

# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



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

### Internal Audit Report No. 25-512

July 22, 2025



**Performed by:** Ricco Bonelli, CIA, Principal Internal Auditor *RTB*  
Janet Sutter, CIA, Executive Director

**Distributed to:** Maggie McJilton, Executive Director, People and Community Engagement  
Andrew Oftelie, Finance and Administration  
Pia Veasapen, Christopher Boucly, Marissa Espino

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Oversight and Contract Compliance Related to Public Outreach Activities for the  
OC Streetcar Project  
July 22, 2025**

**Table of Contents**

Conclusion ..... 1

Background ..... 1

Objectives, Scope, and Methodology ..... 3

Audit Comments, Recommendations, and Management Responses ..... 4

    Oversight of Contract Burn Rate..... 4

    Invoice Review ..... 5

    Contract Deliverables and Performance Monitoring ..... 6

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
**Oversight and Contract Compliance Related to Public Outreach Activities for the**  
**OC Streetcar Project**  
**July 22, 2025**

## **Conclusion**

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) 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.

## **Background**

OCTA, in cooperation with the cities of Santa Ana and Garden Grove, is implementing a modern streetcar running 4.15 miles in both directions 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 (Project). The Project entered the development phase in 2016, began construction in late 2018, and is expected to start operations in spring 2026.

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 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, totaling \$3,547,602, with Katz & Associates (Katz), for public outreach and safety awareness services for the project.

### Contracts

In April 2017, the Board of Directors (Board) approved the selection of Katz as the firm to provide public outreach services for the pre-construction and construction phases of the Project. Agreement No. C-6-1526 (initial public outreach contract), in the amount of \$1,151,712, was issued for a four-year term from May 23, 2017, through May 31, 2021. In December 2020, an amendment to increase the maximum obligation by 15 percent, or \$172,756, was issued, and on June 1, 2021, a one-year option term was executed to extend the term of the agreement through May 31, 2022, and increase the maximum obligation by \$465,634, for a total of \$1,790,102.

In April 2022, the Board approved the selection of Katz to continue public outreach services during the construction phase. Agreement No. C-1-3853 (current public outreach contract) in the amount of \$430,000 was executed on May 27, 2022, for an 18-month term from June 1, 2022 through November 30, 2023. On May 28, 2023, an amendment to increase the maximum obligation by 15 percent, or \$64,500, was issued, and on September 14, 2023, a one-year option term was executed to extend the term of the

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Oversight and Contract Compliance Related to Public Outreach Activities for the  
OC Streetcar Project  
July 22, 2025**

agreement through November 30, 2024, and increase the maximum obligation by \$259,000. On October 16, 2024, a second option term was executed to extend the term of the agreement through November 30, 2025, and increase the maximum obligation by \$154,000, for a total of \$907,500.

In July 2022, the Board approved the selection of Katz to plan and implement a safety awareness and public education program for the Project. Agreement No. C-2-2207 (safety awareness contract) in the amount of \$700,000 was executed on September 15, 2022, for an initial two-year term from September 15, 2022, through August 31, 2024. On September 1, 2024, a two-year option term was executed to extend the agreement through August 31, 2026, and increase the maximum obligation by \$150,000, for a total of \$850,000.

Requirements of the contracts outline deliverables, such as monthly progress reports, creation of project archives and stakeholder databases, annual reports, and periodic evaluation of program effectiveness. Invoice requirements include referencing the contract number, time-period covered, labor hours and billing rates, current and cumulative invoice charges, supporting documentation for itemized expenses, and signed certification that the invoice is true and correct.

#### Oversight and Contract Compliance

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 (SOW) for consultant procurements, managing consultant performance, ensuring contract terms and conditions are satisfied, tracking performance metrics, invoice review and approval, and monitoring of DBE commitments.

A principal community relations specialist within Public Outreach served as the PM on the initial public outreach contract. A former staff member served as the PM on the current public outreach contract – with administrative responsibilities for procurement and invoice review and approval – until September 2024, when those administrative duties were transferred to the principal community relations specialist.

Similarly, another former staff member served as the PM on the safety awareness contract until March 2024, when PM duties were transferred to the principal community relations specialist. Public Outreach also employs a business unit analyst (BUA), who provides support to PMs by conducting and documenting initial invoice reviews utilizing an Invoice Review Checklist. The BUA confirms that rates are correct, and invoiced amounts are adequately supported, mathematically correct, and within the contract maximum obligation. The PM verifies that work performed is within the contract SOW,

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
**Oversight and Contract Compliance Related to Public Outreach Activities for the**  
**OC Streetcar Project**  
**July 22, 2025**

hours billed are reasonable, work performed aligns with PM records, and required deliverables have been received. The PM is also responsible for tracking the contract burn rate and ensuring that DBE commitments are met. The senior Department Manager provides final approval and submits invoices to the Accounts Payable Department for payment.

### **Objectives, Scope, and Methodology**

The objectives were to assess and test oversight of contracted services for the Project, determine whether the contractor complied with key contract terms, and to determine whether invoices are reviewed and approved in accordance with policies and procedures.

The methodology consisted of testing a judgmental sample of invoices for compliance with contract provisions, the PM Manual, and relevant OCTA policies, identifying key contract deliverables outlined in Agreement Nos. C-13853 and C-22207, and testing for evidence of performance by the consultant and PM oversight, and confirming that required monthly DBE reports were submitted by the consultant.

The scope was limited to contract compliance of public outreach services and safety awareness and public education for the OC Streetcar Project, Agreement Nos. C-13853 and C-22207, respectively, during calendar years 2022 through 2025, and did not include Agreement No. C-61526 which expired on May 31, 2022. The scope included invoices paid from June 2022 through April 2025, and key contract deliverables outlined in the scope of work for Agreement Nos. C-13853 and C-22207. A judgmental sample of invoice payments was selected to provide an even distribution of coverage throughout the scope period. Since the sample was non-statistical, any conclusions are limited to the sample items tested. The scope also included monthly DBE reports submitted by Katz for calendar years 2023 and 2024.

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  
Oversight and Contract Compliance Related to Public Outreach Activities for the  
OC Streetcar Project  
July 22, 2025**

## **Audit Comments, Recommendations, and Management Responses**

### **Oversight of Contract Burn Rate**

---

Management failed to adequately estimate costs and monitor contract burn rate.

A contract award in the amount of \$430,000, for the current public outreach contract was executed on May 27, 2022, for an 18-month term beginning June 1, 2022, and ending November 30, 2023. Invoices for the first nine months of the 18-month term consumed 95 percent of the entire contract value. Management executed an amendment to increase the contract value by \$64,500; however, this proved insufficient to cover services for the remaining nine months of the initial term. Instead, invoices for services in the last five months of the initial term were held and paid after the first, one-year option term was exercised effective December 1, 2023. This amendment added \$259,000 to the contract, of which \$94,259.95, or 36 percent, was used to pay for services provided during the initial term.

Additionally, standard independent cost estimates (ICE) were not developed for the initial procurement of these services, or for the first two amendments. Instead, the PM prepared memos to the Contract Administration and Materials Management (CAMP) Department outlining requests and justification for additional funding, though without describing how the amount was derived. The practice of preparing and accepting these memos in lieu of an ICE was established over ten years ago by mutual agreement of prior executive management. Procurement policies and procedures require PMs to undertake reasonable steps to estimate the amount of funding required to sufficiently fund services and to document these estimates using an ICE form.

The PM Manual requires PMs to monitor contract burn rates monthly to ensure expenditures are not outpacing the contract budget.

#### **Recommendation 1:**

Internal Audit recommends management provide training to PMs on the preparation of ICEs in accordance with procurement policies and procedures, and monthly monitoring of contract burn rates in accordance with the PM Manual. CAMP should enforce requirements to develop an ICE for all procurements and amendments.

#### **Management Response (Public Outreach):**

Management appreciates Internal Audit's recommendation and fully supports strengthening practices related to cost estimation and contract monitoring. In response, Public Outreach will implement the use of the ICE form and launch a training program to

**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
**Oversight and Contract Compliance Related to Public Outreach Activities for the**  
**OC Streetcar Project**  
**July 22, 2025**

ensure all staff are equipped to prepare ICEs and conduct monthly monitoring of contract burn rates, in line with the PM Manual and procurement procedures.

We recognize the importance of consistent and clearly documented estimating practices. In previous years, Public Outreach followed a process – established in coordination with prior executive leadership – that involved preparing detailed memos to support funding requests. While this approach was accepted at the time, we acknowledge the value of transitioning to a more standardized and transparent methodology.

It is also important to note that during the early phases of the current public outreach contract, significant and unanticipated community concerns required Public Outreach to quickly ramp up and expand engagement efforts. These heightened outreach activities, in response to pressing public needs, contributed to a higher-than-expected burn rate in the first half of the contract term and were fully shared with the Board through regular Project updates.

Looking ahead, Public Outreach is committed to fully aligning with current procurement policies and procedures and will continue working closely with CAMM to ensure all estimating and monitoring requirements are consistently met.

**Management Response (CAMM):**

CAMM management agrees with the recommendation. CAMM will enforce the requirement to develop an ICE for all public outreach procurements and contract amendments, in accordance with procurement policies and procedures. Moving forward, CAMM will no longer accept memos in lieu of an ICE for public outreach services.

**Invoice Review**

---

Invoice review procedures are not adequately performed.

Under the current public outreach contract, two invoices included charges totaling \$33,356.20 for media advertisement buys that were incurred under the original public outreach contract, that expired May 31, 2022, with a remaining balance of only \$63.12. The charges were incurred in March, April, and May 2022, prior to the effective date of the current public outreach contract in June 2022. In addition, one invoice included 36 hours for account coordinator services at a rate of \$145 per hour, rather than at the contracted rate of \$85 per hour, resulting in an overpayment of \$2,160.

Under the safety awareness contract, management authorized payments totaling \$10,172.50 for services of a lead community liaison for five months prior to the position being added to the contract. Management also authorized payments totaling \$16,551.25 for the services of a graphic designer for five months prior to the position being added to

**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Oversight and Contract Compliance Related to Public Outreach Activities for the  
OC Streetcar Project  
July 22, 2025**

the contract. Management also authorized payments for services in August, September, and November 2024 totaling \$5,692.50, for subconsultant personnel not authorized under the contract.

Both contracts include specific requirements for reimbursement of mileage costs outlining rules for reimbursement based on weekday versus weekend travel, business hours versus after-hours, and travel to/from home versus office base. Documentation provided with invoices does not include sufficient information to verify compliance with these contract stipulations. As a result, the allowability of these payments could not be determined.

**Recommendation 2:**

Internal Audit recommends management strengthen its invoice review process to ensure that payments comply with contract terms and amendments to add personnel are timely processed.

**Management Response:**

Management appreciates Internal Audit's recommendation and agrees with the need to strengthen invoice review procedures to ensure full compliance with contract terms and conditions.

Public Outreach will take concrete steps to enhance its invoice review process. This includes implementing additional layers of review and validation to ensure that charges align with approved contract terms, rates, personnel authorizations, and service periods. Amendments to add personnel will be fully implemented before services begin to ensure clarity in invoices and contract compliance.

We also recognize the importance of improving documentation requirements for reimbursable expenses, such as mileage, and are working with consultants to ensure supporting materials clearly demonstrate adherence to contract provisions.

Public Outreach is committed to maintaining rigorous financial oversight and will continue to review and refine its processes to uphold accountability, transparency, and contract integrity.

**Contract Deliverables and Performance Monitoring**

---

Key contract deliverables were not always obtained, and monthly progress reports did not meet requirements of the contracts.



**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
**Oversight and Contract Compliance Related to Public Outreach Activities for the**  
**OC Streetcar Project**  
**July 22, 2025**

A communication plan, listing all major tasks, schedule, and budget, as well as strategies to be employed to meet key objectives, was not obtained from Katz as required by the current public outreach contract. In addition, annual reports and evidence of periodic evaluations of program effectiveness were not obtained from Katz as required under the safety awareness contract. Further, monthly progress reports provided by Katz for both the current public outreach contract and the safety awareness contract did not include required elements, such as contacts, meetings, advertisements, e-blasts, and social media activity with detailed results and metrics. This data is required to be obtained by the PM and used to evaluate outreach activities and communications with target audiences.

**Recommendation 3:**

Internal Audit recommends management strengthen controls to ensure required deliverables are obtained and outreach activities evaluated as outlined in consultant contracts and the PM Manual. Management should provide training to PMs to reinforce contract management responsibilities.

**Management Response:**

Management appreciates Internal Audit's findings and concurs with the recommendation to strengthen controls related to the oversight of contract deliverables and performance reporting.

To address the issues identified, Public Outreach will implement targeted training for PMs focused on contract management responsibilities, including the timely collection and evaluation of required deliverables. This training will reinforce the importance of securing key documentation as outlined in consultant contracts and the PM Manual.

In addition, management will enhance review procedures to ensure that monthly progress reports include all required elements – such as outreach activities, metrics, and engagement results – and that these reports are consistently used to assess the effectiveness of public outreach and safety awareness efforts.

Public Outreach remains committed to improving contract oversight and ensuring that program performance is accurately tracked and reported in support of transparent and results-driven communication initiatives.