



July 23, 2014

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit Department

Subject: Review of Veolia Contract Close-out

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed a review of the closeout of the Veolia ACCESS Service contract. Based on the review, controls exercised in the closeout of the contract with Veolia were generally adequate.

Recommendation

Receive and file the Review of Veolia Contract Close-out, Internal Audit Report No. 14-512.

Background

Agreement No. C-5-3021 was entered into February 27, 2006, between the Orange County Transportation Authority (OCTA) and Veolia Transportation Services, Inc. (Veolia). Under the contract, Veolia provided management and operation for ACCESS, contracted fixed-route, Stationlink, and express bus services. In Amendment No. 4, Veolia agreed to provide the ACCESS services pursuant to a revised scope of work (SOW) and revised rates for a term of three years ending on June 30, 2012. Amendment No. 6 extended the agreement through June 30, 2013, and increased the maximum obligation to \$239,986,714. The maximum obligation was increased to \$243,418,523 in Amendment No. 7, and to \$244,271,523 in Amendment No. 8.

The SOW includes a section on transition to a subsequent contractor. This section requires the contractor to cooperatively participate in the transition of the service to a new contractor. No less than 45 days prior to a new contractor starting, participation is necessary in meetings, transfer of records, access to

property, access to equipment, and other areas as deemed necessary by OCTA's contract administrator. The incumbent must make pertinent records accessible to both OCTA and the new contractor within three days of OCTA's request. OCTA-owned property and facilities are subject to a transition inspection and acceptance upon transition to a new contractor.

Discussion

Internal Audit conducted interviews and reviewed documentation related to the transition of ACCESS service from Veolia to the new contractor. Based on the review, Veolia staff complied with agreement terms and worked cooperatively to ensure a smooth transition. Records evidenced appropriate controls were exercised in the transfer of buses and computer equipment from Veolia to the new contractor. The final payment to Veolia was made in accordance with the contract and evidenced appropriate invoice approval.

Summary

Based on the review, controls exercised in the closeout of the contract with Veolia were generally adequate.

Attachment

- A. Review of Veolia Contract Closeout, Internal Audit Report No. 14-512

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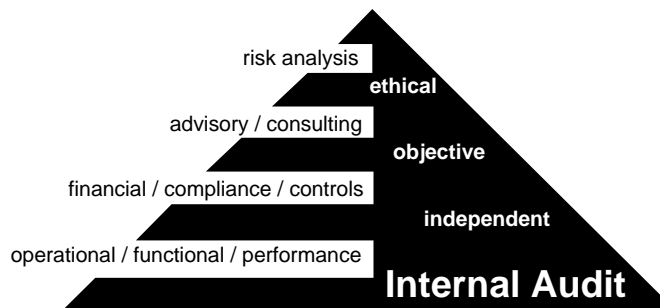
ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Review of Veolia Contract Closeout

Internal Audit Report No. 14-512

July 9, 2014



Internal Audit Team: Janet Sutter, CIA, Executive Director
Serena Ng, CPA, Principal Internal Auditor

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Conclusion

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) has completed a review of the closeout of the Veolia ACCESS Service contract. Based on the review, controls exercised in the closeout of the contract with Veolia were generally adequate.

Background

Community Transportation Services Department

The Community Transportation Services Department (CTS) governs ACCESS paratransit services, the complementary paratransit services required by the Americans with Disabilities Act. CTS' work is comprised of oversight of contracted services and development of community partnerships to provide alternative transportation options for seniors and persons with disabilities.

Veolia Contract

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Contract Closeout Controls

Approximately six weeks prior to contract expiration, Veolia and MV Transportation (MV), the subsequent contractor, began working cooperatively at the Irvine Construction Circle base to plan for the transition of service. A soft start-up, whereby MV provided service on a limited number of routes, began on June 15, 2014. CTS staff were on-site every day to monitor the transition.

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Before assuming responsibility for the vehicles, MV staff performed and documented inspections, making note of any issues. Veolia staff then made the needed repairs. CTS staff tracked the inspection, re-inspection, acceptance, and transfer dates of each bus.

OCTA-owned computer equipment was inventoried during the transition period, and CTS staff requested that the Information Systems Department delete access of the Veolia employees that were no longer employed.

The last two amendments to the Veolia contract were requests to increase the maximum obligation and required authorization from the Board of Directors. Amendment No. 7 corrected the omission of fixed costs from the estimate of contract costs related to Amendment No. 6, which extended the contract term. Amendment No. 8 captured program costs that were not included by staff in the estimated contract costs calculated for Amendment No. 7. The final payment to Veolia was made in accordance with the contract as amended with appropriate invoice approval.

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Objectives, Scope and Methodology

The objectives were to review the adequacy and effectiveness of controls employed in the Veolia contract closeout process.

The methodology consisted of interviews, review of closeout documentation, review of asset records, and testing of final invoice processing.

The scope was limited to the contract closeout activities and Veolia's final invoice. The scope excluded review of other contract terms. The scope also excluded the new contractor MV.

This review was conducted 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.