



April 24, 2024

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Review of Interstate 405 Improvement Project: Design-Build Contract, Internal Audit Report No. 24-507

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of the design-build contract for the Interstate 405 Improvement Project. Based on the audit, oversight and invoice review controls were in place and invoices complied with contract provisions. One recommendation was made to improve documentation in the Orange County Transportation Authority's files.

Recommendation

Direct staff to implement the recommendation provided in the Review of Interstate 405 Improvement Project: Design-Build Contract, Internal Audit Report No. 24-507.

Background

The Orange County Transportation Authority (OCTA), in cooperation with the California Department of Transportation (Caltrans) and the cities of Costa Mesa, Fountain Valley, Huntington Beach, Seal Beach, and Westminster, implemented the Interstate 405 (I-405) Improvement Project between State Route 73 (SR-73) and Interstate 605 (I-605). The project added one general purpose lane in each direction from Euclid Street to I-605, consistent with Measure M2 Project K, and added an additional lane in each direction that was combined with the existing high-occupancy vehicle lane to provide dual express lanes in each direction of the I-405 from SR-73 to I-605, otherwise known as the 405 Express Lanes.

On November 14, 2016, the OCTA Board of Directors (Board) awarded the design build contract to OC 405 Partners, a joint venture of OHL USA, Inc., and Astaldi Construction Corporation. OCTA executed the design-build contract with OC 405 Partners and issued Notice to Proceed (NTP) No. 1 on January 31, 2017. NTP No. 1 was a limited NTP for mobilization, design, and administrative activities. On July 27, 2017, OCTA issued NTP No. 2 to OC 405 Partners. NTP No. 2 was a full NTP for all activities, including construction. The lump-sum contract price was \$1,217,065,000.00. Contract change orders totaling \$292,070,433.44 had been executed as of September 2023.

Discussion

OCTA file documentation can be improved to ensure complete records of invoice payments and evidence of progress meetings. Invoice payment records filed in OCTA's accounting system do not contain all relevant supporting documents, including stop payment notices, release of stop payment notices, daily extra work reports, and supporting work tickets. In addition, meeting minutes for weekly design-build management meetings were not consistently included in the project files, and sign-in sheets were not always attached. Internal Audit recommended that management file all supporting documentation with the invoice payments in OCTA's accounting system, as the central repository. Management should also ensure that meeting minutes with sign-in sheets are consistently included in the project files. Management agreed to work with the Finance and Administration Division to include relevant supporting documents going forward in the invoice payment records in OCTA's accounting system. Management also agreed to ensure that meeting minutes with sign-in sheets for active meetings are consistently included in the project files.

Summary

Internal Audit has completed an audit of the design-build contract for the I-405 Improvement Project and has offered one recommendation for improvement.


Attachment

- A. Review of Interstate 405 Improvement Project: Design-Build Contract,
Internal Audit Report No. 24-507

Prepared by:


Serena Ng
Senior Manager, Internal Audit
714-560-5938

Approved by:


Janet Sutter
Executive Director, Internal Audit
714-560-5591