



February 24, 2021

To: Finance and Administration Committee

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

Subject: OC Streetcar Project Management Consultant: Oversight Controls and Contract Compliance, Internal Audit Report No. 21-503

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of oversight controls and contract compliance related to the OC Streetcar project management contract. The audit found evidence of compliance with procedures for project management oversight and reporting. In addition, invoices were generally paid in compliance with contract provisions, policies, and procedures; however, recommendations have been made to recover identified double-billings, and to clarify requirements and improve controls over review of rates for consultant staff added to contracts.

Recommendation

Direct staff to implement two recommendations provided in OC Streetcar Project Management Consultant: Oversight Controls and Contract Compliance, Internal Audit Report No. 21-503.

Background

The Orange County Transportation Authority (OCTA) is implementing a modern streetcar running between the Santa Ana Regional Transportation Center in the City of Santa Ana and the intersection of Harbor Boulevard and Westminster Avenue in the City of Garden Grove, in cooperation with the two cities. The project, with a 4.15-mile route, includes ten streetcar stops in each direction, comprised of four shared center platforms and six side platforms in each direction. The project also includes a maintenance and storage facility that will accommodate up to 15 streetcar vehicles.

The current project budget is \$424,361,000. Funding includes Federal Transit Administration New Starts discretionary and Measure M2 funding. The project is in the construction phase, and the current estimate of construction completion is October 2022.

Discussion

Testing of \$21 million in consultant invoices identified double-billings of \$5,857. Most instances involved the consultant requesting reimbursement for the same costs, or charging the same labor hours in two different monthly invoices. The Internal Audit Department (Internal Audit) recommended that management recover these double-billed costs, and management proceeded to deduct the amount from the current invoice. Also, consultant staff previously billed under labor classifications were added to the contract with rate increases that did not comply with requirements established by the contract or procurement policy. Further, there is a discrepancy between contract requirements and procurement policy language. Internal Audit recommended that management reconcile differences between the contract and 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. Management agreed to amend the contract language to be more consistent with policy requirements and to implement additional controls.

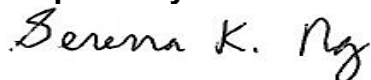
Summary

Internal Audit made two recommendations to recover double-billed costs, and reconcile requirements for establishing billing rates of consultant staff moved from labor classifications to named contract personnel.

Attachment

- A. OC Streetcar Project Management Consultant: Oversight Controls and Contract Compliance, Internal Audit Report No. 21-503

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