

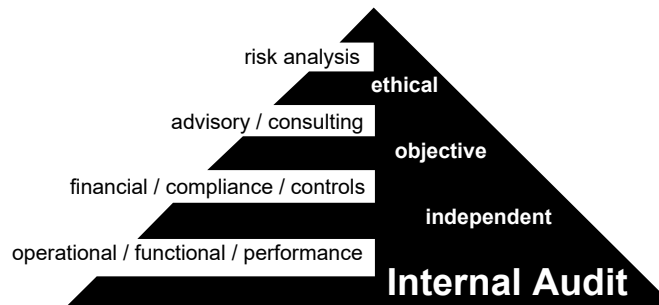
# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## State Route 55 Improvement Project Between Interstate 405 and Interstate 5 Design and Construction Management

### Internal Audit Report No. 26-504

November 19, 2025



**Performed by:** Serena Ng, CPA, Senior Manager *Serena K. Ng*  
Janet Sutter, CIA, Executive Director

**Distributed to:** Jim Beil, Executive Director, Capital Programs  
Andrew Oftelie, Chief Financial Officer, Finance and Administration  
Jeff Mills, Steven King, Pia Veasapen

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
State Route 55 Improvement Project Between Interstate 405 and Interstate 5  
Design and Construction Management  
November 19, 2025**

**Table of Contents**

Conclusion .....	1
Background .....	1
Objectives, Scope, and Methodology .....	2
Audit Comment, Recommendation, and Management Response .....	4
Amendment Processing .....	4

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
State Route 55 Improvement Project between Interstate 405 and Interstate 5  
Design and Construction Management  
November 19, 2025**

## **Conclusion**

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed an audit of the design and construction management contracts for the State Route 55 (SR-55) Improvement Project between Interstate 405 (I-405) and Interstate 5 (I-5). Based on the audit, oversight and invoice review controls are in place and operating effectively and consultants comply with their respective agreements; however, one recommendation was made to enhance controls over amendment processing.

## **Background**

### SR-55 Improvement Project between I-405 and I-5

OCTA, in partnership with the California Department of Transportation (Caltrans), is implementing the SR-55 Improvement Project between I-405 and I-5 (project). The project is part of Project F in the Measure M2 (M2) Freeway Program and is being advanced through the updated Next 10 Delivery Plan approved by the OCTA Board of Directors (Board) in November 2019. The four-mile-long project will add general purpose and high-occupancy vehicle (HOV) lanes in each direction between I-405 and I-5 and will also add auxiliary lanes between interchanges.

The budget is \$410,908,000, and the current forecast at completion is \$505,719,000. The project is in the construction phase, with the baseline plan estimating construction completion in February 2027, and the current forecast estimating completion in March 2027.

### Contracts

Effective February 5, 2018, OCTA entered into Agreement No. C-7-1719 with WKE, Inc. for the preparation of plans, specifications, and estimates for the project. The agreement is a firm-fixed price contract, with an original value of \$16,891,455, and an initial term through December 31, 2024. Subcontractors are HNTB Corporation, Earth Mechanics, Inc., Group Delta Consultants, Inc., FPL and Associates, Inc., Tatsumi and Partners, Inc., Guida Surveying, Inc., and Utility Specialists, Inc. Subcontractors were added, key personnel were revised, and services were added to the scope of work through ten amendments, increasing the firm-fixed price to \$21,117,055.48. Amendment No. 11 revised key personnel and extended the contract term through December 31, 2026.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
State Route 55 Improvement Project between Interstate 405 and Interstate 5  
Design and Construction Management  
November 19, 2025**

Effective October 21, 2021, OCTA entered into Agreement No. C-0-2582 with AECOM Technical Services, Inc. for construction management (CM) support services for the project. The agreement is a time and expense contract, with an original maximum obligation of \$18,524,620, and an initial term through September 30, 2025. The subcontractors are Fountainhead Consulting Corporation, HDR Construction Control Corporation, Analyzer International, Inc., Ghirardelli Associates, Inc., V&A, Inc., Ninyo & Moore, and Guida Surveying, Inc. Amendments No. 1 and No. 2 revised key personnel and added staff. Letter Amendments No. 3 through No. 6 revised the contract schedules and extended the term through September 25, 2026. Amendment No. 7 increased the maximum obligation to \$24,797,276 and extended the term through June 30, 2027.

Project Status and Invoice Review Controls

During the construction phase, weekly meetings are held with Caltrans and the construction contractor, Security Paving Company, to go over the project status. Every month, an OCTA/Caltrans meeting is held to discuss all projects in construction, with Caltrans preparing monthly progress reports for each project.

The Project Controls Department (Project Controls) prepares internal monthly status reports reflecting budget and schedule information for all capital projects. The Capital Programs Department (Capital Programs) prepares quarterly reports to the Board communicating the status of capital projects.

Project Controls reviews invoices utilizing an invoice review checklist. The project manager reviews design invoices to check if the level of effort is consistent with expectations and CM invoices to check if the correct people are working and hours are appropriate. Invoices are routed for signature to management with sufficient signing authority and are then forwarded to the Accounts Payable Department for processing.

**Objectives, Scope, and Methodology**

The objectives were to assess project administration, oversight controls, and contract compliance related to the design and CM of the project.

The methodology consisted of confirming if a risk register, project management plan, and project budget and schedule were prepared for the project, confirming that weekly construction meetings were held through review of a judgmental sample of meeting minutes, confirming that monthly meetings with Caltrans were held through review of a judgmental sample of monthly Caltrans reports, assessing invoice review controls, testing

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
State Route 55 Improvement Project between Interstate 405 and Interstate 5  
Design and Construction Management  
November 19, 2025**

a judgmental sample of invoices for compliance with policies and contract provisions, testing a judgmental sample of monthly status reports, and testing a judgmental sample of quarterly capital project status reports to the Board.

The scope was limited to the project and included the design and CM contracts, amendments to the design contract executed from beginning of construction in June 2022 through October 2025, and all amendments to the CM contract executed through October 2025. The scope included invoices paid on the design contract from beginning of construction in June 2022 through October 2025, and all invoices paid on the CM contract from inception through October 2025. The scope also included two years of weekly construction meetings, monthly Caltrans meetings, monthly status reporting, and quarterly capital project status reporting. The judgmental samples were selected to provide coverage of more recent activity during the construction phase. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
State Route 55 Improvement Project between Interstate 405 and Interstate 5  
Design and Construction Management  
November 19, 2025**

## **Audit Comment, Recommendation, and Management Response**

### **Amendment Processing**

---

Staff did not follow all applicable Contracts Administration and Materials Management (CAMM) procedures when processing amendments to the CM contract.

Internal Audit identified instances whereby CAMM and/or project management did not validate an added staff pay rate, added staff at a rate exceeding the contract escalation limit, added staff already named in the contract at rates exceeding their authorized rates, and back-dated two letter amendments one to five days earlier than allowed by procedures. In addition, other direct cost amounts supporting an increase to the contract maximum obligation were not adequately scrutinized.

#### **Recommendation 1:**

Internal Audit recommends controls be strengthened over amendment processing to ensure labor rates are validated and compliant with contract provisions, amendments comply with effective dating procedures, and other direct cost estimates are reasonable and supported.

#### **Management Response (Finance and Administration):**

Management agrees with the recommendation and will conduct departmental refresher training to reinforce amendment processing procedures and ensure that all required documentation is accurately and consistently maintained in the contract file.

For time and expense contract amendments involving the addition or modification of personnel, CAMM and Capital Programs staff will collaborate to establish and implement a standardized procedure to ensure that all required information and supporting documentation are obtained, verified, and provided prior to the processing of any amendment.

Additionally, CAMM staff will ensure that the project manager provides appropriate justification and supporting documentation for all other direct costs, and that this documentation is retained in the contract file.