



December 12, 2018

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Audit of Oversight Controls and Contract Compliance Related to the Interstate 5 High-Occupancy Vehicle Improvement Project: Pacific Coast Highway to San Juan Creek Road

Overview

The Internal Audit Department has completed an audit of oversight controls and contract compliance related to Segment 3 of the Interstate 5 High-Occupancy Vehicle Improvement Project. Based on the audit, consultants were procured in compliance with policy; however, some concerns were identified related to amendment processing. Also, invoices were generally paid in compliance with contract terms; however, one consultant was paid more than the contractually allowed amount for a specified task. Finally, a written Project Management Plan outlining the scope of work, constraints, and technical requirements of the project, was not prepared as required.

Recommendation

Direct staff to implement three recommendations provided in the Audit of Oversight Controls and Contract Compliance Related to the Interstate 5 High-Occupancy Vehicle Improvement Project: Pacific Coast Highway to San Juan Creek Road, Internal Audit Report No. 18-512.

Background

The Interstate 5 (I-5) High-Occupancy Vehicle (HOV) Improvement Project (Project) between Avenida Pico in the City of San Clemente and San Juan Creek Road in the City of San Juan Capistrano added HOV lanes in both directions of the I-5 from north of the I-5 Camino de Estrella interchange to south of the San Juan Creek Road undercrossing. The 5.7-mile project was funded by Measure M2, Orange County's voter-approved, half-cent sales tax for

transportation improvements, as well as state and federal funds. The Project was divided into three segments. The audit focused on Segment 3.

Discussion

The Internal Audit Department (Internal Audit) identified four amendments that were back-dated over two months, including one amendment that was back-dated over five months. Three of the four amendments were back-dated to dates that preceded the request for amendment, and one was processed after expiration of the underlying contract. Policy does not currently allow for back-dating of formal amendments. Internal Audit recommended that management enforce policy or update policy to include parameters for back-dating of formal amendments. Management agreed and indicated that training will be conducted to ensure staff are aware of policies and procedures for contract amendments.

Internal Audit also identified overpayment to the design and construction support consultant for one task outlined in the firm-fixed price contract. The contract includes an overall maximum, made up of firm-fixed amounts for each of nine tasks. The consultant submitted several invoices to OCTA, over-billing for one task and reflecting a corresponding elimination of another task. Internal Audit recommended management process formal amendments to reflect changes in firm-fixed pricing of individual tasks and ensure requests for amendments for additional services are processed in a timely manner. Management agreed and indicated that staff will be reminded of the need to request and process amendments in a timely manner.

Finally, Internal Audit noted that a Project Management Plan (PMP) was not prepared for this project. Procedures require that a written PMP be prepared for each project to communicate the scope of work, constraints, and technical requirements to all project participants. Internal Audit recommended management enhance controls to ensure compliance with procedures, or update procedures to reflect intended practices. Management agreed and indicated that staff will be reminded to ensure PMP's are prepared for each project, as required.

Summary

Internal Audit has completed an audit of Interstate 5 HOV Improvement Project: Pacific Coast Highway to San Juan Creek Road and offered three recommendations for improvement.

Attachment

- A. Audit of Oversight Controls and Contract Compliance Related to the Interstate 5 High-Occupancy Vehicle Improvement Project: Pacific Coast Highway to San Juan Creek Road, Internal Audit Report No. 18-512

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