

DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
CONSTRUCTION DIVISION



PERFORMANCE AUDIT
ISSUED MAY 4, 2011

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

May 4, 2011

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our follow-up performance audit on the Department of Transportation and Development's (DOTD) Construction Division. The audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950 as amended.

The report contains our findings, conclusions, and recommendations. Appendix A contains DOTD's response to this report. Appendix B contains our audit initiation, scope, and methodology, and Appendix C contains an overview of DOTD. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of DOTD for their assistance during this audit.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/kg

DOTD2011

Office of Legislative Auditor

Daryl G. Purpera, CPA, CFE, Legislative Auditor

Department of Transportation and Development -
Construction Division



May 2011

Audit Control # 40100006

Objective, Overall Results and Recommendations

We issued a performance audit report on the Department of Transportation and Development's (DOTD) Construction Division in November 2005.¹ Based on the findings of that audit, we made recommendations to DOTD to assist in improving the performance of its operations. This follow-up audit focuses on the status of DOTD's Construction Division operations from fiscal years 2005 to 2009. Our overall objective was to answer the following question:

***Overall Objective:** Has DOTD improved its management of the construction of roadways and bridges since the 2005 audit?*

DOTD still needs to improve its management of the construction of roadways and bridges. In 2005, we reported 11 findings on DOTD's Construction Division. We only followed up on the eight findings that we deemed relevant today. Of those eight findings from the 2005 report, DOTD has fully or partially addressed six findings and not addressed two findings. The results of our review of the eight findings are summarized below. The exhibit on pages 7-10 provides more detail on our 2005 findings and their current status.

Has DOTD improved the reliability of its construction data? (2005 Finding #1)

DOTD has partially improved the reliability of its construction data since the 2005 report by correctly entering change order reasons. However, DOTD still can not provide a readily accessible, complete, and accurate list of construction projects. In addition, DOTD still does not have a standard report to generate a list of its completed construction projects. DOTD did provide a list of completed construction projects by compiling data from three of its databases. However, we determined the list was incomplete and inaccurate.

¹ The 2005 report titled *Department of Transportation and Development - Construction Division* describes in detail the findings and recommendations we followed up on in this report. It may be helpful to read the 2005 report so that the findings and recommendations in the report can be put into context. The report can be found at [http://app1.la.state.la.us/PublicReports.nsf/44953167511EF592862570C900544B09/\\$FILE/000010E4.pdf](http://app1.la.state.la.us/PublicReports.nsf/44953167511EF592862570C900544B09/$FILE/000010E4.pdf)

DOTD's list was incomplete because of the following:

- DOTD tracks some projects via a separate invoicing process; these projects were not included in the list DOTD provided.
- DOTD does not have a uniform policy on how districts manage their projects in the construction database. For example, districts decide whether or not to track maintenance and district-let projects in the Site Manager database.

DOTD's list was inaccurate because of the following:

- DOTD staff sometimes erroneously entered the date used to identify complete projects. According to DOTD management, it has now resolved that issue.
- DOTD staff did not always enter the data used to identify completed projects.
- DOTD staff did not always update the date, when necessary, used to identify completed projects.

Recommendation 1: We continue to recommend that DOTD create a standard report to generate a list of completed construction projects.

Summary of Management's Response: Agree. New reports using the recently implemented state LaGov system are in the process of being developed.

Recommendation 2: We continue to recommend that DOTD develop and implement policies and procedures and provide training to its staff to ensure that only construction projects are identified as construction projects. These policies and procedures should also address projects that are to be managed through the invoice process. DOTD should identify these projects in its system and ensure such identification is applied consistently.

Summary of Management's Response: Agree. The LaGov system will require all construction projects to have H.xxxxxxx project numbers whether they are to be managed through the Site Manager program or the LaGov SRM module. Reports are in the process of being developed to permit easy extractions of construction projects and related data.

Recommendation 3: DOTD should ensure all district-let projects be tracked via Site Manager. This will ensure that all projects are in one location, which should help DOTD compile a list of completed construction projects.

Summary of Management's Response: Partially agree. Not all district-administered projects are suitable for managing through Site Manager. However, all construction projects will be assigned H.xxxxxxx project numbers in the new LaGov system which will facilitate easy reporting.

Has DOTD improved the controls over Site Manager? (2005 Finding #2)

DOTD has made some improvements to the controls over Site Manager, but it still needs further improvement. In 2005, we determined that correct implementation of Site Manager would allow DOTD to better manage the construction process. During this follow-up audit, we determined that DOTD could improve the controls to prevent overpayments in Site Manager. Currently, Site Manager allows payments to be made to contractors although a change order has not been approved, thereby increasing the risk of overpayments to contractors. According to agency officials, they run a report that flags this occurrence and only allow payments to be processed to a contractor for two months without a change order being approved. However, there is still a risk for potential overpayments. DOTD could strengthen the controls over overpayments by not allowing any payments to be processed without a change order.

DOTD has implemented most controls for Site Manager consistently across the districts. However, DOTD could improve its service to the districts by continuing to train more than one staff member as Site Manager experts.

Recommendation 4: We continue to recommend that DOTD ensure that Site Manager has sufficient processes in place to prevent overpayments to contractors. Specifically, Site Manager should have processes in place to ensure that payments are not made until change orders are approved.

Summary of Management's Response: Agree. Processes and policies are in place to prevent overpayments to contractors. Where weaknesses are found, these processes are being modified. Furthermore, the new LaGov system will not allow payments to contracts that exceed the approved budget.

Recommendation 5: DOTD should continue to train all districts consistently on Site Manager. In addition, DOTD should monitor the districts to ensure they are using Site Manager correctly.

Summary of Management's Response: Agree. Training has been ongoing and will be enhanced with the implementation of the new LaGov system so that personnel know how the two systems interact.

Recommendation 6: DOTD should continue to train additional staff at the district level to assist with Site Manager. This will ensure that DOTD continues to provide districts with the level of service it currently provides should the current employee retire or leave the department and help ensure consistency across the districts.

Summary of Management's Response: Partially agree. The reduction in state employees will not allow dedicated additional staff; however, headquarters' staff are knowledgeable of Site Manager and training is ongoing.

Has DOTD improved its cost estimate process? (2005 Findings #3 and #4)

DOTD has made some improvements in its cost estimate process, but this process needs further improvement. DOTD still has not developed an ongoing process to evaluate and measure the reliability of its cost estimates. DOTD staff review project cost estimates on an individual project basis; however, there is no formal process to review the overall project cost estimate process to identify systemic issues with the process itself that could affect the cost of its projects. Some systemic trends may be overlooked without a formal, comprehensive review process.

Recommendation 7: We continue to recommend that DOTD develop a formal process to look at all the individual reviews as a group to identify any systemic areas of cost estimation errors.

Summary of Management's Response: Agree. A full-time estimator position was created and filled in FY 2007 to concentrate on cost estimation. The analysis of cost trends and strategies for adjusting to changes in material and labor prices is an ongoing process. Individual projects as well as classes of construction projects have been evaluated to refine the cost estimates.

Has DOTD improved its contract time estimate process? (2005 Finding #5)

DOTD has not improved its contract time estimate process since 2005. Although DOTD personnel examine and evaluate individual time estimates for particular contracts, they still do not evaluate the overall process for developing these estimates. DOTD estimates how long it will take to complete projects using production rates, which are industry averages of how long it takes to complete a particular construction activity. In our 2005 report, we stated that DOTD's production rates were outdated and DOTD still has not updated its production rates. According to DOTD staff, in 2008 it started cutting time estimates by 20% at the direction of the department's Secretary at the time. As a result, time estimates have improved, according to DOTD officials. However, DOTD has not studied how this has affected its time estimate process or conducted a cost benefit analysis to determine if the 20% reduction has been effective.

Recommendation 8: We continue to recommend that DOTD develop and implement an ongoing process to evaluate and measure how time estimates are created.

Summary of Management's Response: Agree. DOTD is discussing implementing a bidding method known as "A + B bidding" that determines the low bidder based on the dollar amount of the bid plus the contractor's proposed number of days to complete the project times a user cost.

Has DOTD improved its monitoring of construction contractors? (2005 Finding #6)

DOTD has made improvements in tracking contractors' disqualifications, but its overall monitoring of construction contractors needs further improvement. DOTD has improved its tracking of disqualified contractors, but it still needs to improve its tracking of other contractor penalties, such as contractors in default. According to management, it is aware of when contractors are in default or debarment. However, it does not formally track contractors who are in default or debarment.

Recommendation 9: DOTD should formally track which contractors are in default. Formally tracking these contractors will help management ensure it is correctly implementing penalties for contractors who go over the allotted contract time.

Summary of Management's Response: Partially agree. Site Manager will automatically begin charging stipulated damages on contracts that are exceeding contract time. Contractors in default for contract time are only subject to this penalty after DOTD staff review the issues and it becomes a demand on a bonding company to take over a project. Once the contractor is disqualified, the Chief Engineer tracks the list of disqualified contractors.

Recommendation 10: We continue to recommend that DOTD formally track whether contractors should be in debarment. Specifically, it should track contractors who have been disqualified enough times to be debarred. DOTD should use this information to ensure that contractors are debarred when necessary.

Summary of Management's Response: Partially agree. The Chief Engineer and his staff track the past contractor disqualifications. There are only a small number of disqualifications that occur each year. The department has history and can track when a contractor was placed on the DQ list and when they are removed. The Chief Engineer's Special Assistant is the only person with the responsibility of placing them on the list and/or removing them from the list.

Has DOTD participated in any efforts to compare itself to other states (2005 Finding #7)

While DOTD has not participated in any comparisons among states such as cost and time of projects, it has implemented several best practices learned from other states.

According to DOTD management, it is difficult to conduct comparisons amongst states, because each state tracks the cost and time of projects differently. However, without comparisons to other states' construction project data, DOTD cannot gauge its effectiveness in managing its construction division.

Recommendation 11: DOTD should continue to seek and follow best practices or procedures developed or recommended by FHWA (Federal Highway Administration) and AASHTO (American Association of State Highway and Transportation Officials) related to consistently tracking construction data such as project cost and time. This will allow DOTD to compare itself to other states to measure its effectiveness.

Summary of Management's Response: Agree. DOTD staff is very active in AASHTO committees and participate in workshops sponsored by FHWA.

Has DOTD formulated relevant performance indicators to evaluate its construction function? (2005 Finding #8)

DOTD has developed relevant performance indicators to evaluate its construction function.

Exhibit 1 Summary of 2005 Findings and Recommendations and Current Status			
Finding from 2005 Report	Recommendations from 2005 Related to Finding	Current Status of Finding	DOTD's Response in 2005
1. DOTD did not have a readily accessible, accurate list of completed construction projects. Also, DOTD staff did not always enter the reasons for some change orders.	(1) DOTD should develop policies and procedures and provide training to its staff to ensure only construction projects are identified as construction projects.	DOTD has partially addressed this finding. DOTD still does not have reliable construction data to determine the efficiency and effectiveness of the construction process. However, it has improved its tracking of change orders and their reasons.	Disagree
	(2) DOTD should create a standard report to generate a list of completed construction projects.		Partially Agree
	(3) DOTD should develop and implement policies and procedures and provide training to instruct staff on how to enter and review data related to cost and time of projects.		Partially Agree
	(4) DOTD should develop and implement policies and procedures and provide training to instruct staff on how to consistently enter and review change order reason codes in ESTI and Site Manager to ensure that these data are complete and accurate.		Partially Agree
2. DOTD is implementing a new project management system called Site Manager, which should allow DOTD to manage the construction process as a whole. We found Site Manager has insufficient processes to prevent overpayments to contractors, employees in some districts are resistant to using a new tool, and the designated Site Manager expert is retiring.	(5) DOTD should ensure that Site Manager has sufficient processes in place to prevent overpayments to contractors.	DOTD has partially addressed this finding. <ul style="list-style-type: none"> • DOTD still does not have controls in place in Site Manager to prevent overpayments. • In general, DOTD appears to have implemented the controls for Site Manager consistently across the districts. • DOTD could improve its management of Site Manager at 	Partially Agree
	(6) DOTD should continue to consistently train all districts on Site Manager. In addition, DOTD should monitor the districts to ensure that they are using Site Manager correctly.		Agree

Exhibit 1 Summary of 2005 Findings and Recommendations and Current Status			
Finding from 2005 Report	Recommendations from 2005 Related to Finding	Current Status of Finding	DOTD's Response in 2005
	(7) DOTD should dedicate and train additional staff on Site Manager to ensure that it will be implemented correctly once the designated Site Manager expert retires.	the district level by dedicating more than one staff person as the Site Manager expert assisting the districts.	Agree
3. DOTD does not evaluate its cost estimate process. We applied the Federal Highway Administration's (FHWA) credibility of estimates guideline and found that DOTD's estimates were not credible for three of the last five years.	(8) DOTD should develop and implement an ongoing process to evaluate and measure the reliability of its cost estimates.	DOTD has not addressed this finding. DOTD has not developed an ongoing process to evaluate and measure the reliability of its cost estimates.	Partially Agree
4. DOTD publishes cost estimates in bid packages. Publishing the cost estimate can increase construction costs. The FHWA suggests publishing a value range, rather than an actual dollar amount.	(9) DOTD should follow the guidance of FHWA and AASHTO regarding the publication of cost estimates in its bid packages. It should consider publishing a range if it decides the estimate must be published.	DOTD has addressed this finding. DOTD no longer publishes cost estimates in its bid packages. It publishes a cost range.	Agree
5. DOTD does not evaluate its time estimates process. An FHWA study found that DOTD's time estimates were considerably longer than the actual time taken to complete the projects on calendar day contracts.	(10) DOTD should develop and implement an ongoing process to evaluate and measure how time estimates are created.	DOTD has not addressed this finding. DOTD has not improved its time estimate process. It still does not have a formal process to evaluate its time estimates.	Partially Agree
DOTD does not consider a contractor's past performance in awarding bids because it does not have a performance measurement system for contractors.	(11) DOTD should consider developing and implementing a contractor performance rating system.	We did not follow up on this finding since state law requires DOTD to take the lowest bidding contractor. Therefore, it cannot use contractors' past performance in awarding contracts.	Disagree

Exhibit 1
Summary of 2005 Findings and Recommendations
and
Current Status

Finding from 2005 Report	Recommendations from 2005 Related to Finding	Current Status of Finding	DOTD's Response in 2005
DOTD has management controls in place to ensure only contracted construction costs are paid to contractors. However, we found that the repetitive nature of information in DOTD's governing documents may weaken DOTD's ability to manage construction projects.	(12) DOTD should consolidate as much information regarding the construction process as possible to ensure that staff are following the correct policies and procedures.	We did not follow up on this finding as it no longer is relevant.	Agree
6. DOTD has processes in place to monitor when contractors fall behind schedule or do not complete a project timely. However, the process to consistently track contractor disqualifications has some weaknesses.	(13) DOTD should keep a historical record of which contractors have been disqualified to determine whether some contractors are habitually disqualified. Once DOTD tracks the number of times a contractor has been disqualified, it should ensure that contractors are debarred when necessary.	DOTD has partially addressed this finding. DOTD has improved its tracking of contractors in disqualification, but still needs to improve its tracking of other penalties for contractors, such as default and debarment.	Agree
7. Comparisons cannot be made among states because construction project data are not tracked consistently. Once states track project data uniformly, DOTD can measure its effectiveness through comparisons with other states.	(14) DOTD should follow any best practices recommended by FHWA and AASHTO related to consistently tracking construction data such as project cost and time.	DOTD has partially addressed this finding. DOTD still does not compare itself to other states, but it has implemented some best practices learned from other states	Agree
8. DOTD does not currently have performance measures in place to measure the efficiency and effectiveness of the Construction Division. Therefore, the division cannot ensure that it is fulfilling its mission, goals, and objectives.	(15) DOTD should work with the Office of Planning and Budget (OPB) to determine whether performance indicators relating to the construction management function should be entered into LaPAS.*	DOTD has addressed this finding. DOTD has developed relevant performance indicators to evaluate the construction function.	Agree
	(16) DOTD should follow the recommendations in its consultant's report on how to develop effective performance indicators. DOTD should use those recommendations to develop performance measures specifically related to key construction management functions.		Agree

Exhibit 1 Summary of 2005 Findings and Recommendations and Current Status			
Finding from 2005 Report	Recommendations from 2005 Related to Finding	Current Status of Finding	DOTD's Response in 2005
DOTD has contracted with private consultants to implement a data warehouse, bringing together disparate sources of its data for use in decision-making, and to implement a new project delivery process.	(17) DOTD should use the results of the data warehouse project to improve the reliability and availability of its data. As a result, any of the data deficiencies we identified in this report could be corrected.	We did not follow up on this finding as it no longer is relevant.	Agree
	(18) DOTD should use the results of its process improvements and communications study to develop and implement formal processes to use its construction data as a tool to make management decisions.		Agree
*LaPAS (Louisiana Performance Accountability System) is the state's database that houses performance measurement information for state entities.			

APPENDIX A: MANAGEMENT'S RESPONSE



BOBBY JINDAL
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P.O. Box 94245
Baton Rouge, Louisiana 70804-9245

www.dotd.la.gov



SHERRI H. LEBAS, P.E.
SECRETARY

March 23, 2011

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

RE: Department of Transportation and Development
Follow-up Performance Audit on Construction Division

Dear Mr. Purpera:

The Department is in receipt of your report dated February, 2011 regarding the follow-up to the performance audit of the DOTD Construction Division completed in November of 2005. I appreciate the opportunity to respond to the report and also to have my response letter included as an attachment in the final report.

In general, a great deal has changed since the performance audit of the construction division was done in November of 2005. Two significant changes are: the full implementation of the construction monitoring and invoice processing tool called Site Manager; and the implementation of the LaGov ERP system in November of 2010. These two major changes have or will for the most part, resolve the issues and implement the recommendations noted in this report.

We do however have comments on the specific recommendations in the report as follows:

Recommendation 1: We continue to recommend that DOTD create a standard report to generate a list of completed construction projects.

We agree. New reports using the recently implemented State LaGov system are in the process of being developed.

Recommendation 2: We continue to recommend that DOTD develop and implement policies and procedures and provide training to its staff to ensure that only construction projects are identified as construction projects. These policies and procedures should also address projects that are to be managed through the invoice process. DOTD should identify these projects in its system and ensure such identification is applied consistently.

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A DRUG-FREE WORKPLACE

Daryl G. Purpera

March 23, 2011

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We agree. The LaGov system will require all construction projects to have H.xxxxxxx project numbers whether they are to be managed through the Site Manager program or the LaGov SRM module. Reports are in the process of being developed to permit easy extraction of construction projects and related data.

Recommendation 3: DOTD should ensure all district-let projects be tracked via Site Manager. This will ensure that all projects are in one location, which should help DOTD compile a list of completed construction projects.

We partially agree. Not all district administered projects are suitable for managing through Site Manager. However, all construction projects will be assigned H.xxxxxxx project numbers in the new LaGov system which will facilitate easy reporting.

Recommendation 4: We continue to recommend that DOTD ensure that Site Manager has sufficient processes in place to prevent overpayments to contractors. Specifically, Site Manager should have processes in place to ensure that payments are not made until change orders are approved.

We agree. Processes and policies are in place to prevent overpayment to contractors. Where weaknesses are found, these processes are being modified. Furthermore, the new LaGov system will not allow payments to contracts that exceed the approved budget.

Recommendation 5: DOTD should continue to train all districts consistently on Site Manager. In addition, DOTD should monitor the districts to ensure they are using Site Manager correctly.

We agree. Training has been ongoing and will be enhanced with the implementation of the new LaGov system so that personnel know how the two systems interact.

Recommendation 6: DOTD should dedicate additional staff at the district-level to assist with Site Manager. This will ensure that DOTD continues to provide districts with the level of service it currently provides should the current employee retire or leave the department, and help ensure consistency across the districts.

We partially agree. The reduction in state employees will not allow dedicated additional staff, however, headquarter's staff are knowledgeable of Site Manager and training is ongoing.

Recommendation 7: We continue to recommend that DOTD develop a formal process to look at the individual reviews as a group to identify any systemic areas of cost estimation errors.

We agree. A full-time cost estimator position was created and filled in FY 2007 to concentrate on cost estimation. The analysis of cost trends and strategies for adjusting to changes in material and labor prices is an ongoing process. Individual projects as well as classes of construction projects have been evaluated to refine the cost estimates. Additionally, DOTD has purchased a new software application (Trns•port CES) Cost Estimation System which has features to allow us to improve our cost estimating accuracy. We have also documented the cost estimate procedure in our Project Delivery manual. In recent months, construction prices have fallen rapidly, which is a good thing, but causes the cost estimates to appear inflated. As this happens, trends are identified and future cost estimates are adjusted. We will be looking at this recommendation as we further refine our processes to improve our performance in cost estimating.

Recommendation 8: We continue to recommend that DOTD develop and implement an ongoing process to evaluate and measure how time estimates are created.

We agree. DOTD is discussing implementing a bidding method known as "A + B bidding" that determines the low bidder based on the dollar amount of the bid plus the contractors proposed number of days to complete the project times a user cost. It may be proposed to use this bidding method on the majority of projects let with the exception of simple preservation type projects. This method would let market forces (contractor) determine contract time within a maximum time determined by DOTD. The maximum time determined by DOTD is based on historical production rates for smaller projects and a critical path method (CPM) schedule for larger projects with concurrence by the DOTD Project Engineer and the DOTD Headquarters Construction.

DOTD does estimate contract time using average production rates and worksheets. The larger project we may even do an CPM to estimate the time on complex projects.

Recommendation 9: DOTD should formally track which contractors are in default. Formally tracking these contractors will help management ensure it is correctly implementing penalties for contractors who go over the allotted contract time.

We partially agree. Site Manager will automatically begin charging stipulated damages on contracts that are exceeding contract time. Contractors in default for contract time are only subject to this penalty after DOTD staff review the issues and it becomes a demand on a bonding company to take over a project. Once the Contractor is disqualified, the Chief Engineer tracks the list of disqualified contractors.

There is little risk of a default of contract time being missed. A contractor is placed in default once the contract time expires. Contract time is tracked in Site Manager and automatically charged stipulated damages unless the Department overrides. If and when we determine to demand the Bonding Company to take over, the default is moved to Disqualification.

Recommendation 10: We continue to recommend that DOTD formally track whether contractors should be in debarment. Specifically, it should track contractors who have been disqualified enough times to be debarred. DOTD should use this information to ensure that contractors are debarred when necessary.

We partially agree. The Chief Engineer and his staff track the past contractor disqualifications. There are only a small number of disqualifications that occur each year. We have history and can track when a contractor was placed on the DQ list and when they are removed. The Chief Engineer's Special Assistant is the only person with the responsibility of placing them on the list and/or removing them from the list.

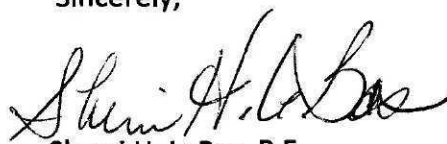
Recommendation 11: DOTD should continue to seek and follow best practices or procedures developed or recommended by FHWA (Federal Highway Administration) and AASHTO (American Association of State Highway and Transportation Officials) related to consistently tracking construction data such as project cost and time. This will allow DOTD to compare itself to other states to measure its effectiveness.

We agree. DOTD staff is very active in AASHTO committees and participate in workshops sponsored by FHWA.

Daryl G. Purpera
March 23, 2011
Page 5 of 5

Thank you for the opportunity to respond to this report and to have this Management Response letter included in the final audit report. Please feel free to contact me, or, Michael Bridges, Undersecretary, should you have any questions.

Sincerely,



Sherri H. LeBas, P.E.
Secretary

C:

Mr. Ricky Rodriguez, CPA, LLA
Mr. Brian Buckel, P.E., DOTD Construction Section Head
Mr. Richard Savoie, P.E., DOTD Chief Engineer
Mr. Ed Wedge, P.E., DOTD Contract Services Administrator
Mr. Michael Bridges, P.E., DOTD Undersecretary
Mr. John Lyon, DOTD External Audit Director

APPENDIX B: AUDIT INITIATION, SCOPE, AND METHODOLOGY

R.S. 24:522 directs the Office of the Legislative Auditor to establish a schedule of performance audits to ensure that at least one performance audit is completed and published for each executive department agency within a seven-year period, beginning with the 1998 fiscal year. In accordance with this legislative mandate, we scheduled a performance audit of the Department of Transportation and Development (DOTD) for fiscal year 2010. Specifically, this audit was a follow-up of the 2005 report we conducted on DOTD's Construction Division.

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide 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. We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. The scope of our audit was July 1, 2004, through June 30, 2009.

To answer our objective, we reviewed internal controls relevant to the audit objective and performed the following steps:

- Interviewed key personnel within DOTD's headquarters and district offices and FHWA (Federal Highway Administration) officials
- Observed district operations
- Assessed controls over DOTD's Site Manager system, obtained related documentation, and tested the reliability of the construction data, specifically data related to the cost and time of construction projects
- Assessed DOTD's policies and procedures
- Assessed the relevancy of DOTD's performance indicators related to the Construction Division

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APPENDIX C: OVERVIEW OF THE DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

Mission and Legal Authority. DOTD's mission is to provide the best transportation system and earn the trust of those they serve: customers, public officials and colleagues. DOTD is responsible for designing, constructing, operating and maintaining over 16,000 miles of state highways throughout Louisiana. The department fulfills this responsibility through the 4,571 authorized positions located at its centralized headquarters unit, the Crescent City Connection Division in New Orleans, and its nine geographic district offices located across the state.

R.S. 36:504 establishes DOTD. DOTD, through its offices and officers, shall be responsible for developing and implementing programs to assure adequate, safe, and efficient transportation and other public works facilities and services in the state. The department shall develop and implement programs in all areas of transportation, including highways, airports, waterways, flood protection, and mass transit, as well as public works activities.

Budget. The Transportation Trust Fund, which was created in 1990 by Article VII, Section 27 of the 1974 Louisiana Constitution, as amended, is the department's primary source of revenue for funding highway-related design, construction, and maintenance costs. The fund receives revenues from taxes on motor fuels and vehicle licenses, as well as receipts from the Federal Highway Administration (FHWA).

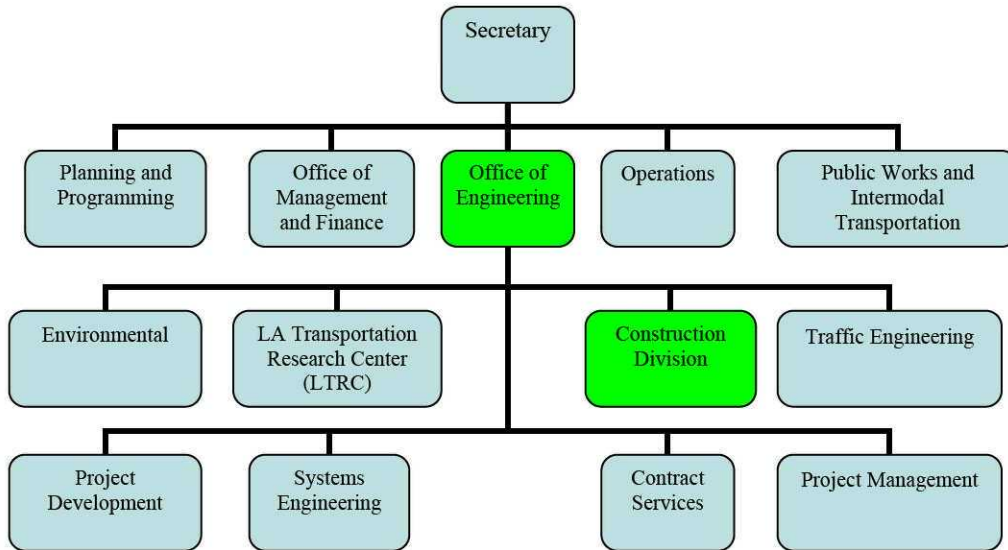
For fiscal year 2009-10, the Louisiana Legislature appropriated over \$520 million to DOTD to administer its programs. The majority of these appropriations (\$450 million) were for highway-related services, including construction activities.

Construction Activities and Staffing. DOTD has 4,571 staff positions, including 42 for the Construction Division which is located within the Office of Engineering. Exhibit 2 shows DOTD's staffing structure for the Construction Division.

Exhibit 2	
Number of DOTD Staff	
Organizational Level	Staff
DOTD	4,571
Office of Engineering	625
Construction Division (Headquarters)	42
District 2 - Bridge City	68
District 3 - Lafayette	83
District 4 - Bossier	74
District 5 - Monroe	57
District 7 - Lake Charles	46
District 8 - Alexandria	72
District 58 - Chase	33
District 61 - Baton Rouge	70
District 62 - Hammond	56
Source: Prepared by legislative auditor's staff using information provided by DOTD.	

The Construction Division is responsible for overseeing the construction and maintenance of highways and bridges in the state. DOTD staff at headquarters also manages the nine districts located around the state. The districts are responsible for the day-to-day administration of construction projects and headquarters staff ensures that all project requirements have been met before final payment to the contractor. See Exhibit 3 for DOTD's organizational structure.

**Exhibit 3
DOTD's Organizational Structure**



Source: Prepared by legislative auditor's staff using information provided by DOTD.

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