



**March 28, 2018**

**To:** Finance and Administration Committee

**From:** Darrell E. Johnson, Chief Executive Officer  
Janet Sutter, Executive Director  
Internal Audit

**Subject:** Cooperative Agreement with Metrolink for the Control Point Fourth Project, Internal Audit Report No. 18-504

### **Overview**

The Internal Audit Department has completed an audit of the cooperative agreement with the Southern California Regional Rail Authority for the Control Point Fourth Project. The purpose of the audit was to assess controls in place to ensure compliance with agreement terms, policies, and procedures. Based on the audit, controls are generally adequate; however, several weaknesses have been identified in the process for selecting contractors for these projects. As a result, the Internal Audit Department recommended that Orange County Transportation Authority project management staff implement oversight controls to determine that contractors are procured in compliance with guidelines and best practices.

### **Recommendation**

Direct staff to implement one recommendation provided in the Cooperative Agreement with Metrolink for the Control Point Fourth Project, Internal Audit Report No. 18-504.

### **Background**

The Control Point Fourth Project (Project) is a track and signal improvement on the Orange subdivision railroad in the City of Santa Ana. The Project consists of a new power turnout to the Union Pacific Railroad (UPRR) spur, replacing an existing hand-thrown turnout, and construction of a new power derail on the UPRR connecting track, as well as associated signal and communications modifications necessary for a control point at Fourth Street.

In 2012, Orange County Transportation Authority (OCTA) staff secured \$4 million in Federal Transit Administration (FTA) grant funds for construction of the Project. On July 29, 2016, OCTA entered into Cooperative Agreement No. C-6-1208 with the Southern California Regional Rail Authority (Metrolink) for the design and construction of the Project in an amount not to exceed \$3,971,200. Metrolink acts as the lead agency and utilizes existing, competitively procured on-call contractors for signal design, signal installation, and track construction. OCTA provides project management oversight and funds the Project through quarterly advances, based on cash flow projections.

***Discussion***

Contractors procured to perform design and engineering services and signal construction activities were selected by the Metrolink project manager without obtaining competitive proposals from all contractors on the on-call bench. In addition, several issues related to the procurement process for track construction were identified and reported in an audit by Metrolink's Internal Audit Department (Internal Audit) in October 2017, including violations of FTA guidelines. Metrolink Internal Audit recommended that OCTA project management staff review with Metrolink staff the process for procuring contractors for OCTA projects to ensure compliance with regulatory guidelines and best practices. Management agreed and indicated that staff will inquire of Metrolink as to the procurement process for future OCTA projects.

***Summary***

OCTA Internal Audit has completed an audit of the Cooperative Agreement with Metrolink for the Control Point Fourth Project.

***Attachment***

- A. Cooperative Agreement with Metrolink for the Control Point Fourth Project, Internal Audit Report No. 18-504

**Prepared by:**



Janet Sutter  
Executive Director  
714-560-5591