



**September 14, 2016**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit

**Subject:** Project Controls, Internal Audit Report No. 16-507

### **Overview**

The Internal Audit Department has completed an audit of the Project Controls section within the Capital Programs Division. Based on the audit, the Project Controls section exercises adequate controls over project master and control-level schedules and costs, and provides accurate and timely reports on the status of projects. In addition, invoice review controls are adequate and functioning.

### **Recommendation**

Receive and file Project Controls, Internal Audit Report No. 16-507, as an information item.

### **Background**

The Project Controls (PC) section is an integral part of project management, and acts as an essential support function to the Highway Delivery and Rail Departments within the Capital Programs Division. PC staff is responsible for developing master schedules and budgets for the various capital projects, monitoring of project budgets and costs, and for review of consultant invoices related to highway projects.

PC provides monitoring and oversight of the budget and schedules of 36 Measure M1 and Measure M2 freeway projects totaling approximately \$3.8 billion. In addition, PC monitors and reports on the status of nine grade separation projects totaling \$0.73 billion, and ten rail and station projects totaling \$0.76 billion.

**Discussion**

The Internal Audit Department (Internal Audit) conducted interviews and assessed the adequacy of controls related to the primary functions of the PC section within the Capital Programs Division. The audit included testing of controls for the monitoring and reporting of project budgets and timelines, testing the accuracy of reporting, and testing for compliance with invoice review controls. Based on the audit, the PC section exercises adequate controls over project master and control-level schedules and costs, and provides accurate and timely reports on the status of projects. In addition, PC's invoice review controls are adequate and functioning.

**Summary**

Internal Audit has completed an audit of the PC section within the Capital Programs Division.

**Attachment**

- A. Project Controls, Internal Audit Report No. 16-507

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# ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



## Project Controls

### Internal Audit Report No. 16-507

August 31, 2016



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**Distributed to:** Jim Beil, Executive Director, Capital Programs  
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**ORANGE COUNTY TRANSPORTATION AUTHORITY  
INTERNAL AUDIT DEPARTMENT  
Project Controls  
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**ORANGE COUNTY TRANSPORTATION AUTHORITY**  
**INTERNAL AUDIT DEPARTMENT**  
**Project Controls**  
**August 31, 2016**

**Conclusion**

The Internal Audit Department (Internal Audit) has completed an audit of the project controls section within the Capital Programs Division. Based on the audit, the project controls section exercises adequate controls over project master and control-level schedules and costs, and provides accurate and timely reports on the status of projects. In addition, capital project invoice review controls are adequate and functioning.

**Background**

The Project Controls (PC) function is an integral part of project management, and acts as an essential support function to the Highway Delivery and Rail Departments within the Capital Programs Division. PC staff is responsible for developing master schedules and budgets for the various capital projects, monitoring of project budgets and costs, and for review of consultant invoices related to highway projects.

The Capital Action Plan presented to the Board of Directors on August 8, 2016, reflects 36 Measure M1 and Measure M2 (M2) freeway projects totaling approximately \$3.8 billion, for which PC provides monitoring oversight. In addition, PC monitors and reports on the status of nine grade separation projects totaling \$0.73 billion, and ten rail and station projects totaling \$0.76 billion.

The project master schedule within the Primavera system (Primavera) is the primary tool used to monitor and report project progress and analyze delays. PC staff compiles monthly progress reports for all active projects. The reports provide summary data on the status of projects and highlight any changes made to project scope, budget, and/or schedule.

PC staff reviews related invoices for freeway and grade separation projects, and assists consultant staff within the Rail Department in reviewing the invoices for rail and station projects. Invoice reviews are documented using an Invoice Review Checklist which outlines items that are reviewed and includes the signatures of the staff involved and approval signatures as required by established payment authorization limits.

The Capital Action Plan is a summary of project master schedule information that is maintained and updated by the PC Senior Section Manager. The Capital Action Plan is submitted quarterly with the Capital Program Divisions Performance Metrics report to the Board of Directors (Board). In addition, a condensed version is included within the M2 Quarterly Progress Reports which are provided to the Board and the M2 Taxpayer's Oversight Committee.

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**Objectives, Scope, and Methodology**

The objectives were to assess and test operating controls, policies, and procedures of the PC section.

The methodology consisted of reviewing system access for Primavera, testing of Project Change Requests to ensure proper review and approval, testing of Detailed and Summary Invoice Review Checklists to determine evidence of proper review and approval before payment, testing of Monthly Progress Reports for timely posting to the intranet and testing of the Capital Action Plan reports for complete and timely presentation.

The scope included change requests, monthly and quarterly reports, and invoices processed during the period from July 1, 2013 through June 30, 2016. All change requests, monthly reports, and quarterly reports during the scope period were tested. In addition, a judgmental sample of 60 invoices, with a bias for coverage of every type of project (e.g. freeway, grade separation, and rail) and a variety of staff, was tested. Since the invoice sample was 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.

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

**Noteworthy Accomplishment**

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PC performs consistent, detailed reviews of consultant invoices to ensure compliance with the related agreement and to ensure proper accounting for the charges. Invoice review checklists are utilized to demonstrate that these reviews have been performed and to obtain documented approvals. The checklists clearly outline the responsibilities of the parties signing.