



October 22, 2025

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Right-of-Way Maintenance, Internal Audit Report No. 25-515

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of right-of-way maintenance. Based on the audit, controls exist to oversee and monitor maintenance of the operating railroad right-of-way and other properties owned by OCTA; however, these activities are not currently documented. The Internal Audit Department recommends that oversight and monitoring activities be documented, and contract management, invoice review, and procurement file documentation be improved.

Recommendation

Direct staff to implement three recommendations provided in Right-of-Way Maintenance, Internal Audit Report No. 25-515.

Background

The Orange County Transportation Authority (OCTA) owns and maintains approximately 47 miles of operating railroad right-of-way (ROW), with 42 miles along the Orange Subdivision and 5.5 miles along the Olive Subdivision. OCTA also owns 13 miles of non-operating ROW, formerly used by the Pacific Electric Railway. Two miles of the Pacific Electric ROW (PEROW) will be used for the OC Streetcar when it opens in 2026. Other OCTA-owned properties relate to transit and freeway projects.

OCTA entered into Agreement No. C-1-3684 with Joshua Grading & Excavating, Inc. (Joshua), effective April 21, 2022, for maintenance services on OCTA's operating railroad ROW. OCTA also entered into Agreement No. C-3-2283 with Joshua, effective December 22, 2023, for on-call property

maintenance and related services on the PEROW and at other properties owned by OCTA.

A section manager and a Rail Maintenance of Way administrator (collectively referred to as the Rail Maintenance of Way team [team]) conduct daily monitoring and oversight of Joshua. The section manager also responds to concerns raised by Metrolink staff, cities, and residents along the operating ROW and PEROW.

Discussion

The team does not document their daily activities, including time spent in the field monitoring activities of Joshua, identifying areas of the ROW requiring maintenance services, and addressing homeless encampments/trespassers. While the team does provide daily oversight, they do not reconcile daily activity reports provided by Joshua to monthly invoice support. The Internal Audit Department (Internal Audit) recommended that the team prepare detailed reports to record daily field activities and retain and reconcile Joshua's daily reports to monthly invoice details to ensure accuracy. Management agreed to implement the recommendations.

Joshua billed for work performed by companies that are not named subcontractors, with one subcontractor charging \$1,257,524 to transport and dispose of contaminated, non-hazardous soil from the OC Streetcar project (project) to landfills. The costs for this work were charged to Facilities Engineering, funded by the Orange County Transit District, rather than to the project. Joshua also billed overtime rates and subcontractor other direct costs that were not authorized under the respective contract, and one subcontractor's billing lacked support for hours worked and loads disposed of at rates established in the contract schedule. Joshua also double-billed for work totaling \$1,433.96, and Accounts Payable did not withhold retention of \$3,308.80. Internal Audit recommended that management ensure subcontractors are authorized under the contracts, invoice reviews are sufficient to ensure compliance with contract terms, and costs are attributed to the appropriate project. Internal Audit also recommended that management obtain a refund for the double-billing and correct retention issues. Management agreed to implement the recommendations.

Multiple procurement documents were missing from the respective contract files for the procurement of maintenance services on the operating railroad ROW and on-call property maintenance and related services on the PEROW, and other properties. While staff subsequently provided most of the missing documents, impartiality and confidentiality forms for five of six evaluators on one procurement

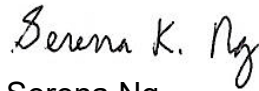
could not be located. Additionally, a proposal evaluation form for that procurement had not been updated to capture final ratings used to score the proposal, and two proposal evaluation forms for the other procurement had not been updated to reflect comments and final scores. Internal Audit recommended that the Contract Administration and Materials Management (CAMP) Department implement controls to ensure procurement documents are complete and filed in a timely manner. CAMP committed to providing refresher training to review the evaluation process and procedures for maintaining electronic files.

Summary

Internal Audit has completed an audit of right-of-way maintenance and has offered three recommendations for improvement.

Attachment

- A. Right-of-Way Maintenance, Internal Audit Report No. 25-515

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