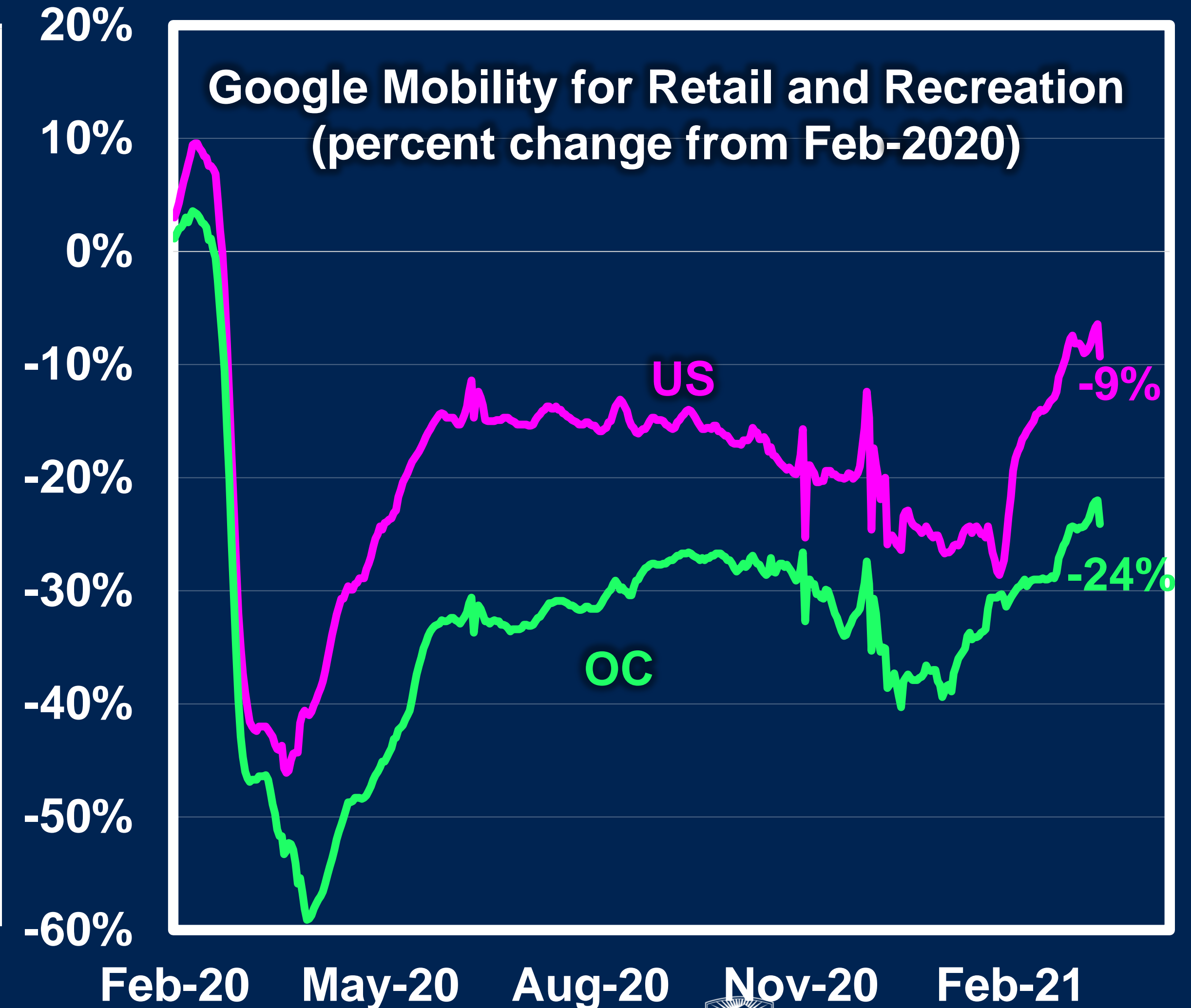
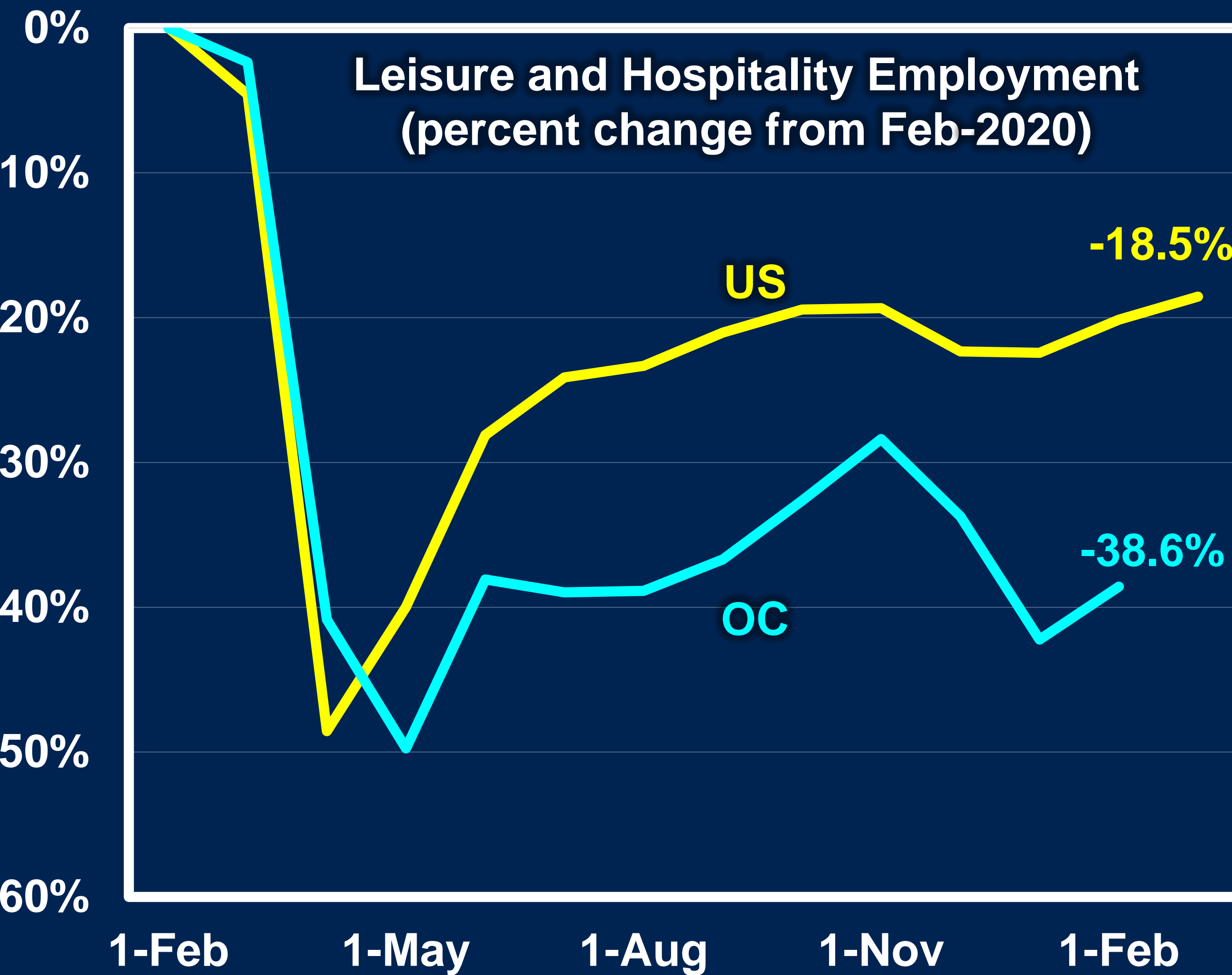
Lagging Behind...

Labor Market Recession and Recovery Much Worse for OC and LA



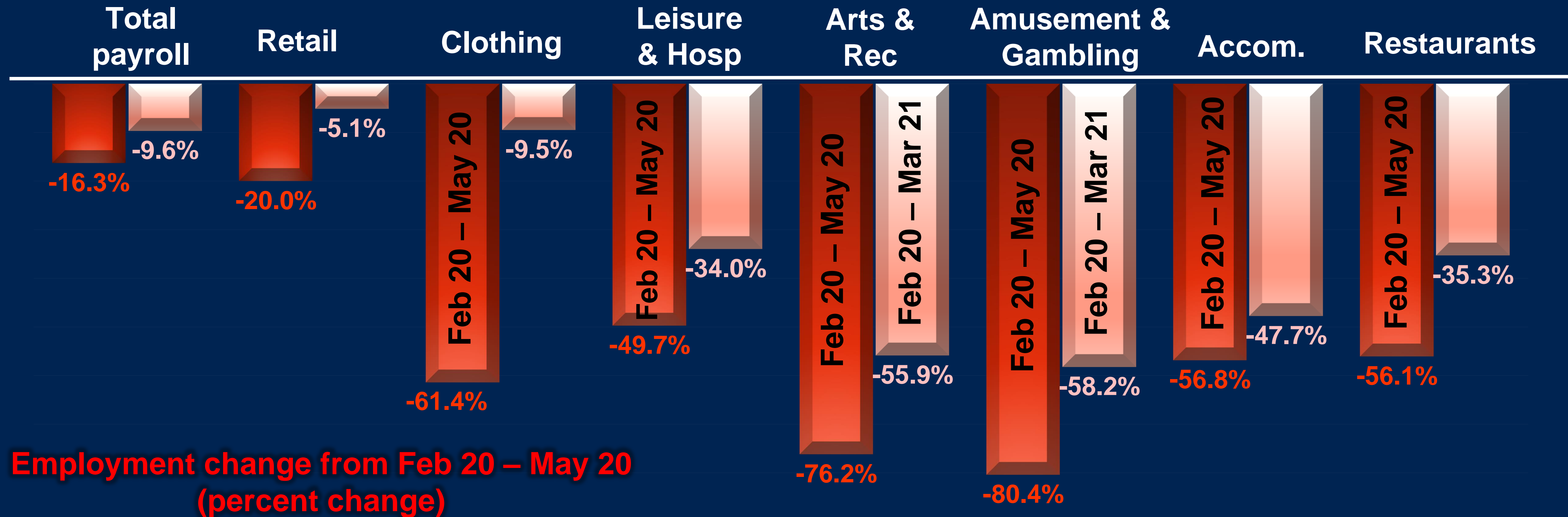
The Hit to Leisure and Hospitality Hurts

OC Underperforming Because of its Reliance on Leisure and Hospitality



The Worst Hit Sectors:

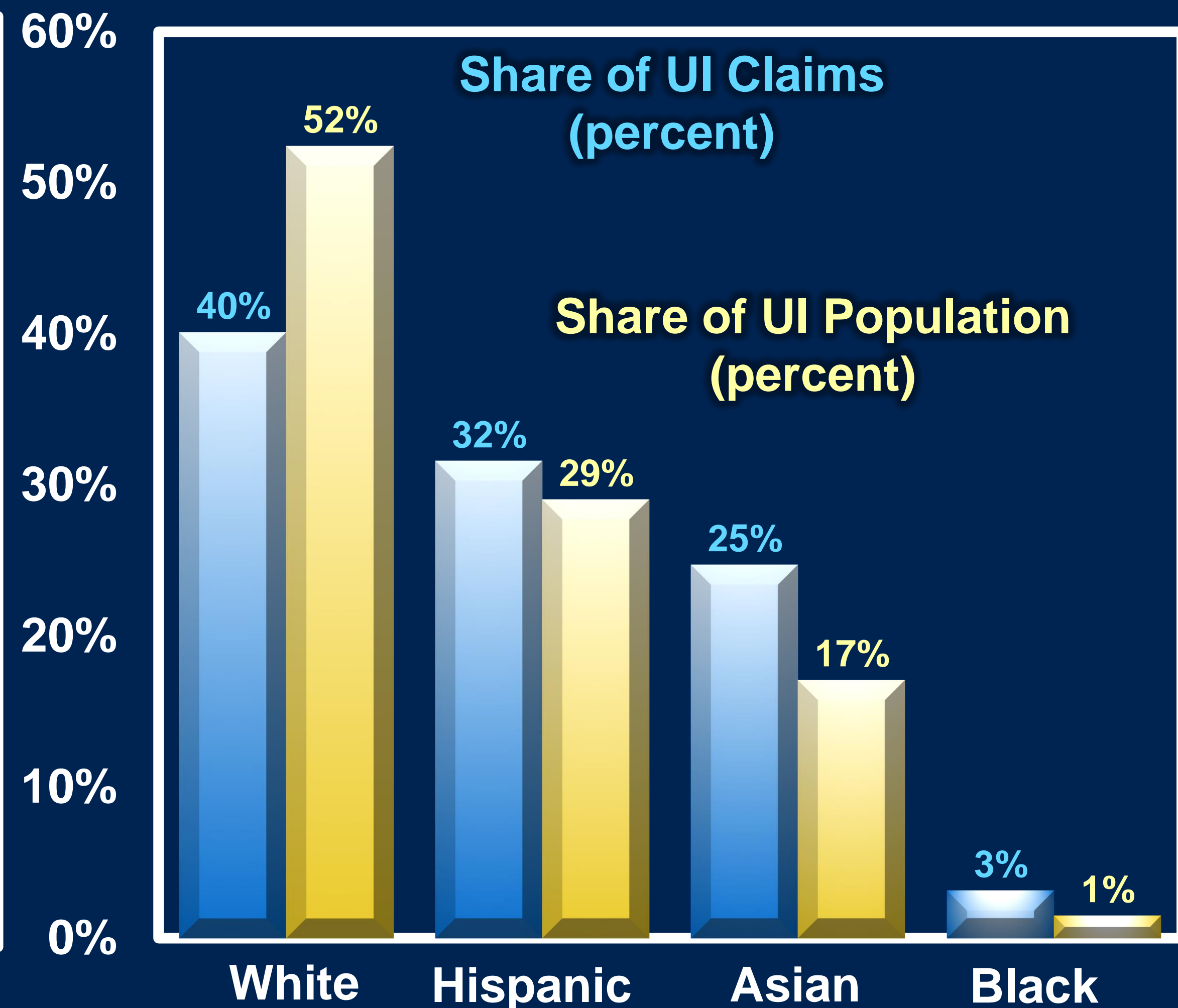
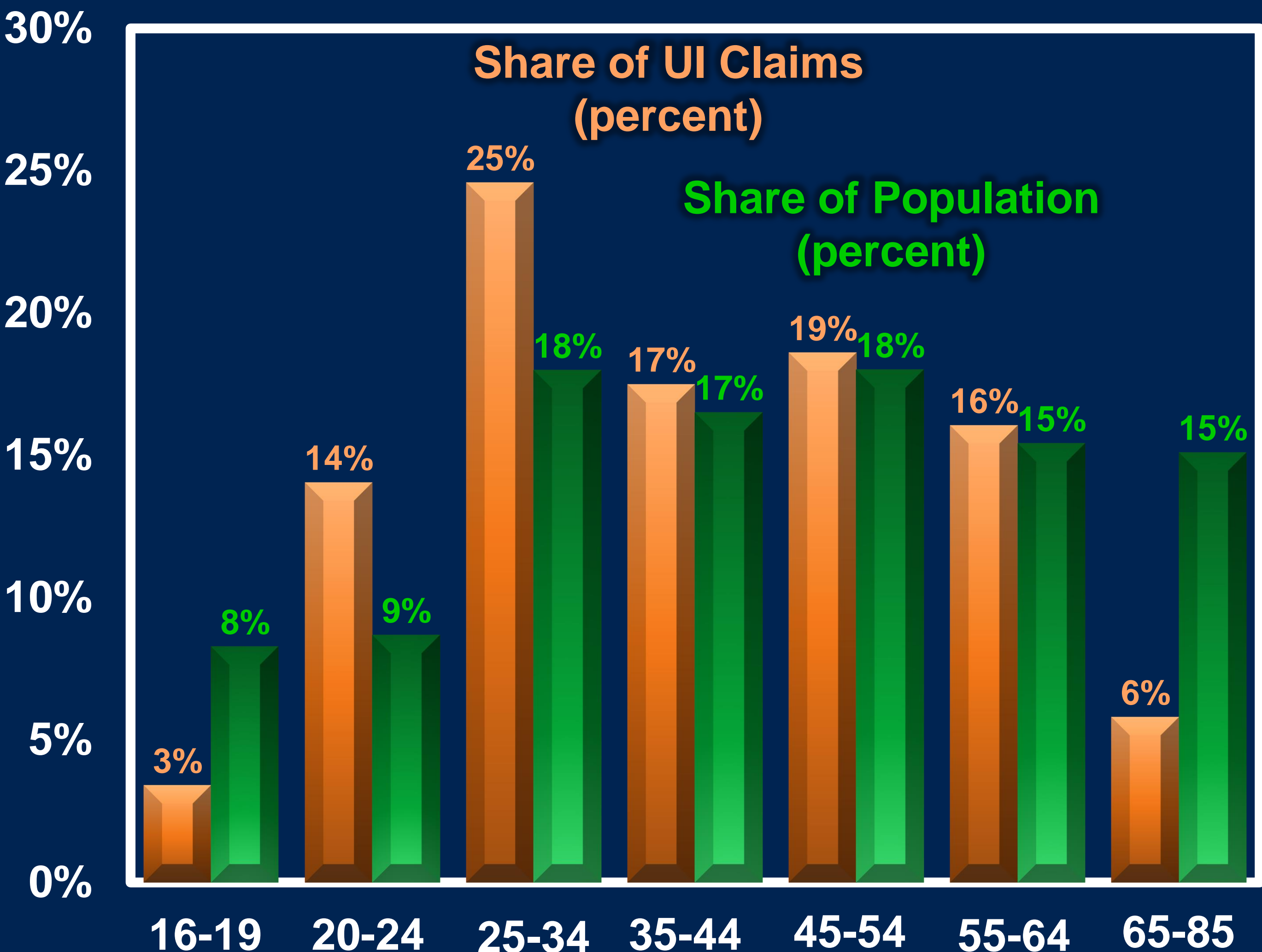
Leisure, Arts, Accommodations Have Barely Recovered
(nonfarm payrolls, percent change from February 2020)



Employment change from Feb 20 – March 21
(percent change)

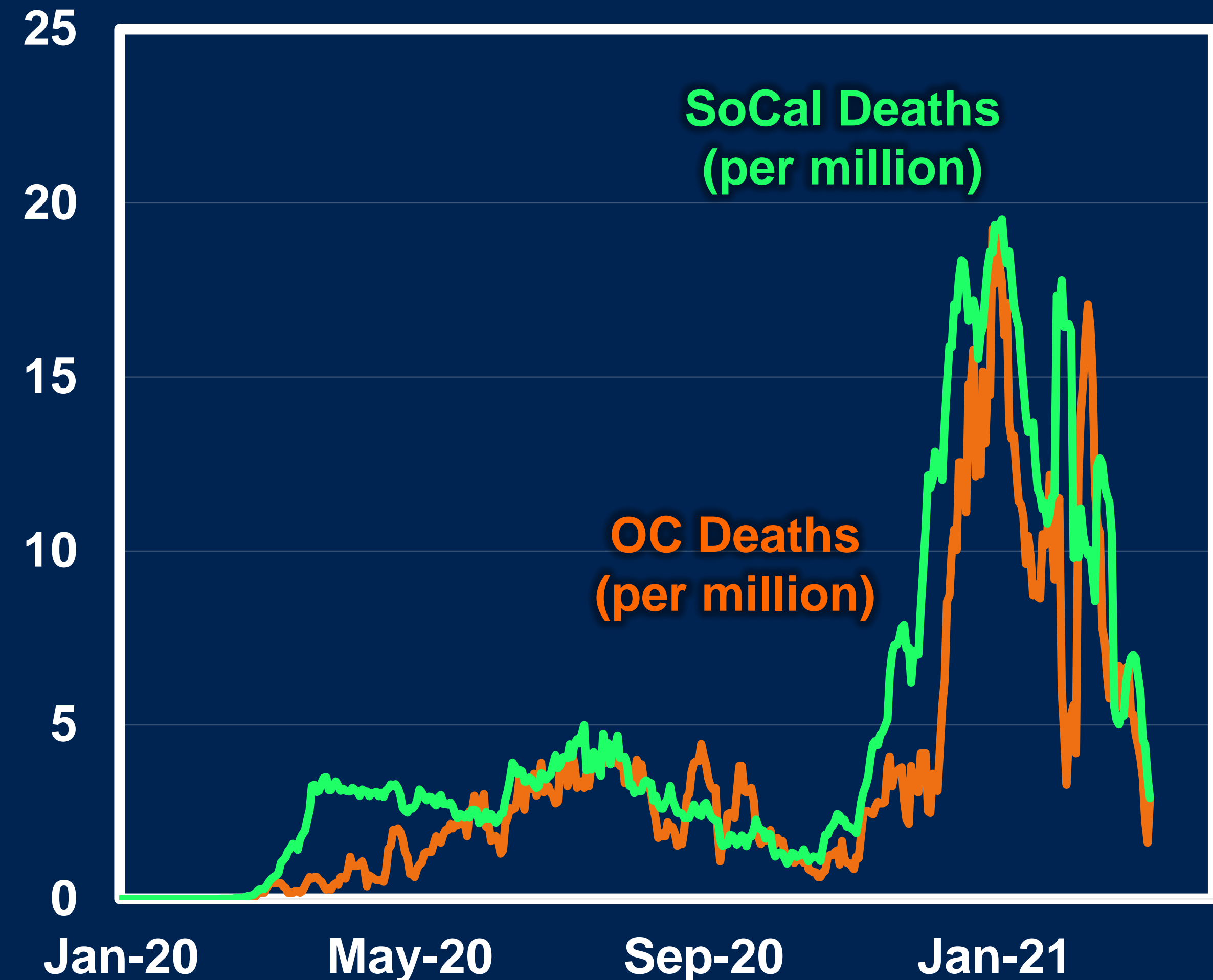
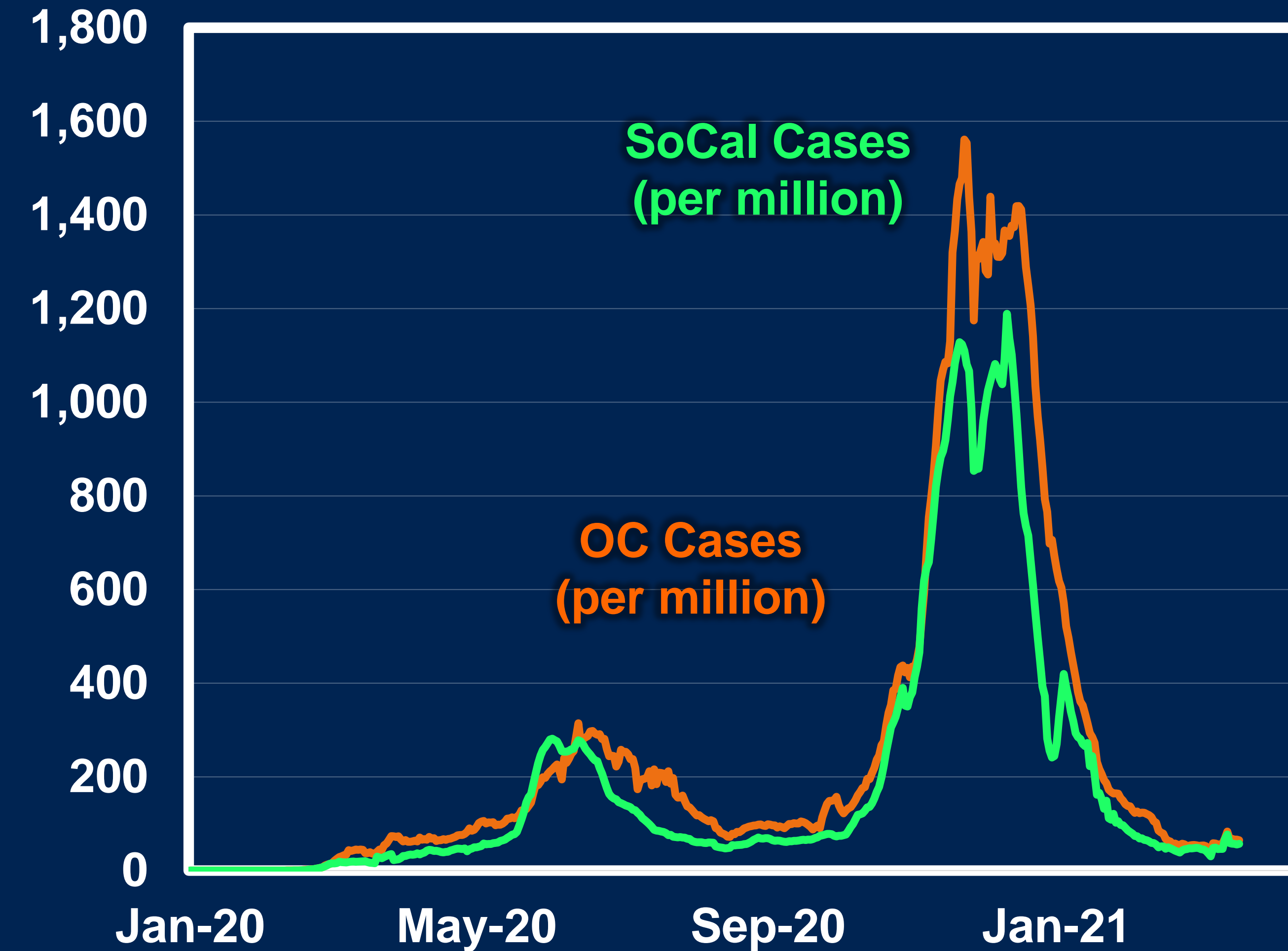
A Lopsided Affair: The Pain is not Evenly Distributed

Employment Losses Higher for the Young and Minorities
(share of unemployment claims and share of population, percent)



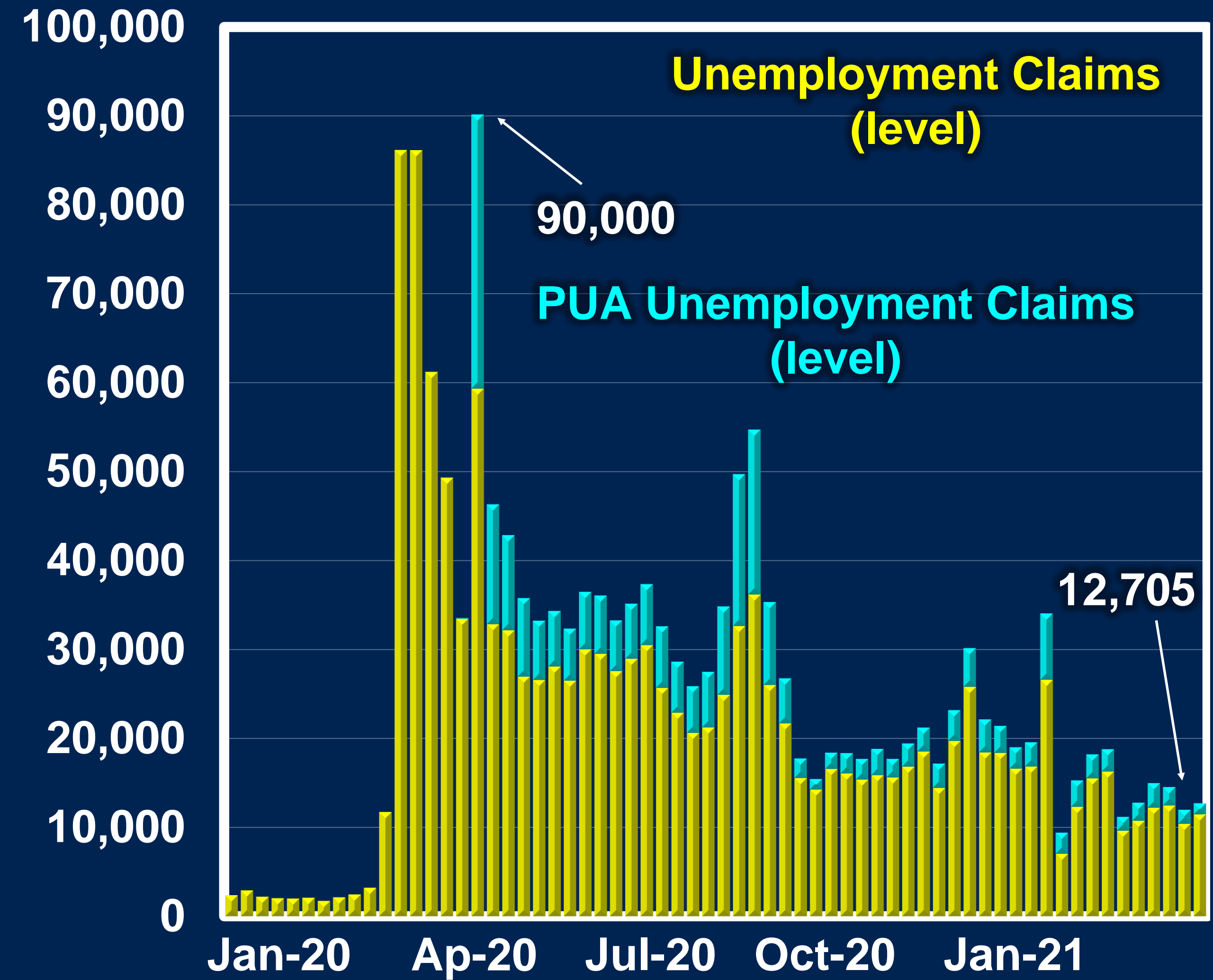
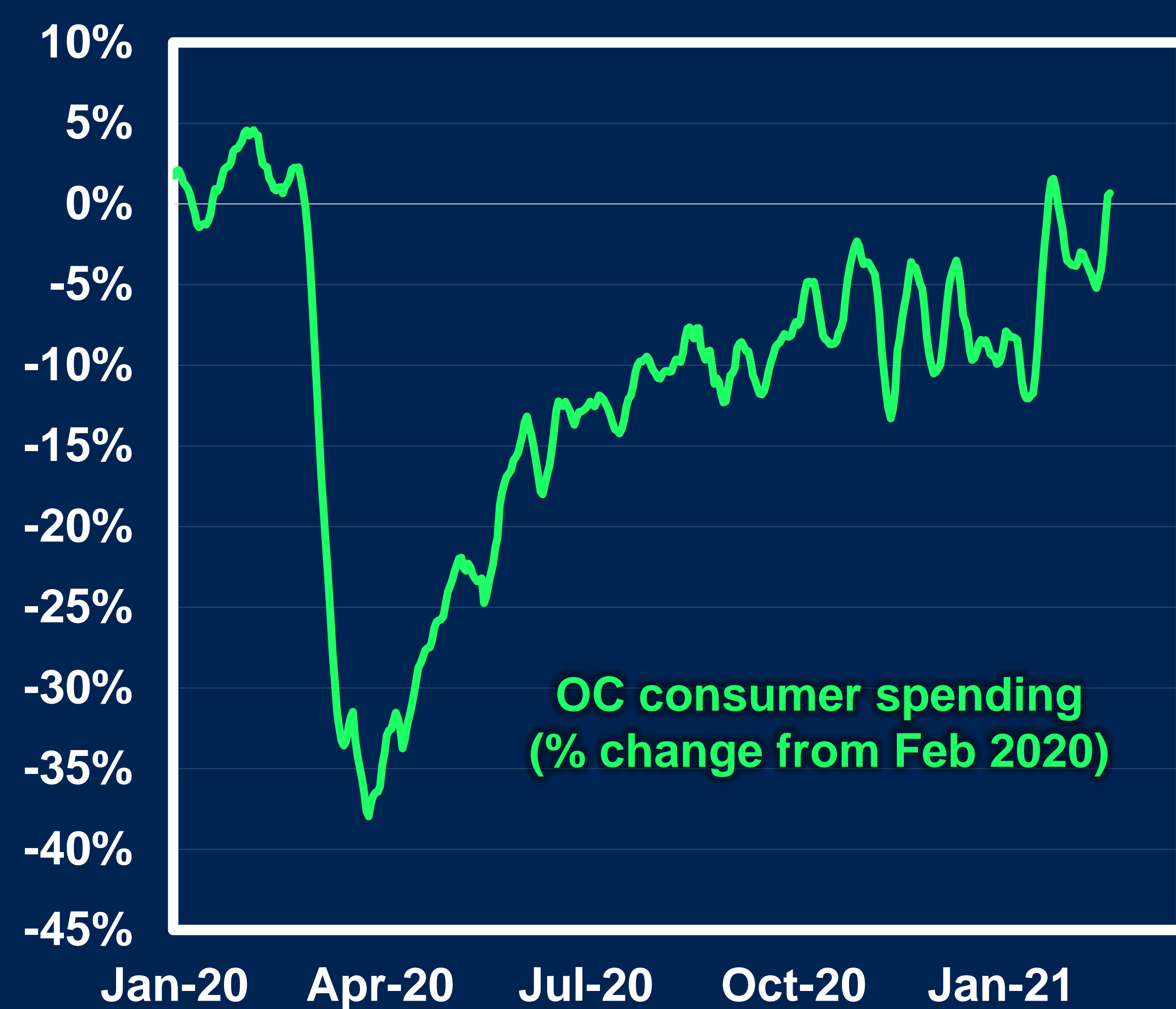
A COVID-Ravaged Winter has Ended...

...Leading to a Much Improved Spring
(infections and fatalities per million residents)



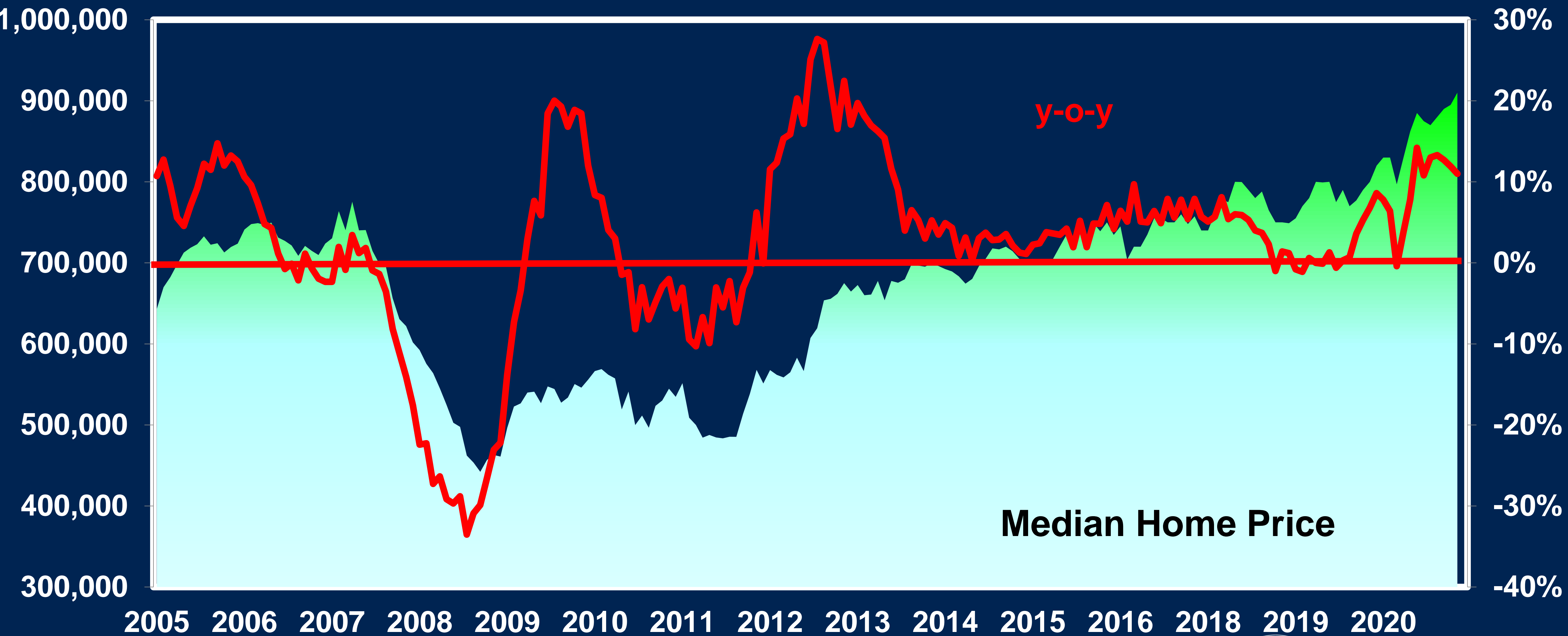
Full Steam Ahead

Vaccines, Reopening and a Resilient Economy



A Stellar Housing Market

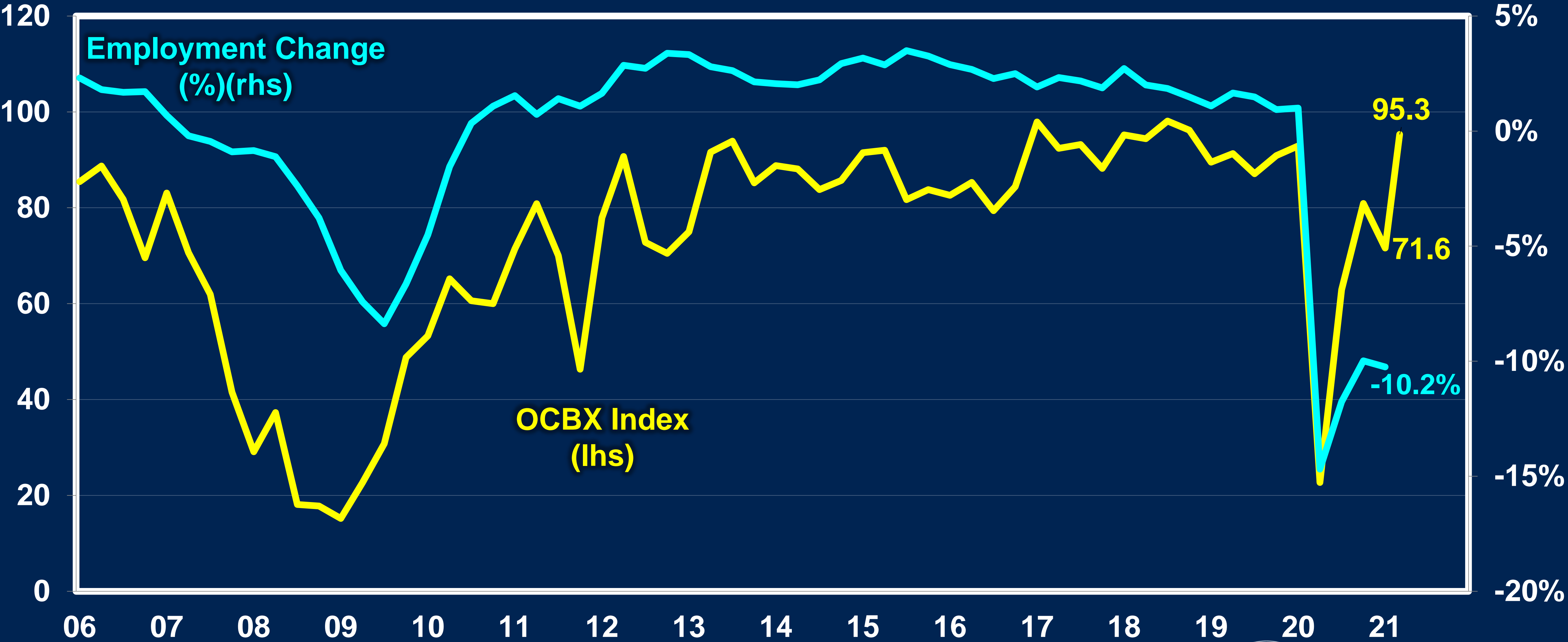
OC Home Prices on a Tear: Highest Home Prices Ever Recorded
(Corelogic median home price, level and y-o-y percent change)



Sharp Rebound: OCBX Index Defying Gravity

OC Businesses Very Optimistic About Outlook

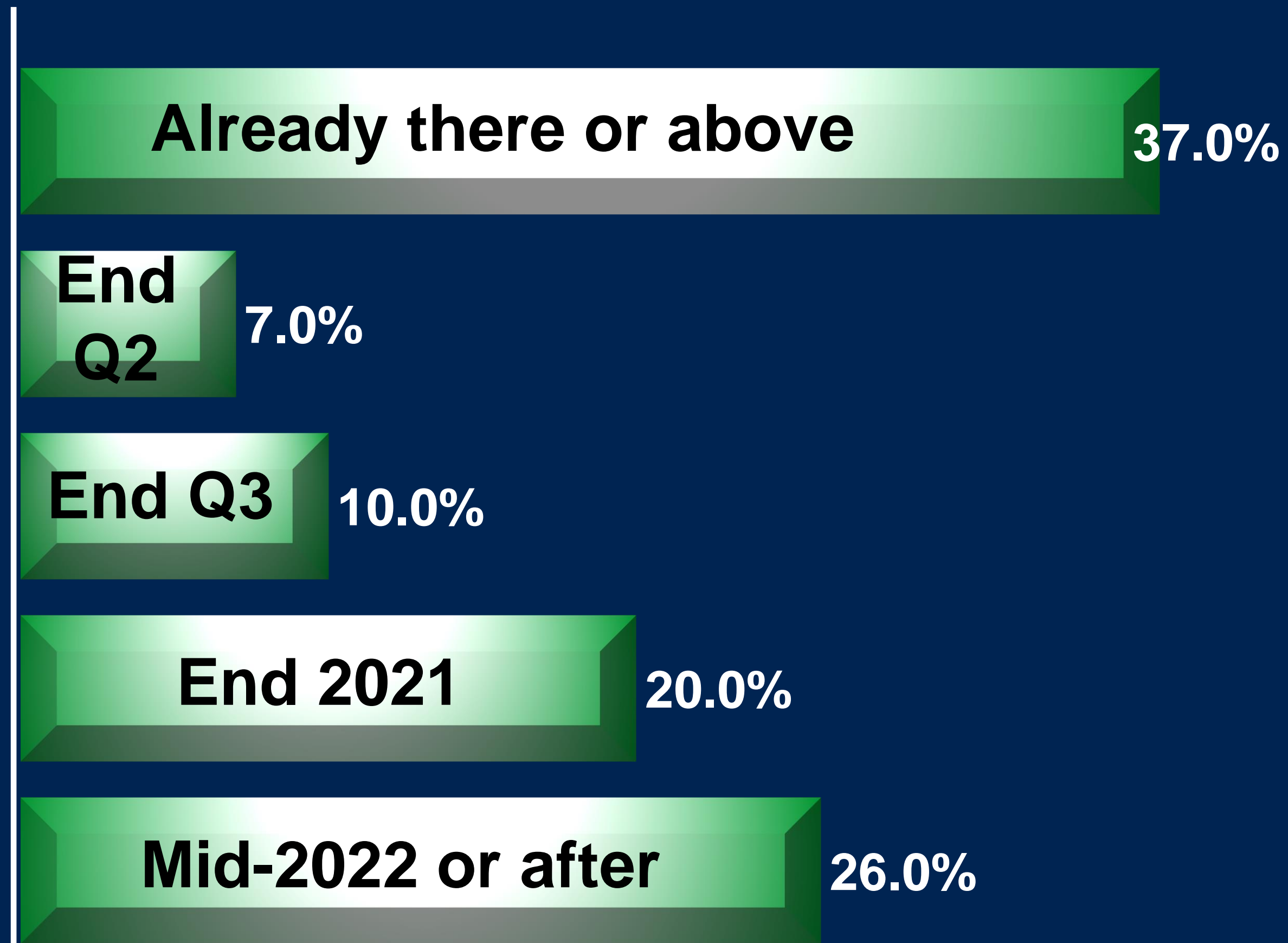
(WCEAF OCBX Index, level)



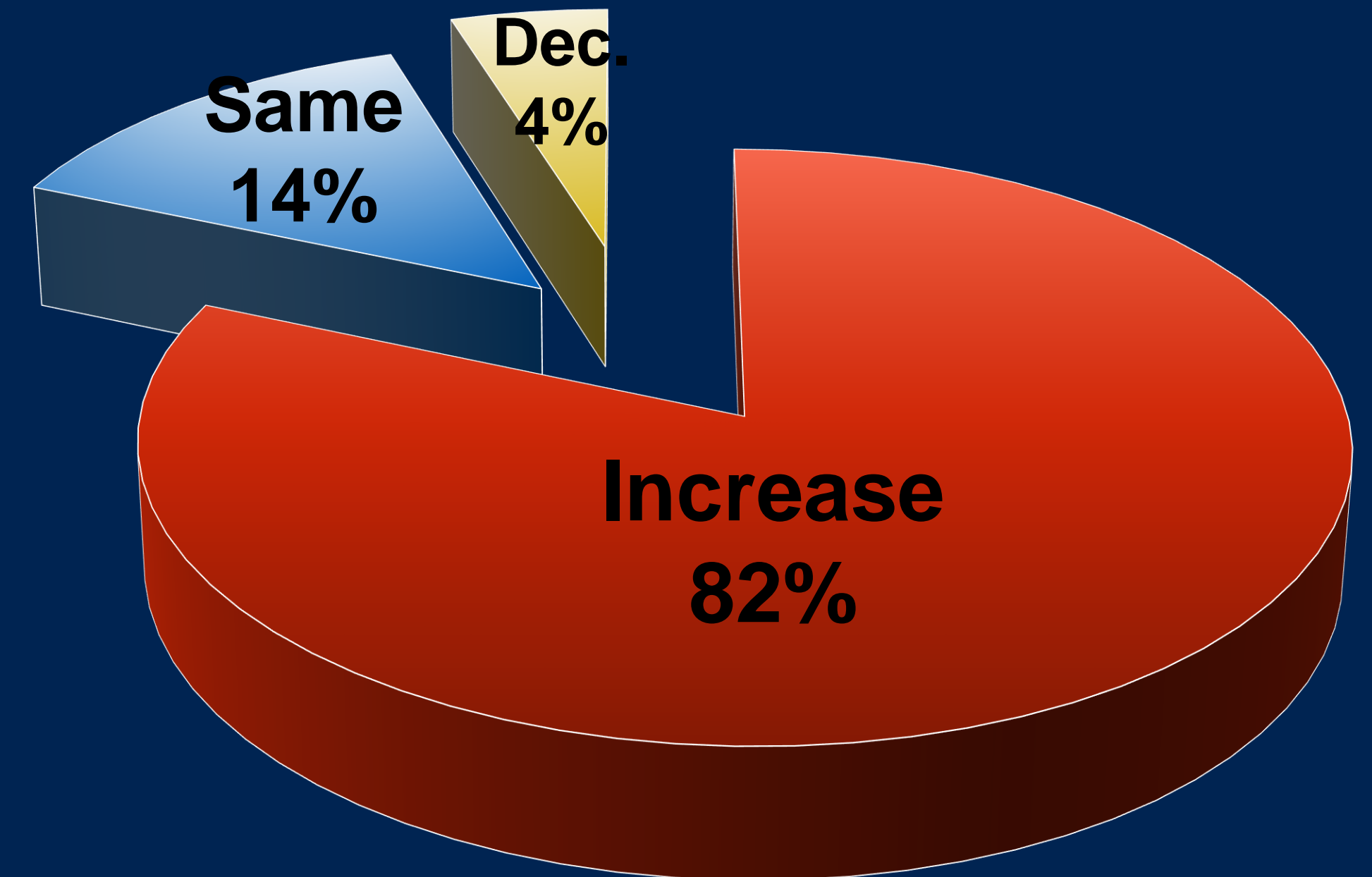
OC Businesses Ready to Go!

Most Businesses Expect to Regain Pre-Pandemic levels by end-2021

When Will you Reach Pre-Pandemic Levels? (percent of respondents)



Overall Regional Activity (percent of respondents)



What a Difference a Year Makes!

Business Outlook Has Improved Dramatically from Q2 2020 to Now

(Orange County Business Executives Survey, percent of respondents)



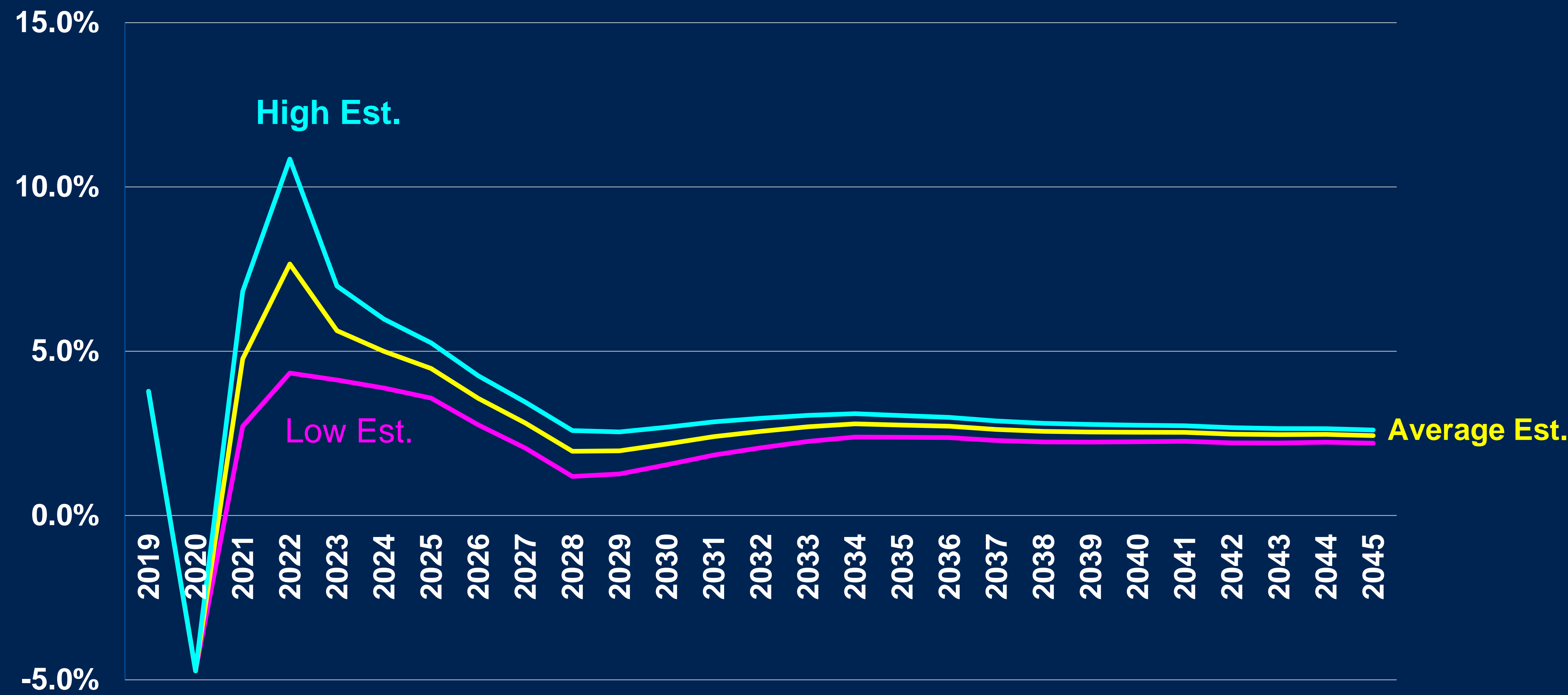
OC Taxable Sales

Fiscal Years ('000 dollars)



OC Taxable Sales

Fiscal Years (percent change)





Committee Members Present
Via Teleconference:

Michael Hennessey, Chairman
Steve Jones, Vice Chairman
Katrina Foley
Patrick Harper
Joe Muller

Committee Members Absent

Brian Goodell
Gene Hernandez

Staff Present

Allison Cheshire, Interim Deputy Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board

Via Teleconference:

Darrell E. Johnson, Chief Executive Officer
Andrew Oftelie, Chief Financial Officer
James Donich, General Counsel
OCTA Staff Members

Call to Order

The June 23, 2021, regular meeting of the Finance and Administration (F&A) Committee was called to order by Committee Chairman Hennessey at 10:33 a.m.

Roll Call

The Deputy Clerk of the Board conducted an attendance roll call and announced a quorum of the F&A Committee.

Pledge of Allegiance

Director Foley led in the Pledge of Allegiance.

1. Public Comments

There were no Public Comments received.

Special Calendar

2. Taxable Sales Forecast - University of California, Los Angeles

Sean Murdock, Director of Finance and Administration, provided opening comments and introduced Dr. Jerry Nickelsburg, Ph.D., and Dr. William Yu, Ph.D., from the University of California at Los Angeles Anderson Forecast, who provided a PowerPoint presentation on this item.

A discussion ensued among the Members and staff regarding the following:

- Factors causing inflation;
- Movement of the workforce back into the office; and
- Interest rates and the effect on the housing market.

Following the discussion, no action was taken on this information item.



Consent Calendar (Items 3 through 6)

3. Approval of Minutes

A motion was made by Director Muller, seconded by Director Harper, and following a roll call vote, declared passed 5-0, to approve the minutes of the Finance and Administration Committee meeting of June 9, 2021.

4. Amendments to Agreement for Temporary Staffing Services

A motion was made by Director Muller, seconded by Director Harper, and following a roll call vote, declared passed 5-0,:

- A. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 1 to Agreement No. C-8-15893 between the Orange County Transportation Authority and APR Consulting, Inc., to exercise the first option term for continued temporary staffing services.
- B. Authorize the Chief Executive Officer to negotiate and execute Amendment No. 2 to Agreement No. C-8-1842 between the Orange County Transportation Authority and ManpowerGroup US to exercise the first option term for continued temporary staffing services.
- C. Approve an increase of \$500,000 to the aggregate amount to be shared by both staffing firms, for a total amount of \$2,450,000 shared between the two contracts.

5. Proposed Overall Disadvantaged Business Enterprise Goal for Federal Transit Administration-Assisted Contracts for Federal Fiscal Years 2022-2024

A motion was made by Director Muller, seconded by director Harper, and following a roll call vote, declared passed 5-0, to adopt the proposed overall Disadvantaged Business Enterprise goal of 11 percent for all Federal Transit Administration-assisted contracts issued during the federal fiscal years 2022 through 2024 in accordance with Title 49 Code of Federal Regulations, Part 26.

6. Orange County Transportation Authority Investment and Debt Programs Report - May 2021

A motion was made by Director Muller, seconded by Director Harper, and following a roll call vote, declared passed 5-0, to receive and file as an information item.



Regular Calendar

There were no Regular Calendar items scheduled.

Discussion Items

7. Update on Transportation Infrastructure Finance and Innovation Act Loan Interest Rate Reset

Andrew Oftelie, Chief Financial Officer, reported that the Transportation Infrastructure Finance and Innovation Act loan interest rate reset has not yet closed as expected. The Orange County Transportation Authority (OCTA) has obtained the approvals needed, and it is expected to close in another two to three weeks. Staff will return with an update as needed.

8. Chief Executive Officer's Report

Darrell E. Johnson, Chief Executive Officer, reported the following:

South Orange County Multimodal Transportation Study (SOCMTS)

- Staff is continuing to move forward with the SOCMTS.
- Last week, Directors Bartlett, Chamberlain, Muller, and Mr. Johnson, CEO, engaged with about 40 local officials to get their feedback.
- Nearly 350 residents participated in a telephone town hall also simulcast in Spanish.
- Earlier this morning, a stakeholder roundtable was held via Zoom.
- More than 1,400 online surveys have been received to date.
- OCTA is pleased with the amount of feedback staff have received so far.
- The virtual meeting room will stay open through July 12 to learn more about the study by going to **octa.net/southocstudy**.

OCTA 30th Anniversary

- OCTA celebrated its 30th anniversary on Sunday.
- This is a major milestone for the agency, and staff will be sharing a video at Monday's Board meeting highlighting some of OCTA's accomplishments over the past 30 years.

9. Committee Members' Reports

There were no Committee Members' reports.



10. Closed Session

There were no Closed Session items scheduled.

11. Adjournment

The meeting adjourned at 11:40 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 14, 2021**, at the Orange County Transportation Authority Headquarters, Conference Room 07, 550 South Main Street, Orange, California.

ATTEST

Michael Hennessey
Committee Chairman

Allison Cheshire
Interim Deputy Clerk of the Board



July 14, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Orange County Transportation Authority, Proposition 1B Bond Program, Project Number P2500-0008

Overview

The California Department of Finance has conducted an audit of Proposition 1B funds awarded to the Orange County Transportation Authority for the Lakeview Avenue Grade Separation, Brookhurst Street Improvements, La Pata Avenue Phase 1, and Laguna Niguel to San Juan Capistrano Passing Siding projects. The audit report found that expenditures were generally in compliance with project agreements and program guidelines; however, four observations were made related to unsupported contract change order expenditures, late submission of final delivery reports, reporting of project benefits/outcomes, and oversight of administering agencies' procurement processes. The results of the audit were transmitted to the California Department of Transportation, which will be responsible for developing a corrective action plan for final disposition of these observations and related recommendations.

Recommendation

Direct staff to work, as requested, with the California Department of Transportation on appropriate disposition of the observations and recommendations identified through the audit conducted by the California Department of Finance related to Proposition 1B projects.

Background

The Orange County Transportation Authority (OCTA) was awarded \$27.5 million in Proposition (Prop) 1B funds from the Trade Corridor Improvement Fund, \$8.5 million from the Prop 1B State-Local Partnership Program, and \$2 million

from the Prop 1B Intercity Rail Improvement Fund for the four construction projects.

Under an agreement with the California Department of Transportation (Caltrans), the Department of Finance (DOF) performs audits to determine whether expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans program guidelines, and applicable state and federal regulations, whether outputs were consistent with the project scopes and schedules, and whether outcomes were achieved and adequately reported in final delivery reports (FDR).

The audit was conducted virtually beginning in July 2020, and a final report was issued on June 2, 2021.

Discussion

The DOF concluded that expenditures were incurred and reimbursed in compliance with executed agreements, Caltrans guidelines, and applicable state and federal regulations, except for \$250,000 in contract change order expenditures related to flagging services for the Laguna Niguel to San Juan Capistrano Passing Siding (LN-SJC) project. The auditors also recommended OCTA ensure timely submission of FDRs and improve reporting of actual project benefits/outcomes. A final recommendation was made to strengthen oversight controls related to projects administered by local agencies.

OCTA management provided responses to the auditor observations and recommendations, and those responses are incorporated into the final audit report, as Attachment A. As detailed in the response, management is requesting reconsideration of the recommendation to remit \$250,000 to Caltrans for flagging expenditures incurred under the LN-SJC project, as additional documentation has been obtained to support these charges. Management acknowledged late delivery of FDRs for the two agency-administered projects and indicated that, going forward, OCTA does not plan on using state funds to support these types of subrecipient projects. Management disagreed with the auditor's observations related to reporting of project benefits for the Lakeview Grade Separation project and indicated that explanations provided in the FDR were consistent with those provided for other railroad grade separation projects. Regarding oversight of agency-administered projects, management reiterated that, going forward, there are no plans to use state funds to support subrecipient projects. If state funds are used, OCTA will ensure the local agency is the direct recipient of the funding allocation.

Caltrans, Division of Local Assistance, will be responsible for the final disposition of observations and recommendations. OCTA management will work with Caltrans staff, as requested, to assist in this exercise.

Summary

The DOF has conducted an audit of Proposition 1B funds awarded to OCTA for the following projects: Lakeview Avenue Grade Separation, Brookhurst Street Improvements, La Pata Avenue Phase 1, and the LN-SJC project.

Attachment

- A. Department of Finance California, Office of State Audits and Evaluations
Confidential Draft Report, Orange County Transportation Authority
Proposition 1B Bond Program, Project Number P2500-0008, Report
No: 21-2660-025

Approved by:



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



Orange County Transportation Authority

Proposition 1B Bond Program
Project Number P2500-0008

Team Members

Cheryl L. McCormick, CPA, Chief
Rebecca G. McAllister, CPA, Assistant Chief
Chikako Takagi-Galamba, Manager
Anna Kyumba, CPA, Supervisor
Jeffrey Neller, Lead
Michael Painter

Final reports are available on our website at www.dof.ca.gov.

You can contact our office at:

California Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985



Gavin Newsom ■ Governor

915 L Street ■ Sacramento CA ■ 95814-3706 ■ www.dof.ca.gov

Transmitted via e-mail

June 2, 2021

MarSue Morrill, Chief, Planning and Modal Office
Independent Office of Audits and Investigations
California Department of Transportation
1304 O Street, Suite 200
Sacramento, CA 95814

Final Report—Orange County Transportation Authority, Proposition 1B Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Orange County Transportation Authority's (OCTA) Proposition 1B projects listed below:

<u>Project Number</u>	<u>P Number</u>	<u>Project Name</u>
1212000004	P2500-0008	Lakeview Avenue Grade Separation
1213000166	P2500-0008	Brookhurst Street Improvements
1213000167	P2500-0008	La Pata Avenue Phase 1
0019000190	P2500-0008	Laguna Niguel to San Juan Capistrano Passing Siding

The enclosed report is for your information and use. OCTA's response to the report findings is incorporated into this final report. We appreciate OCTA's assistance and cooperation during the engagement. This report will be placed on our website.

If you have any questions regarding this report, please contact Chikako Takagi-Galamba, Manager, or Anna Kyumba, Supervisor, at (916) 322-2985.

Sincerely,

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations

cc: Nancy Shaul, Audit Manager, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation
Monty Laskosky, Auditor, Planning and Modal Office, Independent Office of Audits and Investigations, California Department of Transportation

BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) for \$19.925 billion. These bond proceeds finance a variety of transportation programs. Although the bond funds are made available to the California Transportation Commission (CTC) upon appropriation by the Legislature, CTC allocates these funds to the California Department of Transportation (Caltrans) to implement various programs.¹

CTC awarded the Orange County Transportation Authority (OCTA) \$27.5 million in Proposition 1B funds from the Trade Corridor Improvement Fund (TCIF), \$8.5 million from the State-Local Partnership Program (SLPP), and \$2.0 million from the Intercity Rail Improvement (IRI) funds for the following four construction projects:

- **Lakeview Avenue Grade Separation (1212000004)** – \$27.5 million in TCIF funds to reconstruct Lakeview Avenue as a bridge to allow vehicles to pass over the Burlington Northern Santa Fe Railway.
- **Brookhurst Street Improvements (1213000166)** – \$3.4 million in SLPP funds to widen Brookhurst Street from Ball Street to Katella Avenue, from four lanes to six lanes.
- **La Pata Avenue Phase 1 (1213000167)** – \$5.1 million in SLPP funds to construct a four-lane extension to close a 2.4 mile gap, from Calle Saluda to the existing terminus of La Pata Avenue at the northern boundary of the Prima Deshecha Landfill.
- **Laguna Niguel to San Juan Capistrano Passing Siding (0019000190)** – \$2 million in IRI funds to add 1.8 miles of new passing siding railroad track between the Laguna Niguel/Mission Viejo Metrolink Station and Trabuco Creek in San Juan Capistrano.

OCTA was required to provide dollar-for-dollar match for projects 1212000004, 1213000166, and 1213000167.

PROGRAM DESCRIPTIONS¹

TCIF: \$2 billion of bond proceeds made available to the TCIF to finance infrastructure improvements along corridors that have a high volume of freight movement. This program requires dollar-for-dollar match of local, federal, or private funds.

SLPP: \$1 billion of bond proceeds made available to the SLPP to finance a variety of eligible transportation projects nominated by applicant transportation agencies. For an applicant transportation agency to receive bond funds, Proposition 1B requires a dollar-for-dollar match of local funds.

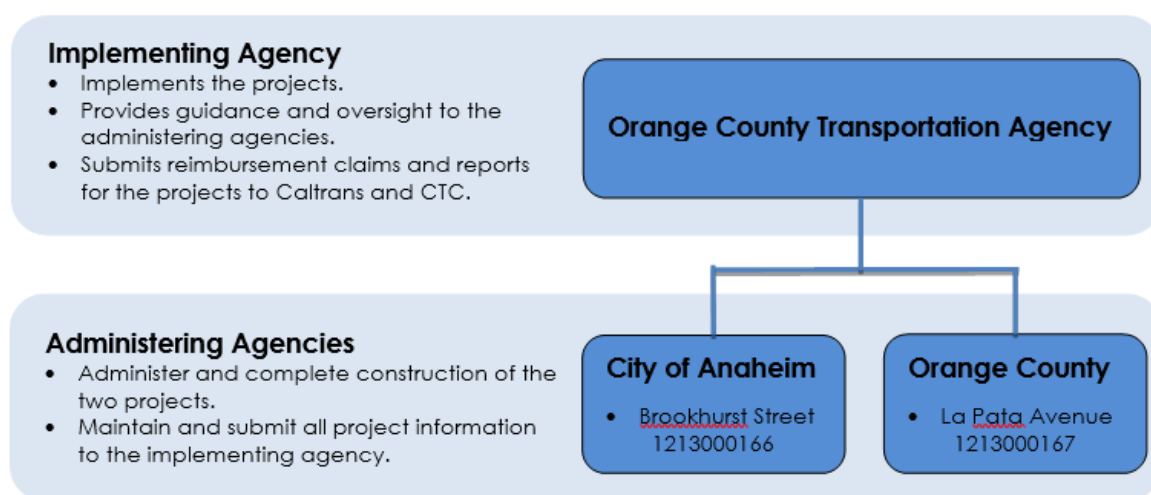
IRI: \$400 million of bond proceeds made available to the IRI for passenger rail improvements, including a minimum of \$125 million for procurement of additional intercity passenger railcars and locomotives.

¹ Excerpts obtained from the bond accountability website <https://bondaccountability.dot.ca.gov/>.

Construction for the projects is complete and the projects are operational, except for project 0019000190.

As the implementing agency, OCTA entered into two separate Master Funding Agreements requiring the City of Anaheim (City) and the County of Orange (County) (administering agencies) to administer and complete construction of projects 1213000166 and 1213000167. The Master Funding Agreements required OCTA to provide guidance and oversight to the administering agencies on local, state, and federal requirements and also to submit reimbursement claims and reports to Caltrans and CTC on their behalf. Figure 1 describes the relationship of OCTA and administering agencies and their projects.

Figure 1: Implementing Agency and Administering Agency Relationship



Source: Discussions with OCTA and Master Funding Agreements

SCOPE

As requested by Caltrans, the California Department of Finance, Office of State Audits and Evaluations, audited the projects described in the Background section of this report. The *Summary of Projects Reviewed*, including the audit period and the reimbursed expenditures, is presented in Appendix A.

The audit objectives were to determine whether:

1. Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.
2. Deliverables/outputs were consistent with the project scopes and schedules.
3. Benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the Final Delivery Reports (FDR).

At the time of fieldwork in January 2021, construction was not complete for project 019000190. Since OCTA had not yet submitted the FDR and the approved project benefits/outcomes listed in the CTC Financial Vote List were not quantifiable metrics, we confirmed OCTA understood its need to report on the benefits/outcomes as listed in the Vote List.

In performing our audit, we considered internal controls significant to the audit objectives. See Appendix B for a list of significant internal control components and underlying principles.

OCTA's management is responsible for ensuring accurate financial reporting; compliance with executed project agreements, state and federal regulations, and applicable program guidelines; and the adequacy of its job cost system to accumulate and segregate reasonable, allocable, and allowable expenditures. Caltrans and CTC are responsible for the state-level administration of the programs.

METHODOLOGY

In planning the audit, we gained an understanding of the projects and respective programs, and identified relevant criteria, by interviewing Caltrans, OCTA, County, and City personnel, and reviewing the executed project agreements and amendments, Caltrans/CTC's bond program guidelines, and applicable state and federal regulations.

We conducted a risk assessment, including evaluating whether OCTA's, the County's and the City's key internal controls significant to our audit objectives were properly designed, implemented, and operating effectively. Key Internal controls evaluated focused on procurement, progress payment preparation, reimbursement request preparation, review and approval process for expenditures, project deliverables/outputs completion, and project benefits/outcomes reporting. Our assessment included conducting interviews with OCTA, County, and City personnel, observing processes, and testing transactions related to construction phase expenditures, contract procurement, project deliverables/outputs, and project benefits/outcomes. Deficiencies in internal control that were identified during our audit, and determined to be significant within the context of our audit objectives, are included in this report.

Additionally, we assessed the reliability of data from OCTA's financial system, ONESolution, the County's accounting and procurement system, CAPS+, and the City's accounting system, Enterprise Resource Planning. To assess the reliability of data generated by these systems, we interviewed OCTA, County, and City personnel, reviewed information process flows, examined existing reports, reviewed system controls, and performed data testing. We determined the data was sufficiently reliable to address the audit objectives.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objectives. Our methods are detailed in the Table of Methodologies.

Table of Methodologies

Audit Objective	Methods
<p>Objective 1: To determine whether OCTA's Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements.</p>	<ul style="list-style-type: none"> • For projects 1212000004, 1213000166, and 1213000167, determined whether projects were appropriately advertised, evaluated, and awarded to the lowest, responsible bidder by reviewing construction contractor procurement records, such as project advertisements, bidding documents, and contracts, and comparing to OCTA's, the County's, and the City's policies and procedures and Caltrans Local Assistance Procedures Manual (LAPM) requirements. • For projects 1212000004 and 1213000166, determined whether the projects were appropriately advertised, evaluated, and awarded to the most qualified consultant by reviewing construction engineering procurement records, such as project advertisements, consultant proposals, scoring sheets, and contracts, and comparing to OCTA's and the City's policies and procedures and LAPM requirements. • Selected significant and high-risk cost category expenditures to verify compliance with the selected project requirements. Specifically, we selected expenditures from the Construction and the Construction Engineering categories: <ul style="list-style-type: none"> ○ For all four projects, selected the most quantitatively significant construction progress payments from each project's largest reimbursement claim. Specifically, we selected two items from each progress payment to determine if the reimbursed construction expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, progress payments, and canceled checks, and comparing to relevant criteria. ○ For projects 1212000004 and 1213000166, selected the most quantitatively significant consultant expenditures from the largest reimbursement claim. Determined if the selected reimbursed consultant expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, consultant invoices, and canceled checks, and comparing to relevant criteria. ○ For project 1213000166, selected the most quantitatively significant City labor expenditures from the largest reimbursement claim. Determined if the selected reimbursed City labor expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by recalculating the claimed labor costs using salary rates obtained from the labor reports and hours worked from the approved timesheets. We also verified timesheet hours agreed to labor reports, and labor reports agreed to reimbursement claims.

Audit Objective	Methods
	<ul style="list-style-type: none"> ○ For projects 1212000004, 1213000166, and 1213000167, determined if selected match expenditures were allowable, authorized, project-related, incurred within the allowable time frame, and supported, by reviewing accounting records, progress payments, quantity count sheets, daily engineer logs, engineers' invoices, labor reports, and copies of checks, and comparing project reimbursed amounts with project expenditure reports. In addition, we verified the source of funds used to meet the match requirement complied with TCIF and SLPP guidelines • For projects 1212000004, 1213000166, and 001900190, selected quantitatively significant contract change orders (CCO). Determined if selected CCOs were authorized, within the scope of work, not a contract duplication, completed, and supported, by reviewing the CCOs, daily extra work reports, contractor correspondence, progress payments, and accounting records. • For all four projects, evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the executed project agreements by reviewing a list of other funding sources, project accounting records, vendor activity reports, and the chart of accounts; and performed analytical procedures to identify possible duplicate payments.
<p>Objective 2: To determine whether deliverables/outputs were consistent with the projects' scopes and schedules.</p>	<ul style="list-style-type: none"> • For the three completed projects, 1212000004, 1213000166, and 1213000167, determined whether project deliverables/outputs were consistent with the project scopes by reviewing the Project Programming Requests (PPR), executed project agreements, Notice of Completions, and Google Map images to verify project existence. • For the three completed projects, evaluated whether selected project deliverables/outputs were completed on schedule as described in the PPRs by reviewing the Notice of Completions, FDRs and Caltrans quarterly progress reports. • For the interim project 019000190, determined whether there is a system in place to report actual project deliverables/outputs by reviewing supporting documentation to confirm consistency with the project scope. • For the interim project, determined whether selected project deliverables/outputs were on schedule by reviewing project files, project agreements or approved amendments, and quarterly reports.

Audit Objective	Methods
<p>Objective 3: To determine whether benefits/outcomes, as described in the executed project agreements or approved amendments, were achieved and adequately reported in the FDRs.</p>	<ul style="list-style-type: none"> • For the three completed projects, 1212000004, 1213000166, and 1213000167, determined whether project benefits/outcomes were achieved by comparing actual project benefits/outcomes in the FDRs with the expected project benefits/outcomes described in the executed project agreements or approved amendments. • For project 1212000004 and 121300166, evaluated whether project benefits/outcomes for emissions reductions and a volume to capacity (V/C) ratio described in the executed project agreement or approved amendments were adequately reported and supported in the FDRs by reviewing studies. • For the interim project 019000190, confirmed OCTA understood its need to report on the benefits/outcomes as listed in the Vote List.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

CONCLUSION

Based on the procedures performed and evidence gathered, we obtained reasonable assurance the Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed agreements, except as noted in Findings 1 and 4.

We also obtained reasonable assurance the completed projects' deliverables/outputs were consistent with the project scopes and schedules. Although projects 1212000004, 1213000166, and 1213000167 were behind schedule, OCTA, appropriately informed Caltrans and CTC of the delays. For the interim project 0019000190, we confirmed OCTA has a system in place to report actual project deliverables/outputs. Additionally, project 0019000190 is expected to be completed on schedule. However, the FDRs for projects 1213000166 and 1213000167 were not submitted timely, as noted in Finding 2.

Additionally, we obtained reasonable assurance the project benefits/outcomes, as described in the executed project agreements or approved amendments, were adequately reported in the FDRs, and OCTA achieved the expected project benefits/outcomes as described in the executed project agreements, except as noted in Finding 3.

For interim project 0019000190, we confirmed OCTA understood its need to report on the benefits/outcomes as listed in the Vote List.

FINDINGS AND RECOMMENDATIONS

Finding 1: Unsupported Contract Change Order Expenditures

OCTA claimed and was reimbursed \$250,000 for unsupported CCO expenditures for project 0019000190. Specifically, CCO expenditures of \$250,000 for flagging services were unsupported. The total approved amount for CCO No. 2 was \$2,300,000; however, only \$250,000 was claimed for reimbursement. According to OCTA, the amount of the CCO reimbursed was an estimate paid in advance, whereby the advance was to be tracked and drawn down on a monthly basis. OCTA maintained a daily flagging log for the flagger services and it also provided five invoices which included other services in addition to the flagging services. However, there was no audit trail to trace the invoiced amounts to the log and to confirm which invoiced amounts were claimed against the advance payment. For instance, there were no reconciliations between the log and the flagging service activities reported on the invoices.

LAPM, Chapter 5, section 5.2, states that amounts claimed must reflect the cost of completed work, and section 5.5, requires all supporting backup documentation to be maintained for costs incurred and claimed for reimbursement in the project files.

Claiming unsupported costs places a greater financial burden on statewide taxpayers for transportation projects that primarily benefit local taxpayers, increases oversight monitoring and post audit resolution costs, and reduces the number of fundable Proposition 1B transportation projects.

Recommendations:

- A. Remit \$250,000 to Caltrans.
- B. Ensure a clear audit trail exists for claimed CCO expenditures. The audit trail should facilitate the tracing of claimed expenditures to the source documents and include clearly documented explanations for corrections and revisions.

Finding 2: Final Delivery Reports Not Submitted Timely

OCTA did not submit FDRs timely. For projects 1213000166 and 1213000167, the FDRs were not submitted to Caltrans within six months of the projects becoming operable. The FDR for project 1213000166 was due in December 2015, but was submitted to Caltrans in March 2018, while the FDR for project 1213000167 was due in July 2017, but was submitted to Caltrans in July 2018. According to OCTA, the FDRs were delayed due to OCTA's definition of when a project is complete and when the FDR should be submitted. OCTA relied on the City and its Comprehensive Transportation Funding Program guidelines rather than Proposition 1B program requirements.

SLPP Guidelines, section 14, require the FDR be submitted within six months of the project becoming operable (Notice of Completion date, excluding segmented projects to where the segment is deemed complete).

Late submission of reports decreases transparency of the status of a project and prevents Caltrans/CTC's ability to timely review the completed project's scope, final costs, project schedule, and performance outcomes/benefits.

Recommendations:

- A. Review project agreements and program guidelines to ensure a clear understanding of the reporting requirements.
- B. Submit FDRs for completed projects to Caltrans within the specified time frames as required by developing and implementing appropriate project reporting processes.

Finding 3: Improvements Needed in Reporting Project Benefits/Outcomes

The project benefits/outcomes approved by Caltrans/CTC were not adequately reported in the FDRs for projects 1212000004 and 1213000166. Specifically:

- For project 1212000004, OCTA reported in the Supplemental FDR that it was not able to provide actual metrics for emissions reductions. According to OCTA, the actual benefits could not be compared to the proposed benefits of the baseline agreement since emissions data from the South Coast Air Quality Management District are based on year 2025 projections and the projections change over time.

- For project 121300166, the FDR indicated a traffic volume of 29,000 vehicles with a capacity of 56,300, which results in a V/C ratio of 0.52. However, the traffic study dated September 2017 indicates a volume of 36,960, resulting in a V/C ratio of 0.656 (36,960/56,300).

TCIF Guidelines, section 17, and SLPP Guidelines, section 14, state within six months of the project becoming operable, the implementing agency will provide a FDR to CTC on the scope of the completed project, including performance outcomes derived from the project as compared to those described in the project baseline agreement.

Additionally, the Proposition 1B Project Close-out Process Update 2016 states benefits not available at the time of the FDR must be reported in the Supplemental FDR.

Inaccurate information on the FDR decreases the transparency of the project outcomes and prevents CTC from reviewing the success of the projects based on the agreed upon projected benefits/outcomes.

Recommendations:

- A. Review project agreement and program guidelines to ensure a clear understanding of the reporting requirements and to ensure data is available to report actual project benefits/outcomes in FDRs.
- B. Report the actual benefits/outcomes based on traffic studies/data in the projects' FDRs.

Finding 4: Oversight of Administering Agency's Contract Procurement Needs Improvement

OCTA should improve its oversight to ensure agencies administering state funds adhere to Caltrans requirements for contract procurement. Specifically, for project 1213000166, the City did not retain sufficient documentation:

- *Construction Contract:* The date and time stamp log to support timeliness of submittals for bid responses were not available for our review of the City's \$7.7 million contract for project construction. Of the \$7.7 million contract, the City was reimbursed \$2,412,562 for contract expenditures with Proposition 1B funds.
- *Consultant Contract:* The scoring sheets illustrating the evaluation of Request for Proposals (RFPs) to established criteria were not available for our review of a \$900 thousand consultant contract for project construction engineering services. Of the \$900 thousand, the City was reimbursed \$173,623 for consultant expenditures with Proposition 1B funds.

According to the City, it was unable to locate the documents from archives.

LAPM, Chapter 10, section 10.1.8, requires project records and documentation be kept for three years after payment of the final federal or state voucher. The records to be retained consist of the RFPs, Request for Qualifications, advertisement records, identification of the selection committee members, evaluation and ranking records, and records of negotiations.

Master Funding Agreements, Article 6, Audit and Inspection, require the implementing and administering agencies to maintain a complete set of records in accordance with generally accepted accounting principles. The implementing agency will inspect and audit all work and records of the administering agencies for a period of four years after final payment or completion of audit, or after final payment of debt service where local fair share revenues were pledged, whichever is longer.

The City may be accepting bids after the bid deadline and may not evaluate bids adequately to ensure a fair and unbiased contract procurement process.

Recommendation:

- A. Strengthen oversight procedures to ensure administering agencies comply with LAPM and applicable laws on procurement document retention, including:
 - Maintain records of negotiations for a minimum of three years after final payment and as required by Master Funding Agreements.
 - Develop and implement procurement policies and procedures to ensure compliance with the LAPM and applicable laws.

The following acronyms are used throughout Appendix A.

- Burlington Northern Santa Fe: BNSF
- California Department of Transportation: Caltrans
- California Transportation Commission: CTC
- City of Anaheim: City
- County of Orange: County
- Final Delivery Report: FDR
- Intercity Rail Improvement: IRI
- Orange County Transportation Authority: OCTA
- State-Local Partnership Program: SLPP
- Trade Corridors Improvement Fund: TCIF
- Union Pacific Railroad: UPRR

Summary of Projects Reviewed

Project Number	Expenditures Reimbursed	Project Status	Expenditures In Compliance	Deliverables/ Outputs Consistent	Benefits/ Outcomes Achieved	Benefits/ Outcomes Adequately Reported	Page
1212000004	\$27,344,133	C	Y	Y	P	P	A-1
1213000166	\$2,963,135	C	Y	Y	N	N	A-2
1213000167	\$5,110,000	C	Y	Y	Y	Y	A-3
0019000190	\$1,607,222	I	P	Y	N/A ¹	N/A ¹	A-4

Legend

C = Construction is complete and the project is operational.

I = Construction is not complete.

N = No

P = Partial

Y = Yes

N/A¹ = Not Applicable; the FDR had not been submitted as of January 2021, the end of our audit fieldwork. The project is still under construction.

Project Number: 1212000004

Project Name: Lakeview Avenue Grade Separation

Program Name: TCIF

Project Description: Raise Lakeview Avenue from grade level to 24 feet above the BNSF rail lines. A bridge will be constructed on Lakeview Avenue that spans the Orangethorpe Avenue, the BNSF rail lines, and the County Flood Control right of way. In addition, a modified loop type connector road will also be constructed to convey vehicles from Lakeview Avenue to Orangethorpe Avenue.

Audit Period: May 7, 2013 to June 30, 2019 for audit objective 1²
May 7, 2013 to October 19, 2017 for audit objectives 2 and 3³

Project Status: Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$ 23,976,425
Construction Engineering	3,367,708
Total Proposition 1B Expenditures	\$ 27,344,133

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in June 2017. At the time of our fieldwork in January 2021, project deliverables/outputs were consistent with the project scope and schedule. The FDR was submitted in October 2017 and a supplemental FDR was submitted in March 2020. Additionally, the project was behind schedule and completed 18 months late; however, OCTA appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR except for emissions reductions as noted in Finding 3.

² The audit period end date reflects the last date costs were incurred per the last reimbursement invoice submitted to and approved by Caltrans.

³ The audit period end date reflects the FDR submission date.

Project Benefits/ Outcomes Category	Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the Supplemental FDR	Benefits/ Outcomes Achieved
Safety	Grade separations completely separate automobiles and other traffic from trains, eliminating the potential for a grade crossing collision.	By eliminating the at-grade crossing, trains are no longer interacting with vehicles, pedestrians, and bicyclists. The project has eliminated: 1) Pedestrians walking across tracks 2) Emergency vehicle delays 3) Potential for train/vehicle collisions	Yes
Velocity	With the construction of the grade separation, vehicles traveling would be able to maintain a more consistent speed within this segment of the roadway because the delay and conflict associated with the at-grade crossing would be eliminated.	Since trains are no longer interacting with vehicles, railroad and vehicle velocities have improved by eliminating delays and potential train/vehicle collisions.	Yes
Throughput	The Annual Average Daily Traffic will increase from 23,100 to 30,500 in 2030. Current at-grade crossing is forecasted to cause 5.4 hours of daily delay for trucks in 2030 a 141 percent increase of existing condition. Grade separation will eliminate conflict.	Since trains are no longer interacting with vehicles, truck throughput has improved by eliminating delays at grade crossing.	Yes
Reliability	The reliability of travel and goods movement at or near at-grade rail crossings is influenced by two factors: delay and safety. Delay due to the at-grade crossing would be eliminated and the separation of the railway from the roadway would improve safety resulting in increased reliability.	Since trains are no longer interacting with vehicles, goods movement reliability has improved by eliminating delays and potential train/vehicle collisions.	Yes
Congestion Reduction	The existing total traffic delay (vehicle-hours/day) due to the rail crossing is 44.9 hours and this is expected to increase to 108.2 in 2030. The grade separation would eliminate the delay due to the rail crossing.	Since trains are no longer interacting with vehicles, congestion is reduced since vehicle delays at the grade crossing is eliminated.	Yes

Project Benefits/ Outcomes Category	Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the Supplemental FDR	Benefits/ Outcomes Achieved
Emissions Reductions	ROG Emission Benefits (0.16 kilograms/day) CO Emission Benefits (2.22 kilograms/day) NOx Emission Benefits (0.14 kilograms/day) PM Emission Benefits (0.01 kilograms/day)	Not Adequately Reported.	No

Project Number: 1213000166

Project Name: Brookhurst Street Improvements

Program Name: SLPP

Project Description: The project is located in the City on Brookhurst Street from Ball Road to Katella Avenue. The project will widen Brookhurst Street from a four lane facility to six lanes, including three northbound through lanes and two southbound through lanes transitioning to three southbound through lanes midway between Chanticleer Road and Cerritos Avenue; install six-foot-wide-northbound and southbound Class II bikeways, as well as new raised and landscaped medians along the one-mile segment from Midland Lane to Ball Road.

Audit Period: May 7, 2013 to March 16, 2016 for audit objective 1⁴
May 7, 2013 to March 7, 2018 for audit objectives 2 and 3⁵

Project Status: Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$ 2,412,563
Construction Engineering	550,572
Total Proposition 1B Expenditures	\$ 2,963,135

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC program guidelines, and applicable state and federal regulations cited in the executed project agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in June 2015. At the time of our fieldwork in January 2021, project deliverables/outputs were consistent with the project scope and schedule. As noted in Finding 2, the FDR was due in December 2015, but was submitted in March 2018, 27 months late. Additionally, the project was behind schedule and completed 22 months late; however, OCTA, appropriately updated Caltrans and CTC of the delay.

⁴ The audit period end date reflects the last date costs were incurred per the last reimbursement invoice submitted to and approved by Caltrans.

⁵ The audit period end date reflects the FDR submission date.

Benefits/Outcomes

Actual project benefits/outcomes were not adequately reported in the FDR. As noted in Finding 3, OCTA could not provide a post-assessment study to support the project benefits/outcomes reported in the FDR.

Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the Supplemental FDR	Benefits/ Outcomes Achieved
The improvements will add capacity and relieve traffic congestion in this segment. The Level of Service (LOS) is expected to improve to A with a V/C ratio of 0.54. Without the Project, LOS in this segment is expected to remain a D with a V/C ratio of 0.81.	The project improved capacity of the roadway and provided traffic congestion relief. The daily capacity of a six lane facility is 56,300 vehicles. The V/C ratio is 0.52, equaling to a LOS of A.	No

Project Number: 1213000167

Project Name: La Pata Avenue Phase 1

Program Name: SLPP

Project Description: The project is to construct a four-lane extension to close a 2.4 mile gap, from Calle Saluda to the existing terminus of La Pata Avenue at the northern boundary of the Prima Deshecha Landfill.

Audit Period: May 7, 2013 to January 12, 2017 for audit objective 1⁶
May 7, 2013 to July 23, 2018 for audit objectives 2 and 3⁷

Project Status: Construction is complete and the project is operational.

Schedule of Proposition 1B Expenditures

Category	Reimbursed
Construction	\$ 5,110,000
Total Proposition 1B Expenditures	\$ 5,110,000

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC's program guidelines, and applicable state and federal regulations cited in the executed project agreements. Additionally, the match requirement was met.

Deliverables/Outputs

The construction phase of the project was completed in January 2017. At the time of our fieldwork in January 2021, project deliverables/outputs were consistent with the project scope and schedule. As noted in Finding 2, the FDR was due in July 2017, but was submitted in July 2018, 12 months late. Additionally, the project was behind schedule and completed 21 months late; however, OCTA appropriately updated Caltrans and CTC of the delay.

Benefits/Outcomes

Actual project benefits/outcomes were adequately reported in the FDR. Additionally, the County achieved the expected project benefits/outcomes as described in the executed project agreement or approved amendments.

⁶ The audit period end date reflects the last date costs were incurred per last reimbursement invoice submitted to and approved by Caltrans.

⁷ The audit period end date reflects the FDR submission date.

Expected Benefits/Outcomes Reported in the Project Agreement	Actual Benefits/Outcomes Reported in the FDR	Benefits/ Outcomes Achieved
<p>Improve region's livability and economic competitiveness by improving the overall traffic circulation for residential and employment centers. Improve congestion on parallel routes and decrease travel time for commuters and residents. Project will include bicycle and pedestrian facilities.</p>	<p>The project improves the overall traffic circulation for residential and employment centers and reduces congestion on parallel routes and decreases travel time for commuters and residents. Project includes bicycle and pedestrian facilities.</p>	<p>Yes</p>

Project Number: 0019000190

Project Name: Laguna Niguel to San Juan Capistrano Passing Siding

Program Name: IRI

Project Description: The project is to add 1.8 miles of new passing siding railroad track between the Laguna Niguel/Mission Viejo Metrolink Station and Trabuco Creek in San Juan Capistrano.

Audit Period: May 7, 2013 to January 31, 2020 for audit objective 1⁸
May 7, 2013 to January 29, 2021 for audit objectives 2 and 3⁹

Project Status: Construction is not complete.

Schedule of Proposition 1B Expenditures

Category	Reimbursed	Unallowable Expenditures
Construction	\$ 1,607,222	\$ 250,000
Total Proposition 1B Expenditures	\$ 1,607,222	\$ 250,000

Results:

Compliance–Proposition 1B Expenditures

Proposition 1B expenditures were incurred and reimbursed in compliance with the executed project agreements, Caltrans/CTC program guidelines, and applicable state and federal regulations cited in the executed project agreements, except for \$250,000 in unallowable contract change orders, as noted in Finding 1.

Deliverables/Outputs

Target completion for the construction phase of this project is March 2021 with target close-out in March 2022. At the time of fieldwork in January 2021, project deliverables/outputs were consistent with the project scope and schedule as stated in the fiscal year 2020-21 first quarter progress report submitted to Caltrans and OCTA has a system in place to report actual project deliverables/outputs upon project completion. The project is on schedule and OCTA has appropriately updated Caltrans and CTC of the project status.

Benefits/Outcomes

Actual project benefits/outcomes have not been reported because the project has not been completed and the FDR had not been submitted at the time of our audit fieldwork in January 2021. However, OCTA understands its need to report on the benefits/outcomes as listed in the Vote List.

⁸ The audit period end date reflects the last date costs were incurred per last reimbursement invoice submitted to and approved by Caltrans.

⁹ The audit period end date reflects the end fieldwork date.

We considered the following internal control components and underlying principles significant to the audit objectives:

Internal Control Component	
Control Activities	<ul style="list-style-type: none"> • Management designs control activities to achieve objectives and respond to risks. • Management implements control activities through policies.
Information and Communication	<ul style="list-style-type: none"> • Management uses quality information to achieve the entity's objectives. • Management externally communicates necessary quality information to achieve the entity's objectives.
Monitoring	<ul style="list-style-type: none"> • Management establishes and operates monitoring activities to monitor the internal control system and evaluates the results.



AFFILIATED AGENCIES

*Orange County
Transit District*

*Local Transportation
Authority*

*Service Authority for
Freeway Emergencies*

*Consolidated Transportation
Service Agency*

*Congestion Management
Agency*

April 30, 2021

Ms. Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814-3706

**Subject: Response to Orange County Transportation Authority,
Proposition 1B Audit**

Dear Ms. McCormick:

On March 23, 2021, the Department of Finance, Office of State Audits and Evaluations conducted a formal exit conference to discuss the Proposition 1B Draft Audit Report findings and recommendations. The draft audit report was received on April 19, 2021.

Enclosed is the Orange County Transportation Authority's (OCTA) response to the Proposition 1B Draft Audit Report. The enclosed document provides responses to each of the following four findings discussed in the draft report:

1. Unsupported Contract Change Order Expenditures
2. Final Delivery Reports Not Submitted Timely
3. Improvements Needed in Reporting Project Benefits/Outcomes
4. Oversight of Administering Agency's Contract Procurement Needs Improvement

I understand that OCTA's response will be incorporated into the final audit report. If you have any questions or need additional information, please contact Janet Sutter, Executive Director, at (714) 560-5591 or jsutter@octa.net.

Sincerely,

Darrell E. Johnson
Chief Executive Officer

DEJ:js
Enclosure

Response to Finding 1 – Unsupported Contract Change Orders (CCO)

Management requests reconsideration of the recommendations based on additional supporting documentation received from Metrolink. Metrolink provided additional supporting documentation with timesheets for both of their flagging services contractors to support the CCO expenditures in question. The supporting documentation from Metrolink's approved invoices clearly identified the flagging support expenditures under their project number "881885 – Laguna Niguel – San Juan Capistrano Passing Siding." The backup invoices provide the staff name, hours worked, billing rate, and other direct costs, totaling \$267,518.17 for the months following the \$250,000 deposit in November 2019. These Metrolink invoices were verified against OCTA's daily flagging log to verify the flagging personnel charged to the project matches the flagger present for the period in question. Due to the volume of documentation, OCTA can provide a link to the information for the California Department of Transportation's (Caltrans) review and reconsideration of the recommendation. OCTA would also like to coordinate with Metrolink and Caltrans to ensure all the parties understand the required documentation to support billing for Metrolink flagging services.

Response to Finding 2 – Final Delivery Reports Not Submitted Timely

Please note that due to the City of Anaheim (City) and the County of Orange being subrecipients of funds, OCTA took the necessary time to ensure expenditures and reimbursement requests from the City complied with all requirements and were eligible expenditures through the State and Local Partnership Program Guidelines and Caltrans Local Assistance Programming Guidelines and Caltrans Local Assistance Procedures Manual. OCTA acknowledges that the report was not submitted timely. In the future, OCTA does not plan on using state funds to support subrecipient projects. If state funds are used, OCTA will work with Caltrans and the California Transportation Commission to make the local agency the direct recipient of the funding allocation and the implementing agency.

Response to Finding 3 – Improvements Needed in Reporting Project Benefits/Outcomes

Project No. 1212000004: Management disagrees with the recommendation and statements contained in Appendix 1. The actual benefit explanation in the Final Delivery Report (FDR) is consistent with other railroad grade separation project FDRs constructed by OCTA, and those FDRs were approved by the Trade Corridors Improvement Fund Program Lead from Caltrans. During the audit, OCTA was able to obtain a memorandum that reported air emissions reductions from the Air Quality Management District (AQMD). The air emissions reductions and AQMD memorandum were included in the Supplemental FDR which was provided to the lead auditor in March 2021, and it is our understanding that no further action is required to address emissions reductions on this project.

Project No. 121300166: OCTA submitted the traffic volume of 29,000, consistent with the information that was provided by the City. The City has since indicated that the 2018 counts they provided to OCTA were collected on Monday May 8, 2018, which was a day in which school was not in session and did not correctly represent the project. Corrected count information was not provided to OCTA to correct the FDR. During the audit, the City indicated that the 2017 count of 36,960 is the correct value that should be used. In the future, OCTA does not plan on using state funds to support subrecipient projects. If state funds are used, OCTA will work with Caltrans and the California Transportation Commission to make the local agency the recipient of the funding allocation and the implementing agency and therefore responsible for reporting on the project directly.

Response to Finding 4 – Oversight of Administering Agency’s Contract Procurement Needs Improvement

OCTA has discussed this finding with the City. The City is aware of this finding and will ensure that it maintains this documentation in the future. Moving forward, OCTA does not plan on using state funds to support subrecipient projects. If state funds are used, OCTA will work with Caltrans and the California Transportation Commission to make the local agency the recipient of the funding allocation and the implementing agency.

OCTA's response to the draft report has been reviewed and incorporated into the final report. We acknowledge OCTA's willingness to implement recommendations. In evaluating OCTA's response, we provide the following comments where OCTA disagrees with our findings:

Finding 1: Unsupported Contract Change Order (CCO) Expenditures

OCTA requested reconsideration of the documentation provided by Metrolink to support costs totaling \$267,518 for the CCO for project 0019000190. The additional documentation referenced in OCTA's response had already been provided and reviewed prior to the draft report issuance. No additional documentation or information was submitted with OCTA's response. Based upon the documentation and information reviewed, there continues to be no audit trail to reconcile the advanced amount of \$250,000 to actual costs incurred; therefore, the finding and recommendations will remain unchanged.

Finding 3: Improvements Needed in Reporting Project Benefits/Outcomes

OCTA disagrees actual metrics for emission reductions for project 1212000004 were not adequately reported as stated in Appendix A-1. Finance acknowledges OCTA provided a Supplemental FDR that included emission reductions data from the Air Quality Management District for year 2019. However, the Supplemental FDR did not mention when the actual benefits will be available. The Proposition 1B Project Close-out Process Update 2016 states that if benefits are not available at the time of the FDR, it should be noted when they will be available, and benefits not available at the time of the FDR must be reported in the Supplemental FDR. Therefore, the finding and recommendations will remain unchanged.



July 14, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Fiscal Year 2020-21 Internal Audit Plan, Fourth Quarter Update

Overview

The Orange County Transportation Authority Board of Directors adopted the Orange County Transportation Authority Internal Audit Department Fiscal Year 2020-21 Internal Audit Plan on July 27, 2020. This update is for the fourth quarter of the fiscal year.

Recommendation

Receive and file the fourth quarter update to the Orange County Transportation Authority Internal Audit Department Fiscal Year 2020-21 Internal Audit Plan as an information item.

Background

The Internal Audit Department (Internal Audit) is an independent appraisal function, the purpose of which is to examine and evaluate the Orange County Transportation Authority's (OCTA) operations and activities to assist management in the discharge of its duties and responsibilities.

Internal Audit performs a wide range of auditing services that include overseeing the annual financial and compliance audits, conducting operational and contract compliance reviews, investigations, and agreed-upon procedures reviews. Audits initiated by entities outside of OCTA are coordinated through Internal Audit.

Discussion

The OCTA Internal Audit Fiscal Year (FY) 2020-21 Internal Audit Plan (Plan), Attachment A, reflects the status of each audit project as of year-end. Staff hours, as reflected in Attachment A, represent total hours available annually for audit activities and are budgeted by project as a preliminary estimate of the effort required to meet the audit objective. Actual hours available for audit activities exceeded budgeted hours by approximately 600 hours due primarily to a decrease in the amount of vacation, sick, and training hours taken by staff during the year.

For the Plan year, Internal Audit completed 44 projects, including 32 price reviews, nine internal audits, one unscheduled agreed-upon procedures review, and two Buy America reviews. As reflected in the Plan, time spent on price reviews was under-estimated, resulting in an overage of approximately 500 hours. As of June 30, 2021, two internal audits are in progress, and one audit has been completed with a draft report in circulation. These audit projects will be carried over to the FY 2021-22 Plan.

During the fourth quarter, Internal Audit issued results of an audit of oversight controls and contract compliance related to the Bridgestone American Tire Operations, LLC (Bridgestone), tire lease and services agreement. Based on the review, the procurement of tire lease and services was handled in accordance with OCTA procurement policies and procedures, and payments are properly reviewed and authorized by staff. However, Bridgestone had not provided minimum staffing levels required by the contract, did not provide documents required to be submitted upon contract award, and was unable to provide certain required documents upon request. Additionally, contract requirements for torque re-check of new tires installed on ACCESS buses had not been implemented. OCTA management had also not implemented monitoring controls to ensure contract compliance. Management agreed and took immediate action to address contract compliance issues and indicated that controls will be implemented to monitor compliance going forward.

An audit of investments for the period July 1 through December 31, 2020, found that OCTA complied with its debt, investment, and reporting policies and procedures; however, one recommendation was made that management reconsider a change in reporting practices to add certain assertions. Management agreed and indicated that recommended assertions would be included in the reports starting in April 2021.

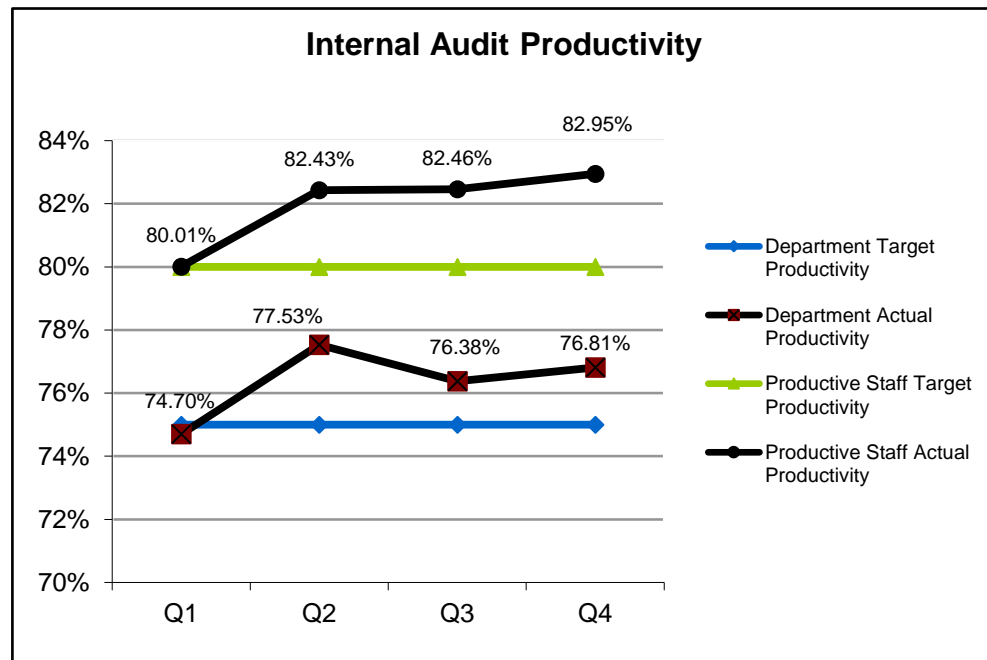
Also, during the quarter, Internal Audit provided results of an audit of the Department of Motor Vehicles (DMV) Employer Pull Notice Program. Based on the audit, controls were in place to ensure compliance with regulatory requirements and policies and procedures; however, recommendations were

made to enhance review controls and documentation, to update policy and job descriptions to reflect current requirements, and to consistently and timely perform monitoring activities. Management agreed and indicated that recommended actions will be implemented.

Internal Audit Department Productivity

Internal Audit measures the productivity of the department by calculating a productivity ratio. The ratio, used broadly throughout the audit industry, measures the amount of time auditors spend on audit projects versus time spent on administrative duties. Productivity goals are established for both the professional staff and for the department as a whole. Because the executive director regularly participates in non-audit management activities such as planning and committee meetings, the department-wide target is set at 75 percent. The target for Internal Audit professional staff, not including the executive director, is 80 percent.

By the quarter ended June 30, 2021, Internal Audit had achieved cumulative productivity of 77 percent, and the professional staff achieved cumulative productivity of 83 percent.



Price Reviews

At the request of the Contracts Administration and Materials Management (Camm) Department, and consistent with OCTA's procurement policy, Internal Audit conducts reviews of single-bid procurements to ensure that Camm handled the procurement in a fair and competitive manner. Internal Audit also reviews prices proposed by architectural and engineering firms and sole source contractors, to ensure that the prices are fair and reasonable. Internal Audit makes recommendations to adjust proposed rates where they exceed the rates per review. During the fourth quarter, Internal Audit completed nine price reviews. For the year ended June 30, 2021, a total of 32 price reviews were issued.

Fraud Hotline

Internal Audit is responsible for administering the OCTA Fraud Hotline. The fraud hotline system allows reporters to file complaints anonymously through the internet or by calling a toll-free phone number. Complaints may also be received in person, by phone, or by mail directly to Internal Audit. To ensure proper recordkeeping, all complaints are recorded in the Ethicspoint system, regardless of how the complaint is received.

During the quarter ended June 30, 2021, Internal Audit received three reports. Two reports were customer complaints and were referred to customer service for disposition, and the third report was referred to Human Resources staff for investigation.

Outstanding Audit Recommendations Tracking

At the request of the Finance and Administration Committee, a listing of outstanding audit recommendations is included with the quarterly updates to the Plan as Attachment B.

For the quarter ended June 30, 2021, Internal Audit completed follow-up reviews of five outstanding audit recommendations. Four of the recommendations were fully implemented by management and were closed out, and one was partially implemented and will be reviewed again in six months.

Eight recommendations were added to the listing based on the audit of the Bridgestone tire lease and services agreement, the semi-annual audit of investments, and the DMV Employer Pull Notice program audit, summarized above.

Summary

The OCTA Internal Audit FY 2020-21 Plan is being closed-out. Two projects that are in process, and one project that being finalized, will be carried forward to the OCTA Internal Audit FY 2021-22 Plan. Internal Audit will continue to perform follow-up of all outstanding findings and recommendations.

Attachments

- A. Orange County Transportation Authority Internal Audit Department Fiscal Year 2020-21 Internal Audit Plan, Fourth Quarter Update
- B. Outstanding Audit Recommendations, Audit Reports Issued through June 30, 2021
- C. Audit Recommendations Closed During Fourth Quarter, Fiscal Year 2020-21

Approved by:



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

**Orange County Transportation Authority
Fiscal Year 2020-21 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Mandatory External Independent Audits							
Annual Financial Audits and Agreed-Upon (AUP) Procedures Reviews	FY21-001 through FY21-004	Coordinate and report on annual financial and AUP reviews for fiscal year 2019-20.	Financial	450	376.5	74	Issued
External Regulatory Audits	FY21-005	Coordinate and report on external audits by regulatory or funding agencies.	Compliance	60	90	(30)	1 Report Issued
Internal Audit Department Projects							
Risk Assessment and Annual Audit Plan	FY21-100	Preparation of the annual audit plan, quarterly updates to the audit plan, and periodic assessment of risk throughout the year, including monitoring the audit results of related entities.	Audit Plan and Updates	180	141	39	
Quality Assurance and Self-Assessment	FY21-101	Update of Internal Audit Policies & Procedures. Annual self assessment of the Internal Audit Department's (Internal Audit) compliance with Generally Accepted Government Auditing Standards.	Quality Assurance	160	101.5	59	Completed
Fraud Hotline Activities	FY21-102	Administrative duties related to maintenance of the Fraud Hotline and work related to investigations of reports of fraud, waste, or abuse.	Fraud Hotline	240	58	182	11 Reports
Automated Workpaper Solution	FY21-103	System updates/training related to automated workpaper solution.	Workpaper System	40	33	7	
Internal Audits							
Security and Emergency Preparedness							
Physical Access Security	FY21-511	Review and test controls in place to ensure physical access security at Orange County Transportation Authority (OCTA) locations.	Internal Control / Operational	240	203	37	In Process
Clerk of the Board							
Form 700 Disclosures	FY21-510	Review and test controls in place related to coordination of Form 700 disclosures by designated employees.	Compliance	240	230.5	10	In Process

**Orange County Transportation Authority
Fiscal Year 2020-21 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Human Resources and Organizational Development							
Department of Motor Vehicles (DMV) Employer Pull Notice Program	FY21-508	Assess controls and test operation of the DMV Employer Pull Notice Program.	Internal Control/ Operational	240	274.5	(35)	Complete 5-19-21
Separations	FY21-501	Assess and test controls related to employee separations.	Operational	220	226.5	(7)	Complete 10-12-20
Capital Programs							
Interstate 5 (I-5) Project: State Route 55 (SR-55) to State Route 57 (SR-57)	FY20-510	Review of the I-5 Project: SR-55 to SR-57, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	60	57	3	Complete 7-29-20
OC Streetcar Project Management	FY21-503	Review of the OC Streetcar project management controls, including project administration, oversight controls, and contract compliance.	Internal Control / Compliance	320	399.5	(80)	Complete 2-11-21
Planning							
Comprehensive Transportation Funding Programs (CTFP): Oversight and Reporting	FY20-512	Review of OCTA monitoring and reporting controls over CTFP projects.	Internal Control	160	290.5	(131)	Complete 1-13-21
Operations							
Facilities Maintenance	FY21-507	Review of facilities maintenance function within the Operations Division, including oversight controls and contract compliance.	Operational / Compliance	300	531.5	(232)	In Process
Bridgestone/Firestone Tire Lease and Services	FY21-506	Evaluate and test oversight controls and contract compliance related to the agreement with Bridgestone/Firestone for lease of tires and related services.	Internal Controls / Compliance	240	370.5	(131)	Complete 4-27-21
Finance and Accounting							
Treasury	FY21-502, FY21-509	Semi-annual review of investments: compliance, controls, and reporting.	Compliance	200	285	(85)	2 Reports Issued
Banking Services - Bank of the West	FY20-507	Assess and test controls to ensure compliance with the agreement between OCTA and Bank of the West for banking services.	Compliance	100	192.5	(93)	Complete 10-21-20

**Orange County Transportation Authority
Fiscal Year 2020-21 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Contract Administration and Materials Management (CAMM)							
Price Reviews	PR21-XXX	As requested by the CAMM Department, apply AUP to sole source, single bid, and architectural and engineering firm proposals.	Price Review	800	1286.5	(487)	32 Reports Issued
Buy America	FY21-504, FY21-505	As requested by the CAMM Department, apply AUP to determine compliance with Buy America requirements.	Buy America	180	122	58	2 Reports Issued
Unscheduled Reviews and Special Requests							
Unscheduled Reviews and Special Requests	FY21-800, FY21-801	Time allowed for unplanned audits and requests from the Board of Directors (Board) or management.	Varies	240	114.5	126	1 Report Issued
Monitoring Activities							
Measure M Taxpayer Oversight Committee (TOC)	FY21-601	Coordination of audit activities on behalf of the Audit Subcommittee of the TOC.	Administrative Support	60	34	26	
Metrolink Audit Activities	FY21-602	Obtain and review audit results of Metrolink activities	Non-Audit Service	20	49	(29)	
Capital Asset Inventory Observation	FY20-604	At the request of the Finance and Administration Department, observe and apply limited procedures related to the bi-annual capital asset inventory counts.	Non-Audit Service	80	86	(6)	Complete
Bus Base Inspections	FY21-603	At the request of the Transit Division, participation on annual base inspection teams.	Non-Audit Service	40	23	17	Complete
Follow-Up Reviews							
Follow-Up Reviews and Reporting	FY21-700	Follow-up on the status of management's implementation of audit recommendations.	Follow-Up	280	164.5	116	
Total Audit Project Planned Hours (A)				5,150	5,741	(591)	

**Orange County Transportation Authority
Fiscal Year 2020-21 Internal Audit Plan
Fourth Quarter Update**

Audit Activity	Project Number	Description	Primary Audit Type	Planned Staff Hours	Staff Hours To Date	Under (Over)	Status (Date Issued)
Internal Audit Administration							
Board and Committee Meetings				180	171	9	
Executive Steering and Agenda Setting Meetings				180	164.5	16	
Internal Audit Staff Meetings				150	114	36	
Other Administration				1,250	1314	(64)	
Total Hours (B)				6,910	7,504	(594)	
Department Target Efficiency (A/B)				75%	77%		75%
Target Efficiency - Professional Staff				80%	83%		80%

Outstanding Audit Recommendations
Audit Reports Issued through
June 30, 2021

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
10/12/20	21-501	Human Resources and Organizational Development (HROD)	Employee Separations	The Internal Audit Department (Internal Audit) recommended that the employee off-boarding process be improved and streamlined, with resumption of suspended efforts to automate the employee exit processing form.	Oct-21	Management responded that they would work with other departments to resume efforts to convert the employee exit processing form into an electronic form.	Update May 2021: The recommendation is partially closed, based on the development of an electronic employee exit form and procedures for involuntarily separated employees. The recommendation will remain open until the electronic employee exit form is set up to require digital signoffs from Information Systems (IS), Security and Emergency Preparedness, and General Services.
11/16/20	Not Applicable	Finance and Administration (F&A)	Fiscal Year 2019-20 Management Letter	In connection with the audit of OCTA's financial statements, Crowe LLP, issued a management letter identifying five control deficiencies related to accounting for contingencies, accounting for capital assets, classification of non-recurring revenue, accounts payable accruals, and review of the Service Organization Control report related to worker's compensation.	Nov-21	Management agreed with the recommendations and indicated that corrective actions will be taken.	
1/13/21	20-512	Planning	Comprehensive Transportation Funding Program (CTFP): Oversight and Reporting Controls	Internal Audit recommends management re-evaluate Project V requirements and amend guidelines, cooperative agreements, and monitoring controls to ensure consistency and proper oversight.	Jul-21	Management agreed to amend Project V Guidelines to ensure that requirements in the guidelines are aligned with the type of community-based circulator services that have proven to be successful. Further, staff will amend the cooperative agreements to be consistent with the updated requirements. Staff will also include applicable customer satisfaction and on-time performance elements in the required regular reports, in order to oversee this requirement and confirm compliance.	
2/11/21	21-503	Capital Programs	Oversight Controls and Contract Compliance: OC Streetcar Project Management Consultant	Internal Audit recommends management recover identified double-billings of \$5,857.	Aug-21	Management agreed and indicated that \$5,857 would be deducted from the consultant's current invoice.	

Outstanding Audit Recommendations
Audit Reports Issued through
June 30, 2021

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
2/11/21	21-503	F&A and Capital Programs	Oversight Controls and Contract Compliance: OC Streetcar Project Management Consultant	Internal Audit recommends that management reconcile differences between the contract and procurement policy requirements for establishing labor rates of staff being moved from labor classifications to named personnel. Additionally, controls should be developed to ensure compliance with these requirements.	Aug-21	Management agreed and indicated they will amend language in the appropriate templates, to ensure consistency with policy. Additionally, clarifying changes will be made to the affected agreements as they come up for amendments. In addition, project manager written approval will be required when proposed labor rates of staff being moved to named personnel exceed the contract escalation. Project managers will also implement additional controls to ensure labor rates of staff being moved to name personnel comply with contract and policy requirements.	
3/24/21	Not Applicable	F&A and Operations	Measure M2 Agreed Upon Procedures: Selected Agencies	In connection with the Local Fair Share program, auditors made observations of ineligible maintenance of effort expenditures, misreporting of direct or indirect costs, misreporting of expenditures, and a funded project not reflected in the city's Seven-Year Capital Improvement Program plan. Senior Mobility Program audits include observations relating to late submission of a monthly report, third-party contracting, misreporting of expenditures, failure to allocate interest, and overcharge of administrative costs.	Mar-22	City management responded to the observations and OCTA staff will monitor implementation of corrective actions proposed.	

Outstanding Audit Recommendations
Audit Reports Issued through
June 30, 2021

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/27/21	21-506	Operations	Review of Oversight Controls and Contract Compliance: Bridgestone-Firestone Tire Lease and Services, Agreement No. C-9-1354	Internal Audit recommended management strengthen monitoring controls to ensure required staffing and work schedules are provided as required. Management should also consider actions to address violations of contract terms and consider adjustments to invoices to account for staffing shortages. Finally, management should evaluate whether 17-hour shifts worked by contractor staff present safety concerns that should be addressed.	Oct-21	Management agreed and advised that the Contracts Administration and Materials Management (CAMP) Department was engaged to formally address the noted contract violations and to explore adjustments to invoices to account for staffing shortages. Management will continue to closely monitor the contract to ensure proper staffing levels are maintained, work schedules are posted and adhered to, and all employee procedures are followed as specified in the terms of the contract. Management will work with OCTA's Health, Safety, and Environmental Compliance (HSEC) Department to ensure safe work practices are being followed by Bridgestone.	
4/27/21	21-506	Operations	Review of Oversight Controls and Contract Compliance: Bridgestone-Firestone Tire Lease and Services, Agreement No. C-9-1354	Internal Audit recommended management review and enforce all contract terms. In addition, management should monitor to ensure tire inventories are maintained so that timely service can be provided at each of the bus bases. Finally, management should seek reimbursement from Bridgestone for the damaged equipment.	Oct-21	Management agreed and immediately worked with Bridgestone and HSEC to ensure all required safety documentation was provided. Management has advised Bridgestone of the requirement to maintain all documentation pertaining to safety inspections, training, staffing, and recordable injuries. Management will monitor for compliance. Finally, Bridgestone has committed to provide documented tire inventory levels each month.	
4/27/21	21-506	Operations	Review of Oversight Controls and Contract Compliance: Bridgestone-Firestone Tire Lease and Services, Agreement No. C-9-1354	Internal Audit recommended management collaborate with Bridgestone and MV Transit to develop a process to ensure that wheel torque is re-checked as specified in the contract.	Oct-21	Management agreed and requested that Bridgestone re-torque the wheels on the entire fleet at the Irvine Construction Circle Base to ensure all wheels are torqued to specification. Management also asked that Bridgestone maintain documentation of all re-torque occurrences at the Irvine Construction Circle Base and provide monthly reports to the project manager.	

Outstanding Audit Recommendations
Audit Reports Issued through
June 30, 2021

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Initiate Next Update	Management Response and Status	Internal Audit Status
4/27/21	21-506	Operations	Review of Oversight Controls and Contract Compliance: Bridgestone-Firestone Tire Lease and Services, Agreement No. C-9-1354	Internal Audit recommended management implement monitoring controls to ensure Bridgestone complies with contract requirements for employee qualifications and regulations pertaining to a drug and alcohol-free workplace.	Oct-21	Management agreed and indicated that Bridgestone will be required to provide an on-boarding checklist that documents that background checks are conducted and qualifications requirements are met. Management will also implement monitoring controls to ensure Bridgestone complies with regulations pertaining to a drug and alcohol-free workplace.	
4/28/21	21-509	F&A	Investments: Compliance, Controls, and Reporting, July 1, 2020 through December 1, 2020	Internal Audit recommended that Treasury incorporate suggested assertions into monthly debt and investment reports.	Oct-21	Management agreed with the recommendation and will incorporate the assertions beginning with the next monthly report, which will be for the month of April 2021.	
5/19/21	21-508	HROD and Operations	Department of Motor Vehicles (DMV) Employer Pull Notice Program	Internal Audit recommended management improve review controls and documentation of follow-up activities.	Nov-21	Management agreed and indicated that recommended actions will be implemented.	
5/19/21	21-508	HROD	DMV Employer Pull Notice Program	Internal Audit recommended the policy be updated to properly define regulated employees, that evidence of No Drive notices be retained, and that controls for updates to the No Drive listing be enhanced.	Nov-21	Management agreed and indicated that recommendations will be implemented.	
5/19/21	21-508	HROD and Operations	DMV Employer Pull Notice Program	Internal Audit recommended strengthening of Department of Motor Vehicles System (DMVS) controls and consistent performance of mock inspections, which serve as a monitoring control.	Nov-21	Management responded that the DMVS issues will be addressed, and mock inspections will be resumed on an annual basis.	

**Audit Recommendations Closed During
Fourth Quarter, Fiscal Year 2020-21**

Audit Issue Date	Report Number	Division/ Department/ Agency	Audit Name	Recommendation	Internal Audit Status Comments
10/21/20	20-507	Finance and Administration (F&A)	Audit of Banking Services and Agreement with Bank of the West (BofW)	Internal Audit recommended that management develop procedures to document the monthly and annual review processes for the BofW statements and fees.	A procedure was developed and implemented to document the monthly and annual review of banking fees.
10/21/20	20-507	F&A	Audit of Banking Services and Agreement with BofW	Internal Audit recommended that management implement a procedure to ensure timely updates to the BofW signature card and explore options to further enhance the control environment related to cash withdrawals by authorized personnel.	A procedure was developed to ensure timely updates to the bank signature card as required.
10/12/20	21-501	Human Resources and Organizational Development (HROD)	Employee Separations	Internal Audit recommended that stale account reviews be performed quarterly to ensure that accounts associated with separated employees have been disabled or deleted.	Information Systems completed the stale accounts review in the first quarter of 2021 and is working on the second quarter review.
10/12/20	21-501	HROD	Employee Separations	Internal Audit recommended that invitations to participate in employee exit surveys be documented and that a procedure be developed to analyze and communicate exit survey results to management.	HROD is logging employee exit surveys sent to voluntarily separating employees and presenting the exit survey results at the Division Leads meeting twice a year.



July 14, 2021

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Fiscal Year 2020-21 Third Quarter Budget Status Report

Overview

Orange County Transportation Authority staff has implemented the fiscal year 2020-21 budget. This report summarizes the material variances between the budget and actual revenues and expenses through the third quarter of fiscal year 2020-21.

Recommendation

Receive and file as an information item.

Background

The Board of Directors (Board) approved the Orange County Transportation Authority (OCTA) Fiscal Year (FY) 2020-21 Budget on June 8, 2020. The approved budget itemized the anticipated revenues and expenses necessary to deliver OCTA's transportation programs and projects.

The balanced budget, as originally approved by the Board in June 2020, was \$1.428 billion. Sources of funds were comprised of \$1.004 billion in current FY revenues and \$423.4 million in use of prior year designations. Uses of funds were comprised of \$1.369 billion of current FY expenditures and \$58.8 million of designations.

The Board approved five amendments through the third quarter, increasing the expense budget by \$113.1 million. This increased the budget to \$1.54 billion as summarized in Table 1 on the following page.

Table 1 - Working Budget

Date	Description	Amount*
7/1/2020	Adopted Budget	\$ 1,427,620
9/14/2020	Anaheim Transit Network - CARES Act ¹	2,355
9/14/2020	Bus Service Levels	(34,120)
9/14/2020	Healthcare	(931)
9/14/2020	LOSSAN Staffing - New Positions ²	533
9/14/2020	Metrolink Service - Operating Subsidy	12,999
9/14/2020	OC Flex Service	(388)
9/14/2020	Designations	(8,438)
11/23/2020	Amendment to Contract for OC ACCESS Service	5,051
12/14/2020	Interstate 405 Improvement Project Construction	127,000
2/8/2021	Bus Service Levels	(5,111)
2/8/2021	91 Express Lanes Back Office System	5,350
2/8/2021	91 Express Lanes System Integrator	3,740
2/8/2021	405 Express Lanes System Integrator	250
2/8/2021	Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Interest Rate Reset	360
2/22/2021	Amendment to Contract for OC Bus Service (First Transit, Inc.)	4,415
	<i>Subtotal Amendments</i>	<i>113,066</i>
	Total Working Budget	\$ 1,540,686

¹CARES - Coronavirus Aid, Relief, and Economic Security

*in thousands

²LOSSAN - Los Angeles - San Diego - San Luis Obispo Rail Corridor

Discussion

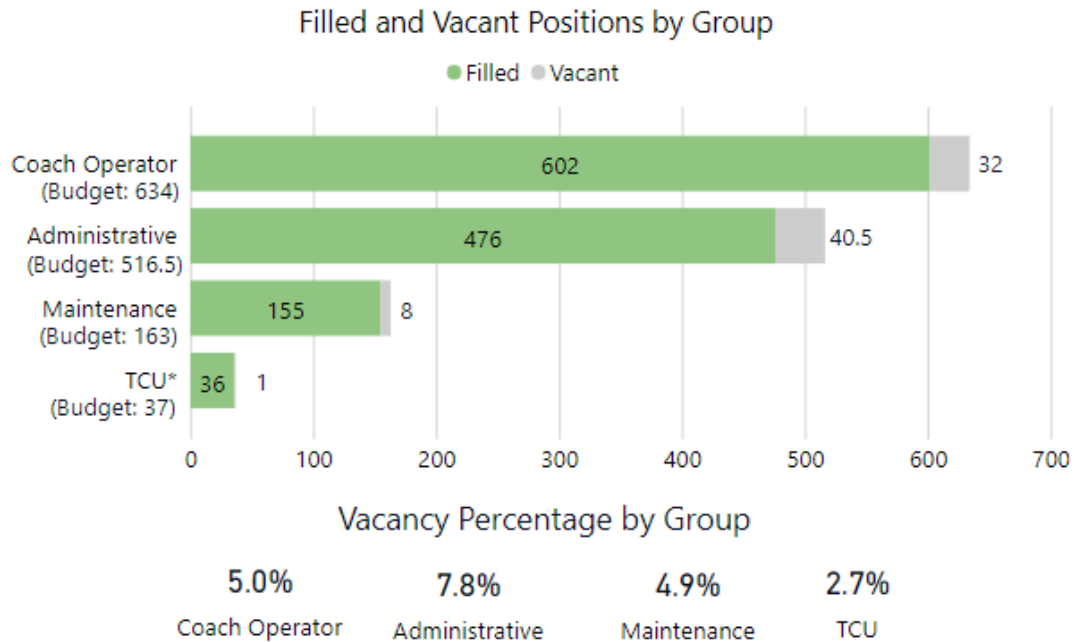
Staff monitors and analyzes revenues and expenditures versus the working budget. This report provides a summary level overview of staffing levels and explanations for material budget-to-actual variances within each pertinent OCTA program. The OCTA programs included are Bus, Commuter Rail, 91 Express Lanes, Motorist and Taxi Services, and Measure M2 (M2). A visual dashboard summary of this report is provided in Attachment A.

Unless indicated on an individual chart, the general color pattern used is outlined below:

- Gray – Budget
- Green – Within budget
- Yellow – Within five percent variance of budget
- Red – Over five percent variance of budget

Staffing

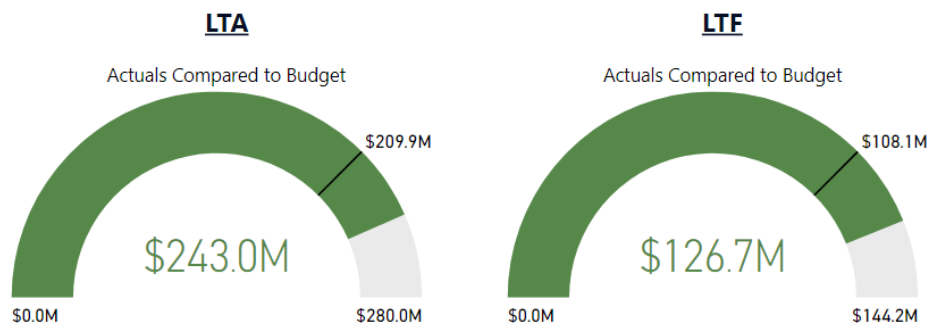
Total salaries and benefits underran the budget by \$5.8 million. This is primarily due to vacancies agency-wide, with the largest vacancy percentage in the administrative group (7.8 percent) at the end of the quarter.



*TCU - Transportation Communications International Union

Sales Tax Receipts

The charts below provide a FY snapshot for both the Local Transportation Authority (LTA) M2 Program and Local Transportation Fund (LTF) Bus Program sales tax revenues against the budget. LTA sales tax receipts of \$243 million are \$33.1 million higher than the budget and LTF sales tax receipts of \$126.7 million are \$18.6 million higher than the budget. Sales tax figures are outperforming the budget because receipts finished stronger than anticipated in the final quarter of FY 2019-20 and although the budget included a forecasted decrease in sales tax due to the coronavirus (COVID-19) pandemic, sales tax receipts are increasing for LTA and Transportation Development Act (TDA) through the third quarter. Year-to-date sales tax receipts are up for LTA (2.3 percent) and TDA (2.5 percent) from the same period last year. The year-to-date growth in sales tax is due to a tremendous increase in third quarter receipts. LTA grew by 28 percent and TDA grew by 27 percent from the same quarter last year.

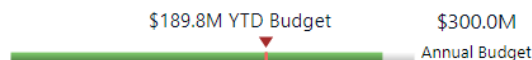


Major Programs

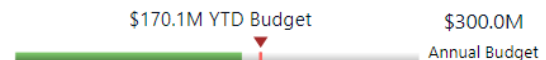
Bus Program



Operating Revenue



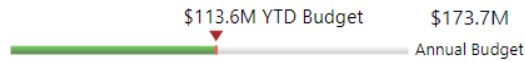
Operating Expense



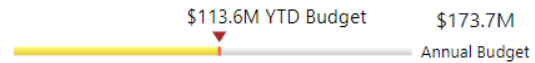
Bus Program operating revenue of \$276.3 million exceeded the budget by \$86.5 million, primarily due to the timing of CARES Act funds received to support operations in the amount of \$44.4 million. Additionally, higher than anticipated LTF sales tax revenue contributed \$18.6 million to the variance. Federal grant revenue for bus operations exceeded the budget by \$8.3 million due to the ability of staff to seek reimbursement for grant funds earlier than anticipated due to expenditures occurring earlier than anticipated. Lastly, earnings on cash balances exceeded the budget by \$7.2 million due to better than anticipated market performance.

Bus Program operating expenses of \$157.1 million underran the budget by \$13 million, primarily due to vacancies for coach operators, maintenance workers, and bus operations administrative employees totaling \$5.1 million. An underrun of \$2.3 million for OC ACCESS paratransit service was due to lower revenue vehicle hours compared to the budget. Through the end of March, approximately 204,000 hours were provided compared to 307,000 hours budgeted. An underrun of \$1.8 million resulted from emergency COVID-19 vaccine transportation support. OCTA re-allocated budget to support the County of Orange in transporting residents and workers to vaccine sites, but through the third quarter, this service has not been utilized. The remainder of the underrun (\$3.8 million) is the result of as-needed items including the Vanpool Program, marketing efforts, shop supplies, maintenance parts, and on-call consultant services, which vary based on the needs at any time during the FY.

Capital Revenue



Capital Expense



Bus Program capital revenue of \$114.5 million exceeded the budget by \$0.9 million primarily due to the timing of California State of Good Repair grant funds received for the purchase of battery electric buses. Funds were received earlier in the FY than anticipated based on the timing of expenditures. Capital expenses of \$113.9 million overran the budget by \$0.3 million primarily due to the timing of contract execution for the purchase of 15 coach operator relief vehicles. The purchase agreement was anticipated to be executed in the fourth quarter of the FY but was executed earlier to take advantage of expiring incentives.

Rail Program



Operating Revenue



Operating Expense



Rail Program operating revenue of \$23.3 million exceeded the budget by \$0.5 million, primarily due to higher than anticipated earnings on cash reserves. Operating expenses of \$24.5 million overran by \$1.7 million due to timing of the Metrolink operating subsidy payment. This variance will be resolved in the fourth quarter when the actuals align with the budget.

Capital Revenue



Capital Expense



Rail Program capital revenue of \$4.3 million exceeded the budget by \$1.7 million due to prior FY grant revenue received in the current FY for construction of the Laguna Niguel to San Juan Capistrano Passing Siding project. Capital expenses of \$4.5 million overran by \$1.9 million due to the timing of two construction contracts for the rehabilitation of six Orange County Metrolink stations, which occurred earlier in the FY than anticipated. The variance will be resolved in the fourth quarter when the actuals align with the budget.

91 Express Lanes Program



Operating Revenue

\$20.3M YTD Budget

\$75.0M

Annual Budget

Operating Expense

\$17.9M YTD Budget

\$75.0M

Annual Budget

The 91 Express Lanes Program operating revenue of \$31.8 million exceeded the budget by \$11.5 million, primarily due to higher than anticipated traffic volumes (\$9.7 million). After budgeting conservatively due to COVID-19, volumes have rebounded faster than anticipated. The remainder is due to earnings on cash reserves which has benefitted from higher than anticipated performance. Operating expenses of \$12.4 million underran by \$5.6 million, primarily due to as-needed expenses associated with toll road account servicing, project support, marketing, and legal services (\$3.6 million). Additionally, equipment maintenance underran due to the timing of expenses for the Toll Gantry Infrastructure project (\$1.9 million). The project, led by the California Department of Transportation, was anticipated to be expensed throughout the FY. However, it is now anticipated to begin in the fourth quarter of the FY.

Capital Revenue

\$7.3M YTD Budget

\$16.0M

Annual Budget

Capital Expense

\$7.3M YTD Budget

\$16.0M

Annual Budget

Capital revenue for the 91 Express Lanes of \$7.3 million was in line with the budget. Capital expenses of \$0.4 million underran the budget by \$6.9 million primarily due to amendment timing for the new Express Lanes Back-Office System (\$5.3 million). The amendment was executed late in the third quarter, and the variance will be resolved in the fourth quarter when anticipated invoices are paid. The remainder of the underrun was associated with the upgrade to the Electronic Toll and Traffic Management System. An invoice was received late in the third quarter, but will be paid in the fourth quarter, reducing this variance.

Motorist Services Program



Operating Revenue

\$5.6M YTD Budget

\$9.6M

Annual Budget

Operating Expense

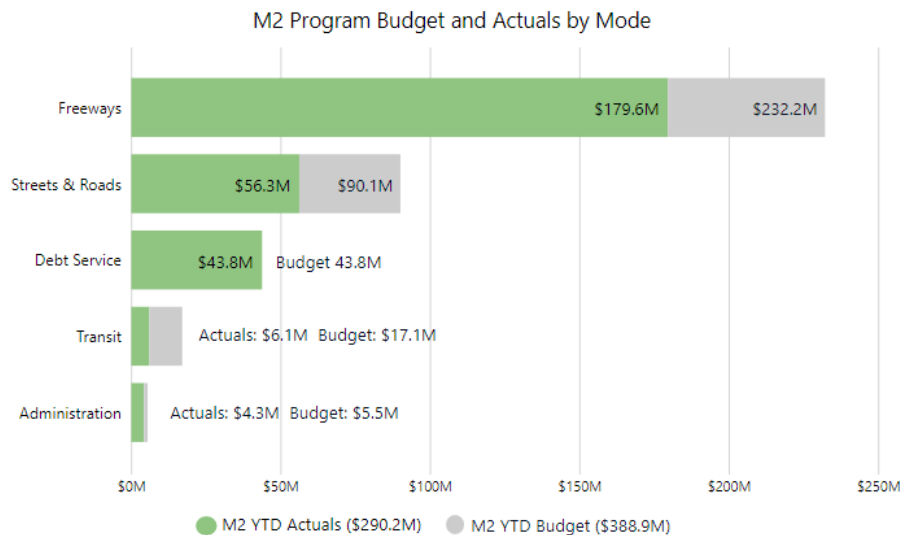
\$5.6M YTD Budget

\$9.6M

Annual Budget

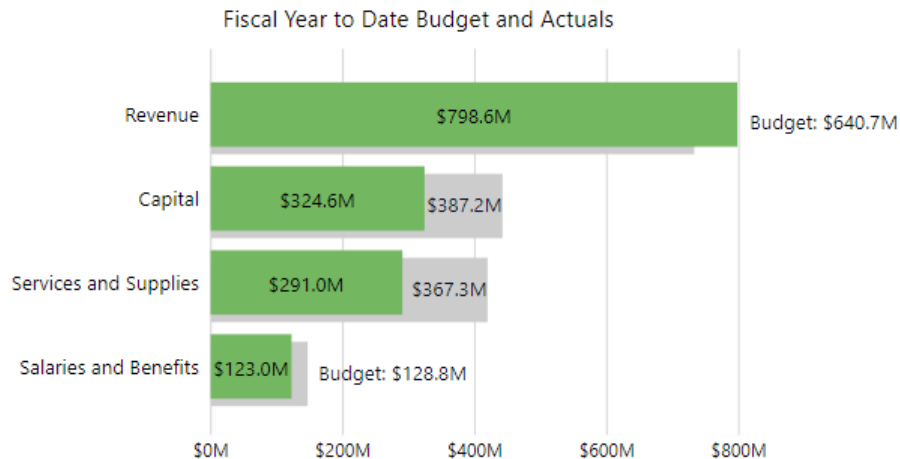
Motorist Services Program revenue of \$7.7 million exceeded the budget by \$2.1 million, which is the result of prior year operating revenue received in the current FY from the State of California for the Freeway Service Patrol (FSP) Program. Expenses for the program of \$4.5 million underran the budget by \$1.1 million primarily due to lower fuel cost for contracted tow service for the FSP Program (\$0.9 million). Fuel cost for this program is variable, and due to lower fuel costs, invoices received were lower than anticipated. The remainder of the underrun (\$0.2 million) was the result of a California Highway Patrol dispatcher position to support FSP, which will not be paid by OCTA as originally anticipated. Due to availability of California fuel tax funds, the position will be paid for directly by the State.

M2 Program



Total expenses for the M2 Program of \$290.2 million underran the budget by \$98.7 million, primarily due to lower than anticipated project payment requests from local jurisdictions for the Regional Capacity Program (\$30.9 million), Community-Based Transit Circulators Program (\$8 million), Regional Traffic Signal Synchronization Program (\$4.6 million), and Environmental Cleanup Program (\$4.2 million). Additionally, there were less construction and right-of-way (ROW) expenditures compared to the budget through the quarter for the Interstate 405 (I-405) Improvement Project (\$19.5 million), State Route 55 (SR-55) Widening Project from Interstate 5 (I-5) to I-405 (\$17.5 million), and I-5 Widening Project from State Route 73 to El Toro Road (\$8.9 million).

Summary



Overall, revenue of \$798.6 million exceeded the budget by \$157 million, primarily due to the timing of grant revenue including CARES Act funds received based on corresponding expenses (\$75.9 million), greater than anticipated sales tax receipts (\$51.7 million), and earnings on cash reserves (\$23.4 million).

Capital expenses of \$324.6 million underran the budget by \$62.6 million, primarily due to less construction and ROW expenses compared to the budget for the I-405 Improvement Project and the SR-55, I-5, to I-405 project.

Services and supplies expenses of \$291 million underran the budget by \$76.3 million, primarily due to an underrun in contributions to local agencies based on less project payment requests for competitive M2 programs. Additionally, as-needed services and supplies across the programs contributed to the underrun.

Salaries and benefits of \$123 million underran the budget by \$5.8 million, due to vacancies, primarily in the coach operator and administrative groups.

Attachment

A. FY 2020-21 Third Quarter Budget Status Summary

Prepared by:



Anthony Baruch
Section Manager,
Financial Planning and Analysis
(714) 560-5332

Approved by:

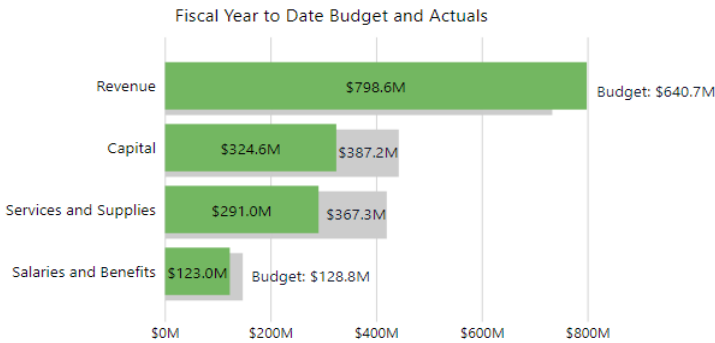
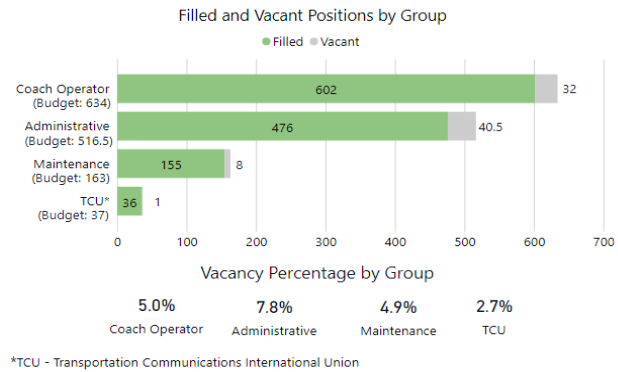
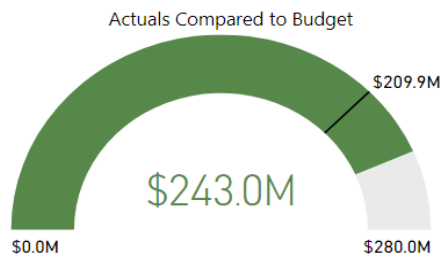
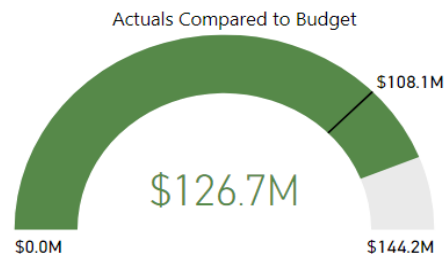
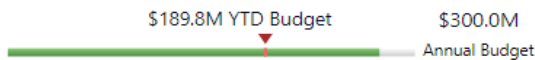
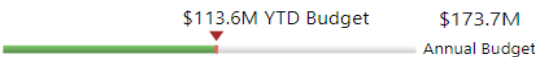
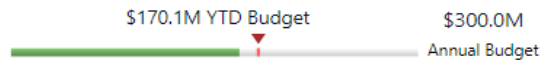
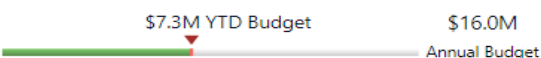
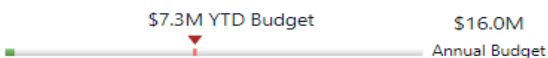
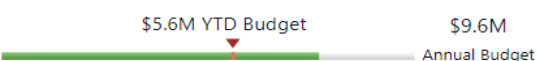
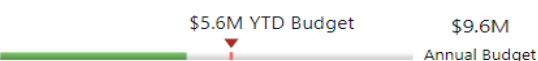


Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649



FY 2020-21 Third Quarter Budget Status Summary

● Budget ● Within Budget ● Within 5% Variance ● Over 5% Variance

Total Authority**Staffing****Sales Tax Receipts****LTA****LTF****Major Operating Programs****Bus Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****Rail Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****91 Express Lanes Program****Operating Revenue****Capital Revenue****Operating Expense****Capital Expense****Motorist Services Program****Operating Revenue****Operating Expense**



July 14, 2021

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Contractor Selection for the Back-Office System and Customer Service Center Operations for the 405 Express Lanes in Orange County

Overview

On June 22, 2020, the Orange County Transportation Authority Board of Directors approved the release of a request for proposals to retain contractor services to provide the back-office system and customer service center operations for the 405 Express Lanes in Orange County. Board of Directors' approval is requested for the selection of a firm to perform the required work.

Recommendations

- A. Approve the selection of WSP USA Services Inc., as the firm to provide the back-office system and customer service center operations services for the 405 Express Lanes in Orange County.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2690 between the Orange County Transportation Authority and WSP USA Services Inc., in the amount of \$110,981,893, to provide the back-office system and customer service center operations services for the 405 Express Lanes in Orange County, for an initial term up to eight and a half years, with one three-year, and one two-year option terms.

Discussion

The Orange County Transportation Authority (OCTA), in cooperation with the California Department of Transportation, is implementing the design-build Interstate 405 (I- 405) Improvement Project (DB 405) between State Route 73 (SR-73) and Interstate 605 (I-605). The 405 Improvement Project will add one general purpose lane from Euclid Street to I-605, consistent with Measure M2 Project K, and will add an additional lane in each direction that

would combine with the existing high-occupancy vehicle lane to provide dual express lanes in each direction on I-405 from SR-73 to I-605, otherwise known as the 405 Express Lanes (405EL). The 405EL is a greenfield toll facility with no existing history.

On October 12, 2015, the OCTA Board of Directors (Board) approved assumptions for the 405EL as described in the 405EL Toll Policy and Finance Plan Decisions Document (Decisions Document). This document identified that the facility would operate in a manner similar to the 91 Express Lanes (91EL) with all-electronic tolling using transponders and with the same account types and violation process. On May 23, 2016, the Board approved the 405EL Toll Policy and Preliminary Finance Plan using the operating assumptions outlined in the Decisions Document.

This project includes the design, development, implementation, and maintenance of the back-office system (BOS) and customer service center (CSC) operations for the 405EL (Project). The BOS retrieves data from the in-lane Electronic Traffic and Toll Management System and charges to the customer account or establishes a violation for the trip, if applicable. In addition, the contractor will be responsible for the day-to-day operations for the 405EL, including the following toll-related services:

- Back-office software system
- Hardware and software monitoring and maintenance
- Telephone system and other customer contact systems
- Customer service
- Violations processing and collections
- Customer account management
- Payments and other mail processing
- Revenue collections and transaction processing
- Financial management, reconciliation, and settlement
- Transponder inventory management

Although the 405EL is not anticipated to go live until calendar year 2023, the contractor will design, develop, install, and test the BOS prior to that time. In addition, contractor efforts for mobilization of the CSC operations, including staff recruitment and training, and all other services required for the opening of the customer service operations, will also be taken into account in the Project schedule.

Procurement Approach

This procurement was handled in accordance with Board-approved procedures for professional and technical services. Various factors are considered in an award for professional and technical services. Award is recommended to the firm offering the most comprehensive overall proposal, considering such factors as qualifications of the firm, staffing and project organization, prior experience with similar projects, work plan, technical approach, as well as cost and price.

The Project had previously been introduced to the tolling industry through an industry forum, held at OCTA's administrative offices to gauge industry interest and gather its input for potential incorporation into the request for proposals (RFP) documents, and inform potential proposers of OCTA's requirements.

On June 22, 2020, the Board authorized the release of RFP 0-2352 which was electronically issued on CAMM NET. Based upon insufficient competition for this procurement, General Counsel notified the Board that after consultation with Executive Management, it would be in the best interest of OCTA to cancel RFP 0-2352 in November 2020. The new approach was to issue a new RFP after conducting additional industry outreach in the hopes of obtaining more participation. After conducting substantial industry outreach, RFP 0-2690 was issued on December 10, 2020. The project was advertised on December 10 and December 17, 2020, in a newspaper of general circulation, and in trade magazines. A pre-proposal conference was held on January 5, 2021, with 47 attendees representing 19 firms. Twelve addenda were issued to make available a copy of the pre-proposal conference registration sheets and presentation, respond to questions received, and handle administrative issues related to the RFP.

On March 22, 2021, three proposals were received. A responsiveness evaluation was conducted on all proposals. As a result, one firm was found to be non-responsive for failure to meet the Disadvantaged Business Enterprise (DBE) participation goal or demonstrate sufficient good faith effort (GFE) as required by the Transportation Infrastructure Finance and Innovation Act, a United States (U.S.) Department of Transportation funding program, which is providing funding for the Project. The DBE goal established for this Project was three percent. The non-responsive firm did not commit to any DBE participation and did not demonstrate GFE, which resulted in the elimination of the firm's proposal from the evaluation process.

An evaluation committee consisting of staff from OCTA's Express Lanes Programs and Highways departments, as well as external representatives from the Metropolitan Transportation Commission, Kansas Turnpike Authority, and Santa Clara Valley Transportation Authority met to review the remaining two proposals.

The proposals were evaluated based on the following Board-approved evaluation criteria and weights.

Qualifications, Related Experience, and References of the Firm	15 percent
Staffing and Project Organization	15 percent
Implementation Work Plan and Technical Approach to BOS	30 percent
CSC Operations Work Plan and Approach	20 percent
Cost and Price	20 percent

Several factors were considered in developing the criteria weights. The criteria for qualifications of the firm, related experience, and references, as well as staff and project organization were assigned a weight of 15 percent each to emphasize the equal importance of the experience of the firm in handling similar work, and the staff's understanding of, and similar experience to, the Project, its challenges, and the approach to implementing the various elements of the scope of work. Implementation work plan and technical approach together were given a combined weight of 30 percent due to the highly technical requirements of the BOS' software and its architecture. CSC operations work plan and approach were given a weight of 20 percent due to the importance of successfully carrying out the day-to-day operations of the toll facility and managing customer services. Cost and price was weighted at 20 percent to ensure competitive price proposals are submitted for the delivery of services over the term of the agreement.

On May 4, 2021, the evaluation committee reviewed the two proposals based on the evaluation criteria and found both firms qualified to perform the required services. The qualified firms are listed below in alphabetical order:

Firm and Location

Cofiroute USA, LLC (CUSA)
Irvine, California

WSP USA Services Inc. (WSP)
Orange, California

On May 19, 2021, the evaluation committee conducted interviews with the two firms. Each firm demonstrated their proposed BOS and had the opportunity to present its approach for accomplishing the requested services and demonstrate the detailed capabilities and various aspects of its BOS solution and approach to CSC operations in supporting the Project's requirements. Each firm presented its key team members, qualifications, and roles on the Project. During the interview, each firm also described its understanding of the requirements of the Project in the areas of design, implementation, operation, and maintenance of its proposed BOS and CSC operations. In addition to answering questions of a general nature, both firms also answered specific clarifying questions related to their respective proposals relative to staffing, the scope of work, and requirements.

After considering the firms' solutions, demonstrations, and responses to the questions asked during the interviews, the evaluation committee adjusted the preliminary scores for the two firms. However, WSP remained as the top-ranked firm with the higher cumulative score.

On May 27, 2021, a request for best and final offer (BAFO) was issued to the firms to secure the best pricing for these services. On June 10, 2021, the evaluation committee reconvened to review the BAFO pricing. As a result of this review, there was no change to the ranking, although both firms lowered their total prices for the initial term of the agreement and the two option terms by approximately three percent each.

Based on the evaluation of written proposals, the information obtained from interviews, and the BAFO, it is recommended that WSP be selected as the top-ranked firm to provide the BOS and CSC operations for the 405EL. The following is a summary of the proposal evaluation results:

Qualifications, Related Experience, and References of the Firm

The two firms were found to be qualified to perform the types of services requested by the RFP. The firms demonstrated experience and understanding of the scope of work and the Project's needs in the areas of BOS development and CSC operations. Both firms are knowledgeable about California tolling laws and environment and have familiarity with the California Toll Operators Committee agencies. Both firms are established with relevant experience and resources.

With over 56,000 employees globally and 150 offices across the U.S., WSP provides the program management expertise for establishing the management, logistics, technology implementation (including performing transitions into live operations), personnel, and operating functions necessary to provide 24-hour operations services for public- and private-sector clients. WSP offers experience gained from more than 80 years of participation in toll road, transportation, and traffic management projects.

WSP's services provided on the E-470 Public Highway Authority project have encompassed the full project lifecycle from planning, design, and construction management of the roadside infrastructure for the initial segment of the E-470 toll road and subsequent expansion of this toll highway around the City of Denver, Colorado. In addition, WSP has been operating the CSC for E-470 since 1997. For the E-470 project, WSP scope of services entails operation of the service center, which handles all customer contacts, consisting of calls, emails, mail, and walk-in customers. WSP also handles violations processing which includes disputes, hearing scheduling, vehicle registration holds, general inquiries, and administrative court processing, as well as managing transponder inventory and fulfillment. For 2019, the service center was supporting over 991,000 active accounts with over 1.8 million active transponders, 90.2 million annual transactions, and servicing over one million calls annually, with customer satisfaction levels at 98.9 percent and first call resolution at 98.8 percent.

WSP operates the Minnesota Department of Transportation (MnPASS) CSC. WSP developed, transitioned, and delivered the new BOS and is currently maintaining and operating the electronic tolling collection account management system for customers of the MnPASS Program, which encompasses toll facilities on Interstate 394, Interstate 35W, Interstate 35E, and future additions to the MnPASS system. WSP also staffs the CSC and provides the image processing for the Northwest Parkway CSC.

WSP has proposed Electronic Transaction Consultants, LLC (ETC) part of its proposed Project team to provide the BOS software solution and related maintenance and support during the Operations and Maintenance (O&M) phase. Founded in 1999, ETC is a provider of electronic toll collection systems and services, including BOS development and implementation. ETC services three of the top 15 toll authorities in North America, with eight active toll systems and five BOS. Since 2001, ETC has been delivering and maintaining the BOS for the Harris County Toll Road Authority (HCTRA) in the City of Houston, Texas. After going through a competitive procurement, ETC was awarded a contract for the design, development, and implementation of the new BOS for which it

received final acceptance from HCTRA in 2018. The International Bridge, Tunnel and Turnpike Association awarded ETC the 2019 Toll Excellence Private Sector Award for the development of a centralized interoperable hub across seven participating toll agencies in three states, paving the way towards national interoperability.

As another key part of the WSP-proposed team, TTEC Government Solutions, LLC (TTEC) will provide the omni-channel communications platform WebEx Contact Center for the customer contact functionality of the BOS. TTEC is a technology innovator with more than 120+ patents for omni-channel communication and customer journey orchestration and specializes in contact center analytics, artificial intelligence and machine learning, bot utilization and learning, and system integration with clients such as the Massachusetts Department of Labor, the Los Angeles Department of Water and Power, and several Fortune 500 companies.

Clients of WSP and ETC provided favorable references and feedback for recent work performed by the firms.

CUSA is part of the VINCI Group, one of the largest concessions and construction groups in the world, which employs more than 220,000 people in more than 100 countries. CUSA is a tolling and express lanes operator specializing in the management, operation, and maintenance of express lanes systems. CUSA brings forth experience in BOS and CSC implementation and operations. CUSA has been the operator for the 91EL since OCTA purchased the franchise rights from the California Private Transportation Company (CPTC) in 2003. Furthermore, CUSA was part of CPTC's consortium in the 1990s that was selected to finance, develop, and operate the 91EL. CUSA currently has 201 employees in California and Texas.

As a major subcontractor to CUSA, TollPlus will be responsible for delivering the BOS for the 405EL. TollPlus, founded in 2009, specializes in BOS deployment and customization for electronic toll collection. CUSA and TollPlus have worked together for over a decade on similar scopes of work, jointly designing, implementing, and maintaining BOS and CSC operations projects, including the current 91EL BOS and CSC operations for both OCTA and the Riverside County Transportation Commission (RCTC) segments. On November 25, 2019, CUSA and TollPlus were selected to provide BOS and CSC operations for the 91EL in Orange and Riverside counties. CUSA and TollPlus have also jointly worked on the design, development, integration, and transition of Pay by Mail BOS and CSC operations for the Central Texas Regional Mobility Authority/Northeast

Texas Regional Mobility Authority. In 2018, TollPlus was selected by North Texas Tollway Authority to design, implement, and maintain a new BOS. The system was deployed in January 2021.

Clients of CUSA and TollPlus provided positive references and feedback for recent work performed by the firms.

Staffing and Project Organization

Both firms proposed qualified and diversified staff to adequately handle the work described in the scope of work and meet the RFP requirements.

WSP has proposed experienced and qualified teams for both the BOS implementation and O&M phases. WSP brings forth a project team that has direct relevant experience. The proposed project manager has 15 years of wide-ranging experience and knowledge relating to the tolling industry and systems. He served as a project manager for the San Diego Association of Governments Interstate 15 Express Lanes Toll System Implementation and Operations Project. He has detailed knowledge of the DB 405 and a keen awareness of the criticality of project delivery dates. Before his recent hire by WSP, he worked for Parsons Transportation Group, Inc., as a tolling industry expert supporting OCTA on both the 91EL and 405EL projects. The other proposed key personnel also bring extensive experience from similar projects across the U.S. The tolling software technology manager, who will lead the technical team in delivering the BOS application, has delivered 11 major toll projects, ranging from \$10 million to \$100 million. The proposed CSC manager has recent experience as the operations manager for the Los Angeles County Metropolitan Transportation Authority, Express Lanes Electronic Tolling Project, and led the implementation efforts to launch the project and hired a staff of 130 employees. All proposed key personnel from WSP have at least ten years of experience, with six having over 20 years of experience. All of the proposed key personnel from ETC have at least 17 years of experience.

In addition to identifying key personnel in the required area of expertise, WSP proposed other resources, including additional key personnel, helping to ensure the Project will be completed to meet critical deadlines and for overall successful delivery of the Project. WSP's team includes a BOS tolling application quality assurance (QA) manager, who serves as a subject matter expert (SME) and as an accounting system architect to ensure accurate accounting workflow and entries for the BOS for HCTRA. WSP proposes to have a facility design team that will be engaged to assist OCTA with the conceptualization and

implementation of the new CSC to create an effective and efficient workspace that is designed and built to support day-one staffing needs and planned for future growth.

WSP lists availability and time commitment of key personnel proposed to work on the Project in percentage of time, with the vast majority showing 100 percent availability and commitment, including local presence throughout the Project term. WSP team's interview and demonstration supported the team's relevant experience, staffing, technical approach, and project understanding and demonstrated cohesion and clear demarcations of responsibilities.

CUSA has proposed capable teams for both the BOS implementation and O&M phases, with most key personnel having direct relevant experience. The proposed project manager for the BOS implementation and O&M phases has five years of experience in the toll industry and currently serves as the project manager for the 91EL, providing oversight of the day-to-day operations for both the OCTA and RCTC segments. During his tenure as the 91EL operations project manager since 2016, he successfully oversaw the expansion of the CSC operations as a result of the extension of the 91EL into Riverside County and successfully managed the 6C transponder protocol conversion program.

However, some of the proposed key personnel did not demonstrate the required experience. The CSC operations manager in the implementation phase brings forth nearly 30 years of experience in CSC operations; however, she has limited tolling industry experience. The proposed QA manager for both phases currently serves as the roadside coordinator for the 91EL Traffic Operations Center but has limited QA experience. CUSA's interview and demonstration supported the firm's relevant experience, staffing, technical approach, and Project understanding. However, after the interviews, questions remained about the risk involved in CUSA's plan to promote employees from within with limited or no directly-relevant experience for key positions and utilizing employees who are currently supporting the 91EL operations.

Implementation Work Plan and Technical Approach to BOS

Both firms met the requirements of the RFP, and each firm adequately discussed its technical approach and work plan for the delivery of the BOS, including the design, development, installation, operations, and maintenance, and how each firm will accomplish the Project's objectives and overall schedule.

The WSP team proposed a fully cloud-native solution that leverages a tightly integrated BOS, contact center, and business applications residing within a multi-cloud framework, making it highly redundant, secure, and scalable. The BOS is comprised of the underlying technology environments: ETC's tolling software solution, riteHorizon, and the contact center omni-channel solution provided by TTEC. The riteHorizon BOS solution is a unified suite of comprehensive tolling specific modules that is integrated with enterprise resource planning and customer relations management. RiteHorizon has a library of over 136 pre-built report templates and is capable of ad hoc reporting, using drag and drop. In addition, the dashboard provides real-time snapshots of operational statuses. The system supports a variety of prepaid and post-paid account types and provides capability to implement various discount plans at the account or vehicle level. As part of its financial module, the system allows for comprehensive reconciliation and auditability, having multiple reconciliation points to ensure the operating system data reconciles with the financial ledger. Having prior experience of cloud deployments, WSP's team plans to have processes and procedures in place detailing the recurring support and maintenance activities for the cloud environment. During the interview, WSP provided a live system demonstration of certain key components of the BOS, including account opening, transaction workflow and management features, case management, violation dispute, and performance monitoring and reporting, demonstrating the system's capabilities.

With an emphasis on security and disaster recovery (DR), the WSP team plans to develop a detailed System Security Plan and Vulnerability Management Policy, which describes all systems and services that will undergo monthly vulnerability scans and the associated assessments and remediation activities and timelines. WSP proposes to utilize call guard software to ensure that the necessary safeguards around personal cardholder data and live customer service representatives (CSR) handling of the data are in place. This includes dial tone multi-frequency masking and audio redaction capabilities to ensure no cardholder data makes it to the call recordings. In terms of DR, WSP proposes to assign a DR manager to the Project to ensure ownership and coordination of activities across the technical teams and CSC operations staff. The DR manager will be responsible for maintaining the DR plan and executing quarterly DR tests.

CUSA's proposed system is an end-to-end toll management solution with Customer Relationship Management (CRM) capabilities, which integrates with the interactive voice response system (IVR), interoperable agencies, and other third-party interfaces. The solution will be hosted on the cloud and be highly redundant, secure, and scalable. Its modular architecture allows components to

be changed independently without adversely affecting another component. During the interview, CUSA provided a live system demonstration of certain key components of the BOS, including account opening, transaction workflow, case management, violation dispute, and performance monitoring and reporting, demonstrating the system's capabilities.

CUSA provided a comprehensive BOS implementation work plan and technical approach, which incorporates management of key project activities and deliverables to ensure on-time delivery of the BOS. Its detailed narrative demonstrated a clear understanding of the Project's requirements. Since the requirements of the 405EL BOS are similar to the 91EL BOS, CUSA will not need to make major modifications to the BOS to deploy it on the 405EL. CUSA knows OCTA's business rules gained through its experience operating the 91EL. As a result, CUSA proposes to address any existing business rules that differ from the 91EL, or any new rules that need to be adopted specifically for the 405EL.

CSC Operations Work Plan and Approach

Both firms discussed their work plans and approaches to CSC operations in meeting the Project's requirements. The firms identified approaches to continuous improvement through the term of the agreement. Both firms understand the California tolling environment and can incorporate their knowledge and experience into the CSC operations.

WSP's approach to CSC operations is customer centric, focusing on creating the best experience for the customer. WSP proposes to use a variety of platforms, e.g., chat, chatbots, SMS text, email, social media, and phone for customer engagement leveraging proven systems and technology and using artificial intelligence to improve the customer experience. During the interview as part of the violation dispute demonstration, WSP presented its IVR System. By using voice and chat artificial intelligence and integration to the BOS, it can direct callers to the website or escalate to a live agent for more challenging tasks resulting in faster resolution of customer issues. WSP proposes to actively monitor all interactions for predictive insights and use speech analytics to identify solutions to improve efficiencies and optimize customer satisfaction. Due to the ease of transferring between the different omni-channel platforms, WSP proposes to have CSRs be cross-trained to interact through the various platforms. WSP proposes to deploy technology which will allow customers to sign up for appointment and services online, via text message or electronic registration. Call and text alerts can be sent to customers reminding them of their

appointment and customers will be able to see wait times at the walk-in center in advance of their arrival.

In addition to using technology to optimize the customer experience, WSP plans to adopt best practices to maintain a high-quality customer experience and evaluate the CSRs performance daily and in many cases, intraday. WSP plans to use the Knowledge Management System (KMS) so that the CSRs are providing uniform information and processes and are relying on the KMS for the most current information. Demonstrating an understanding of the demographic area of the 405EL, WSP has set a goal for the CSR workforce to be bilingual with about 20 percent with high proficiency in Spanish and about seven percent with high proficiency in Vietnamese for the CSC, in addition to the availability of third-party live translation services. WSP proposes to implement a Key Performance Indicators (KPI) / Service Level Agreements (SLA) dashboard to track its operational performance and its ability to meet the KPIs. Having deployed this dashboard on another project, WSP proposes to utilize the dashboard to improve performance on this Project. WSP further proposes to employ innovative incentives to motivate the CSRs.

As part of the risk mitigation strategies, WSP proposes to create a “hyper-care” team to implement and exercise detailed checklists of all ramp-up activities to ensure readiness of go-live. This hyper-care team will continue after go-live to validate processes, assess BOS functionality and stability, and to reconcile the data to ensure the protection of the revenue stream. In addition, WSP proposes to deploy additional SMEs on the floor to support the customer service staff during initial go-live.

CUSA’s approach to project management and planning of CSC operations proposes to utilize project management plan, operations plan, and other process controls to ensure effective project management, a seamless transition from the implementation phase, and support to ongoing project management during the O&M phase. CSC SMEs are proposed to be involved with the design of the BOS and in reviewing business rules and performing system walk-throughs, allowing for potential opportunities for system improvements. CUSA proposes to conduct multiple workshops, prepare comprehensive plans and documentation, and perform testing and validation to ensure operational readiness of the system. CUSA proposes to implement best practices for security policies and procedures to adhere to Personally Identifiable Information and PCI regulations and standards. CUSA, in its role as the current 91EL operator, has a proven history of strong internal control processes related to financial management.

CUSA proposes all staff at all levels of the organization undergo a Lean Six Sigma (LSS) white belt course and certification so that the team member is equipped with a basic understanding of LSS principles. In addition, CUSA proposes the creation of an LSS process team, where the team is made up of representatives from each functional group, as well as management and an LSS leadership team to discuss process for improvements.

Cost and Price

Cost was weighted at 20 percent of the overall score. Both firms submitted the detailed price proposals as requested for the initial and option terms of the contract, as required by the terms of the RFP. However, contract award is for the price of the initial term only. Option terms will be exercised with Board approval at a future date.

Pricing scores were based on a formula which assigned the higher score to the firm with the lower total price and scored the other proposal's total price based on its relation to the lower total price. The total price was solicited separately from the firm's technical proposal, evaluated, and scored. The pricing received for the initial term was reviewed relative to OCTA's independent cost estimate (ICE) for the same term. Total price is summarized below:

Firm	Initial Term	Option Term 1	Option Term 2	Total Price
CUSA	\$102,895,469	\$51,106,537	\$38,402,200	\$192,404,206
WSP	\$110,981,893	\$50,267,417	\$36,556,251	\$197,805,561
OCTA ICE	\$105,510,100	N/A	N/A	

While the price proposed for the initial term, after the BAFO, by WSP was \$8,086,424 higher than CUSA's price, the firm's qualifications in the planning, technical, and operational aspects of the work, and on-site staff availability of experts support the higher price. WSP's proposed price for the initial term was about five percent above OCTA's ICE of \$105,510,100, and is inclusive of all requirements of the RFP and thus considered fair and reasonable.

Procurement Summary

Based on the evaluation of the written proposals, the firm's experience, the team's qualifications, the BOS implementation and technical approach, CSC operation work plan, cost and price, information obtained from the interviews, and the BAFO, the evaluation committee recommends the selection of WSP as

the top-ranked firm to provide the BOS and CSC operations services for the 405EL in Orange County.

Although WSP's pricing was higher than CUSA's, the evaluation committee recommends WSP as the top-ranked firm for the following reasons:

- WSP and ETC have a larger and more diversified portfolio of BOS tolling deployments and customer service center operations.
- WSP and ETC proposed staff that are highly qualified and have more relevant experience with the Project's requirements.
- WSP's team highlighted their integrated BOS solution and its experience deploying cloud-based solutions.
- WSP's team emphasized the innovation and robustness of the proposed BOS solution.
- WSP's BOS and CSC approach is customer centric, emphasizing optimization of the customer experience and satisfaction.

Fiscal Impact

Funding of the first year of BOS implementation is included in OCTA Fiscal Year 2021-22 Budget, 405EL Account No. 0037-9028-A9510-1GO and will be budgeted in the following year. Funding for the O&M phase will be included in the 405EL budget for the subsequent years.

Summary

Staff recommends Board of Directors approve the Chief Executive Officer to negotiate and execute Agreement No. C-0-2690 between the Orange County Transportation Authority and WSP USA Services Inc., in the total amount of \$110,981,893, to provide the back-office system and customer service center operations services for the 405 EL in Orange County, for an initial term of up to eight and a half years, with one three-year, and one two-year option terms.

Attachments

- A. Review of Proposals, RFP 0-2690 Back-Office System and Customer Service Center Operations for the 405 Express Lanes in Orange County
- B. Proposal Evaluation Criteria Matrix, RFP 0-2690 Back-Office System and Customer Service Center Operations for the 405 Express Lanes in Orange County
- C. Contract History for the Past Two Years, RFP 0-2690 Back-Office System and Customer Service Center Operations for the 405 Express Lanes in Orange County

Prepared by:



Kirk Avila
General Manager
Express Lanes Programs
(714) 560-5674



Pia Veasapen
Director, Contracts Administration
and Materials Management
(714) 560-5619

Review of Proposals

RFP 0-2690 Back-Office System and Customer Service Center Operation Services for the 405 Express Lane in Orange County

Presented to the Finance and Administration Committee on July 14, 2021

3 proposals were received, 2 firms were interviewed, 1 firm is being recommended

Overall Ranking	Overall Score	Firm & Location	Subcontractors	Evaluation Committee Comments	Price for Initial Term
1	83	WSP USA Services, Inc. Orange, California	Electronic Transaction Consultants, LLC (ETC) TTEC Government Solutions, LLC (TTEC) Douglas Stuart, LLC TransPerfect International, LLC Greystone Technology Group, LLC GCM Consulting, Inc.	Firm has experience with customer service center for tolling on well-regarded E-470 toll project. Subconsultant ETC has recent experience with Harris County Toll Road Authority back-office system (BOS) implementation in a complex tolling environment. Considered all aspects of the requirements in selecting its listed subcontractors and providers including TTEC's omni-channel customer contact solution. Qualified staff with required experience or certification including project manager who oversaw Interstate 15 Express Lane Toll System Implementation and Operations project. Recently developed BOS allows for customization, development, and new technology to meet OCTA's needs. Firm was able to quickly adjust to changes in law on Harris County, Texas project. Availability and commitment of experienced key personnel exceeds scope of work requirements, with local presence throughout project term. Detailed approach to customer service center (CSC) operations. Thorough project schedule that meets project's go-live date. Comprehensive interview and demonstration of BOS system and CSC experience employing leading edge technology. Favorable reference for recent relevant experience.	\$110,981,893
2	77	Cofiroute USA, LLC Irvine, California	TollPlus Larson Consulting Associates, LLC Two Roads Professional Resources Modern Times, Inc. Proponisi Duncan Solutions Elavon Bank of the West Alliance JP Morgan Chase Paymentech Infosend, Inc. David Cyprien Avtex LA Federal Armored Service Coresivity Unity Courier Service One Nine Architecture Worksters Millennium Franchise Group, LLC DBA Hacking Solutions Peacock Enterprises, Inc.	Firm and major subcontractor TollPlus working together since 2011. TollPlus worked on the legacy BOS for OCTA's 91 Express Lanes (91EL). Considered all aspects of the requirements in selecting its comprehensive list of subcontractors and providers. Qualified staff with experience; however, several key personnel are being promoted to new responsibilities in which staff has no demonstrated experience. BOS allows for customization and new development to meet OCTA's needs. Availability and commitment of key personnel is unclear given current commitments to 91EL project. Several identified personnel also are committed to the 91 toll project. Detailed approach to CSC operations with cross-functionally trained staff. Thorough project schedule that meets project's go-live date. Comprehensive interview and demonstration of BOS system and CSC operations. Positive references from recent clients.	\$102,895,469

Evaluation Panel: Six Members

Internal:

Express Lanes Programs (2)
Highway Programs (1)

External:

Metropolitan Transportation Commission (1)
Kansas Turnpike Authority (1)
Santa Clara Valley Transportation Authority (1)

Evaluation Criteria:

Qualifications of the Firm
Staffing/Project Organization
Implementation Work Plan and Technical Approach to BOS
CSC Operations Work Plan and Approach
Cost and Price

Weight

15 percent
15 percent
30 percent
20 percent
20 percent

PROPOSAL EVALUATION CRITERIA MATRIX

**RFP 0-2690 Back-Office System and Customer Service Center Operations
for the 405 Express Lanes in Orange County**

FIRM: WSP USA Services Inc.							Weights	Overall Score
Evaluator Number	1	2	3	4	5	6		
Qualifications, Related Experience, and References of Firm	4.00	4.50	4.00	4.50	4.00	3.50	3.00	12.25
Staffing/Project Organization	4.00	4.00	4.00	3.50	4.00	4.00	3.00	11.75
Implementation Work Plan and Technical Approach to BOS*	4.00	4.00	4.00	3.50	3.50	4.00	6.00	23.00
CSC** Operations Work Plan and Approach	4.00	4.00	4.00	4.50	4.50	4.00	4.00	16.67
Cost and Price	4.86	4.86	4.86	4.86	4.86	4.86	4.00	19.44
Overall Score	83.4	84.9	83.4	82.4	82.4	81.9		83
FIRM: Cofiroute USA, LLC							Weights	Overall Score
Evaluator Number	1	2	3	4	5	6		
Qualifications, Related Experience, and References of Firm	4.00	4.50	3.50	4.00	4.50	4.00	3.00	12.25
Staffing/Project Organization	3.50	3.00	2.50	3.00	3.50	3.50	3.00	9.50
Implementation Work Plan and Technical Approach to BOS*	3.50	3.50	3.00	3.00	4.00	3.50	6.00	20.50
CSC** Operations Work Plan and Approach	3.50	4.00	3.50	4.50	3.00	3.50	4.00	14.67
Cost and Price	5.00	5.00	5.00	5.00	5.00	5.00	4.00	20.00
Overall Score	77.5	79.5	70.0	77.0	80.0	77.5		77

CONTRACT HISTORY FOR THE PAST TWO YEARS

RFP 0-2690 Back-Office System and Customer Service Center Operations for the 405 Express Lanes in Orange County

Prime and Subconsultants	Contract No.	Description	Contract Start Date	Contract End Date	Subconsultant Amount	Total Contract Amount
Cofiroute USA, LLC						
Contract Type: Contract Task Order	C-9-1177	Back-Office System and Customer Services Center Operations for the 91 Express Lanes in Orange and Riverside Counties	January 28, 2020	January 21, 2027		\$ 35,420,566
Subconsultants:						(OCTA share)
TollPlus						
Proponisi						
Penn Credit						
SWC Group						
Elavon Bank of the West Alliance						
Chase Paymentech						
InfoSend, Inc.						
David Cyprien						
Avtex Solutions, LLC						
LA Federal Armored Service						
Kinsbursky Brothers International (KBI)						
USA Waste of California , Inc. dba						
Enviroserv						
Iron Mountain						
Unity Courier Service						
MailFinance Inc.						
Cell Buisness Equipment/De Lage						
Landen Financial Services, Inc.						
Johnson Controls, Inc.						
American Alarm Systems						
DialogTech Inc.						
Contract Type: Contract Task Order	C-5-0300	Management and Operational Services for the 91 Express Lanes	October 24, 2005	June 30, 2021		\$ 82,552,604
Subconsultants:						
IBI Group					\$ -	
SIRIT Corporation US					\$ -	
Frank Wilson & Associates, Inc.					\$ -	

ATTACHMENT C

Contract Type: Firm-Fixed Price	C-3-1529	Tri-Party Agreement for the Management and Operational Services for the 91 Express Lanes	May 24, 2013	June 30, 2021		\$ 31,897,079
Subconsultants:						
None						
			Total			\$149,870,249
WSP USA, Inc.						
Contract Type: Time and Expense	C-5-3273	On-Call Planning Services for Commuter and Intercity Rail Support	March 2, 2016	January 31, 2020		\$300,000
Subconsultants:						
Arellano Associates						
Cogstone Resource Management, Inc.						
Epic Land Solutions, Inc.						
Kal Krishnan Consulting Services, Inc.						
Michael Kodama Planning						
MLM & Associates Engineering, Inc.						
SMA Rail Consulting + IT						
Contract Type: Firm-Fixed Price	C-8-1629	Bristol Street Transit Corridor Study	October 24, 2018	July 31, 2021		\$538,158
Subconsultants:						
Arellano Associates					\$53,084	
Kal Krishnan Consulting Services, Inc.					\$20,000	
STV Incorporated					\$170,854	
Contract Type: Firm-Fixed Price	C-8-2072	Orange County Rail Infrastructure Defense Against Climate Change Plan	September 3, 2019	March 31, 2021		\$549,953
Subconsultants:						
Arellano Associates					\$67,517	
Fehr & Peers					\$29,842	
Watearth, Inc.					\$26,448	
Total						\$1,388,111



Contractor Selection for the Back-Office System and Customer Service Center Operations for the 405 Express Lanes in Orange County

Background

- Board of Directors (Board) approved the release of a request for proposals (RFP) for BOS/CSC* operations services for the 405 Express Lanes in June 2020
- Utilized 91 Express Lanes BOS/CSC Operations Services procurement documents as a base for this procurement
- Scope of work developed with the assistance of a project management consultant with tolling experience
- 405 Express Lanes are anticipated to open in October 2023

Procurements



Design-Build
Selection
November
2016



Toll Lane Systems
Integrator
Selection
February 2018



BOS/CSC Operations
Procurement
2020-2021



Roadway
Services
Procurement
2022

Procurement Includes

- BOS software
- Hardware and software maintenance
- CSC staffing and activities
- Customer account management
- Payments and other mail processing
- Violations processing and collections
- Revenue collections and transaction processing
- Financial management, reconciliation, and settlement
- Transponder inventory management
- Telephone system

Procurement Process

- RFPs released on December 10, 2020
- Evaluation team established from four tolling/transportation agencies
- Received three proposals
- Two firms were interviewed on May 19, 2021
 - Cofiroute USA, LLC
 - WSP USA Services Inc.
- Evaluation committee recommends the selection of WSP USA Services Inc.

Proposed Costs

INITIAL TERM				Independent Cost Estimate	
	CUSA		WSP		
1) BOS Implementation Phase	\$ 15,039,465	\$	16,639,099	\$	14,250,000
2) BOS Operations and Maintenance Phase (Years 1-6)	\$ 50,617,762	\$	18,551,490	\$	29,750,784
3) CSC Operations and Maintenance Phase (Years 1-6) *	\$ 33,554,241	\$	71,145,257	\$	57,750,664
4) Transition/Additional Services	\$ 3,684,001	\$	4,646,047	\$	3,758,651
TOTAL BASE CONTRACT	\$ 102,895,469	\$	110,981,893	\$	105,510,099
OPTION TERM 1					
Operations and Maintenance Phase (Years 7-9)	\$ 51,106,537	\$	50,267,417		
OPTION TERM 2					
Operations and Maintenance Phase (Years 10-11)	\$ 38,402,200	\$	36,556,251		
TOTAL	\$ 192,404,206	\$	197,805,561		

CUSA – Cofiroute USA, LLC

WSP – WSP USA Services Inc.

* CSC Operations and Maintenance Phase (Years 1-6) based upon 61 FTEs (\$32 hourly rate) for CUSA and 89 FTEs (\$46 hourly rate) for WSP

Staff Recommendations

- Approve the selection of WSP USA Services Inc., as the firm to provide the BOS and CSC operations services for the 405 Express Lanes in Orange County.
- Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-0-2690 between the Orange County Transportation Authority and WSP Services USA Inc. in the amount of \$110,981,893, to provide the BOS and CSC operations services for the 405 Express Lanes in Orange County, for an initial term up to eight and a half years with one three-year and one two-year option terms.

Next Steps

- Finalize contract and issue notice to proceed
- Work with selected firm on the design, development, and implementation of the BOS/CSC operations systems
- Seek Board approval on a customer service and operations center location
- Seek Board approval for release of roadside services RFP's in Spring 2022