



January 23, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Rail Right-of-Way Maintenance, Internal Audit Report No. 19-502

Overview

The Internal Audit Department has completed an audit of rail right-of-way maintenance along the Orange and Olive Subdivisions owned by the Orange County Transportation Authority. Based on the audit, the right-of-way maintenance program is adequate, as are oversight controls and contract compliance related to Agreement No. C-4-1361 with Joshua Grading & Excavating, Incorporated, for maintenance work along the right-of-way.

Recommendation

Receive and file Rail Right-of-Way Maintenance, Internal Audit Report No. 19-502, as an information item.

Background

Commuter rail service operated by the Southern California Regional Rail Authority (SCRRA) travels through Orange County between Los Angeles and San Diego counties on the Orange County Line. The Orange County Line consists of 47.5 miles of operating railroad right-of-way, with 42 miles along the Orange Subdivision and 5.5 miles along the Olive Subdivision. Service and maintenance of the tracks and equipment is provided by SCRRA; however, maintenance of the right-of-way on either side of the tracks is administered by the Orange County Transportation Authority, with the use of services provided by Joshua Grading & Excavating, Incorporated (Joshua), under Agreement No. C-4-1361 (Agreement).

The Agreement with Joshua became effective in January 2015, with an initial term of five years, plus one, two-year option, and a current maximum obligation

of \$8.2 million. Joshua provides labor, materials, and equipment necessary for weed abatement, pesticide application, removal of debris and trash, fencing installation and repair, drainage repair, graffiti abatement and control, tree trimming and removal, and installation and repair of railroad signage.

Discussion

Based on the audit, the Internal Audit Department (Internal Audit) has concluded that the rail right-of-way maintenance program is adequate, as are oversight controls and contract compliance related to the Agreement with Joshua.

Summary

Internal Audit has issued the results of an audit of rail right-of way maintenance.

Attachment

- A. Rail Right-of-Way Maintenance, Internal Audit Report No. 19-502

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ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Rail Right-of-Way Maintenance

Internal Audit Report No. 19-502

January 14, 2019



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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Rail Right-of-Way Maintenance
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**ORANGE COUNTY TRANSPORTATION AUTHORITY
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Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of rail right-of-way (ROW) maintenance along the Orange and Olive Subdivisions owned by the Orange County Transportation Authority (OCTA). Based on the audit, the rail right-of-way maintenance program is adequate, as are oversight controls and contract compliance related to Agreement No. C-4-1361 (Agreement) with Joshua Grading & Excavating, Incorporated (Joshua), for maintenance work along the right-of-way.

Background

Commuter rail service operated by the Southern California Regional Rail Authority (SCRRA) travels through Orange County between Los Angeles and San Diego Counties on the Orange County Line. The Orange County Line consists of 47.5 miles of operating railroad right-of-way, with 42 miles along the Orange Subdivision and 5.5 miles along the Olive Subdivision. Service and maintenance of the tracks and equipment is provided by SCRRA; however, maintenance of the right-of-way on either side of the tracks is administered by OCTA, with the use of services provided by Joshua under the Agreement. The Agreement with Joshua was competitively procured and became effective in January 2015. The Agreement has an initial term of five years, with one, two-year option, and a current maximum obligation of \$8.2 million. Under the Agreement, Joshua and subcontractor staff provide all materials and equipment necessary for weed abatement, pesticide application, removal of debris and trash, fencing installation and repair, drainage repair, graffiti abatement and control, tree trimming and removal, and installation and repair of railroad signage.

A full-time senior rail maintenance-of way administrator (administrator) is responsible for ensuring proper maintenance along the right-of-way. To accomplish this, the administrator plans, directs, and coordinates the activities of the contractor, Joshua. The administrator also performs oversight through review of daily, weekly, and monthly activity reports, field inspections, and detailed review of invoices and supporting receipts. The administrator also regularly communicates and coordinates with Transit Police, as necessary, to address trespassers on the right-of-way.

SCRRA, as the railroad operator, has primary responsibility for ensuring compliance with Federal Railroad Administration and California Public Utilities Commission regulations. To ensure compliance, SCRRA issues policies and procedures manuals and safety instruction manuals that dictate training requirements and rules for working on the right-of-way. OCTA is responsible for ensuring all right-of-way workers have obtained the required safety training and certifications.

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Objectives, Scope, and Methodology

The objectives were to evaluate the adequacy of the right-of-way maintenance program and assess oversight controls and contract compliance related to the Agreement with Joshua for right-of-way maintenance services.

The methodology consisted of testing a random sample of invoices for compliance with contract terms and invoice review controls; testing of all retention release payments for accuracy and proper authorization; testing of Joshua's compliance with insurance requirements; testing for compliance with procurement policies and procedures; and testing for evidence of compliance with safety training and certification requirements for rail right-of-way workers. For random samples, any conclusions are limited to the sample items tested since sampling is non-statistical.

The scope was limited to rail right-of-way maintenance on the Orange and Olive Subdivisions of the Orange County Line and the Agreement with Joshua. The scope period included contract procurement activities in 2014; invoices and retention invoices paid during the period January 1, 2017 through June 30, 2018; review of insurance certificates on file as of December 2018; review of safety training records for staff billed during the period January through June 2018; and inspection of Maintenance-of-Way manuals maintained by OCTA at the time of audit.

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.