



August 13, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Oversight and Contract Compliance Related to Public Outreach Activities for the OC Streetcar Project

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of oversight controls and contract compliance related to public outreach activities for the OC Streetcar Project. Based on the audit, oversight, compliance, and invoice review controls should be improved. Recommendations have been made to improve contract oversight and invoice review controls, and to obtain all required contract deliverables.

Recommendation

Direct staff to implement three recommendations provided in Oversight and Contract Compliance Related to Public Outreach Activities for the OC Streetcar Project, Internal Audit Report No. 25-512.

Background

The Public Outreach Department (Public Outreach), within the People and Community Engagement Division, is responsible for public communications in support of all phases of capital project development, planning, and construction of Orange County Transportation Authority (OCTA) projects. Public Outreach utilizes consultant services and employs a variety of communication strategies to keep the public informed about OCTA projects. To date, Public Outreach has issued three separate contracts with Katz & Associates, totaling \$3,547,602 for public outreach and safety awareness services for the OC Streetcar Project.

The Marketing and Public Outreach Project Management Manual (PM Manual) provides guidance to project managers on how to manage projects consistently and effectively. The PM Manual establishes project management principles and practices and outlines key responsibilities of project managers, including development of the scope of work for consultant procurements, managing consultant performance, ensuring contract terms and conditions are satisfied, tracking performance metrics, invoice review and approval, et cetera.

Discussion

Management failed to adequately estimate costs for public outreach activities and to monitor contract burn rate. The Internal Audit Department (Internal Audit) recommended management provide training to project managers on the preparation of cost estimates in accordance with procurement policies and procedures, and monthly monitoring of contract burn rates in accordance with the PM Manual. Internal Audit also recommended the Contracts Administration and Materials Management Department enforce requirements for preparation of independent cost estimates. Management agreed and indicated that training will be conducted, and independent cost estimate requirements will be enforced.

Invoice review procedures were not adequately performed. Payments for staff and subconsultants not authorized under the contracts, or at rates other than contracted rates, were identified, as well as payments for mileage costs without support sufficient to validate compliance with contract terms. Internal Audit recommended management strengthen invoice review processes. Management agreed and indicated procedures will be enhanced.

Key contract deliverables were not always obtained, and monthly progress reports did not meet all requirements of the contracts. Internal Audit recommended management strengthen controls to ensure all contract deliverables are obtained and provide training to project managers. Management agreed and indicated the recommendations will be implemented.

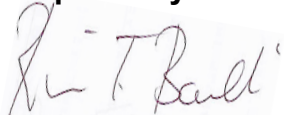
Summary

Internal Audit has completed an audit of oversight and contract compliance related to OC Streetcar public outreach activities and has offered three recommendations for improvement.

Attachment

- A. Oversight and Contract Compliance Related to Public Outreach Activities for the OC Streetcar Project

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