



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

January 22, 2003

Honorable Jerry Luke LeBlanc, Chairman
Performance Review Subcommittee of the
Joint Legislative Committee on the Budget
and Members of the Subcommittee
P. O. Box 44294
Baton Rouge, LA 70804

Re: Exceptional Performance and Efficiency Incentive
Program Proposal by the Department of
Transportation and Development

Dear Committee Members:

In accordance with Louisiana Revised Statute (R.S.) 39:87.5(D)(8), we have completed our analysis of the material and substantive accuracy of the proposal submitted by the Department of Transportation and Development (DOTD) for a reward based on the Exceptional Performance and Efficiency Incentive Program. The proposal submitted by DOTD asks for \$10,000 in supplemental compensation for an individual employee based on her exceptional performance in collecting repair costs from those whose negligence has damaged state roads and bridges. For the 2001 and 2002 fiscal years, the employee has exceeded the standards for the *Dollars collected* and *Percentage of repair costs recovered* performance indicators.

Attachment 1 to this letter provides the results of our verification and analysis of the proposal (Attachment 2). In summary, our analysis found that all information and data contained in the proposal are materially and substantively accurate, except for the following items:

- On page 3 of the proposal, the Standard and Actual values listed for the *Cost of support services as a percentage of other costs* performance indicator are incorrect. See Attachment 1 for the correct values for this performance indicator.
- The *Percentage of the repair costs recovered* performance indicator on page 3 of the proposal may be misinterpreted. This indicator reports only on closed claim cases rather than all claim cases. We did not find material inaccuracies in the calculation of this indicator. However, we wish to point out that the values reported only include cases closed during the fiscal year.

I hope this information is useful in your legislative decision-making.

Sincerely,

Grover C. Austin, CPA
First Assistant Legislative Auditor

GCA/ss

Attachments

[DOTDIP03]

Office of the Legislative Auditor

Department of Transportation (DOTD)

*Verification of Proposal Based on the Exceptional
Performance and Efficiency Incentive Program*

Louisiana Revised Statute (R.S.) 39:87.5(D)(8) requires the legislative auditor to verify the material and substantive accuracy of the information contained in a proposal submitted pursuant to the Exceptional Performance and Efficiency Incentive Program. R.S. 39:87.5(D) provides the types of performance to be achieved to qualify for a reward. A proposal may be based on exceptional performance wherein an agency demonstrates that it has consistently met or exceeded a significant number of the standards for its key and supporting performance indicators related to a particular activity.

DOTD bases its proposal (see Attachment 2) on exceptional performance, specifically the achievement of Susan Stafford for the recovery of repair costs from those whose negligence damaged state roads and bridges. If the person or entity responsible for the damage can be identified, Ms. Stafford is in charge of collecting reimbursements. Ms. Stafford contacts the responsible parties, negotiates settlements, and, if necessary, handles lawsuits on behalf of DOTD. For the 2001 and 2002 fiscal years, Ms. Stafford has exceeded the standards for the *Dollars collected* and *Percentage of repair costs recovered* performance indicators.

Proposed Reward Amount

DOTD is requesting supplemental compensation of \$10,000 for Ms. Stafford. State Civil Service Rule 6.16.3 states that to be eligible for any gainsharing program, an employee must have been employed in the agency, program, or activity during the period when efficiencies were realized and at the time that the reward is distributed. DOTD based its proposal on performance data from fiscal years 2001 and 2002. Ms. Stafford was employed by DOTD for both of these fiscal years.

In addition, rules for the Exceptional Performance and Efficiency Incentive Program state that supplemental compensation for individual employees shall not exceed \$5,000 per person, except with the approval of two-thirds of the members of the Subcommittee present and voting. Therefore, the two-thirds approval will be needed to award the full \$10,000 requested.

Accuracy of Information in the Proposal

Our verification and analysis found that all of the information and data contained in the proposal are materially and substantively accurate with the exception of the following discussed below.

The standards and actual values reported on page 3 of the proposal for the “Cost of support services as a percentage of other costs” performance indicator do not match the values reported in the Louisiana Performance Accountability System. The values reported are not associated with the correct fiscal years and values for the 2002 fiscal year are not included. In addition, when we verified the actual values, we found that DOTD had an error in its method of calculation. Table 1 shows the correct values.

	FY 2002		FY 2001		FY 2000	
Performance Indicator	Standard	Actual	Standard	Actual	Standard	Actual
Cost of support services as a percentage of other costs	6.7%	6.80%	15%	12.09%	15%	11.46%

According to DOTD, the reason that the standard for this performance indicator was lowered for fiscal year 2002 was because insurance costs, which had previously all been contained within the Management and Finance program, were instead allocated to individual sections throughout DOTD beginning with this fiscal year.

The “Percentage of the repair costs recovered” performance indicator on page 3 of the proposal may be misinterpreted. This indicator reports only on closed claim cases rather than all claim cases. The indicator is the ratio of the amount of money collected on closed cases divided by the cost of repairs on the corresponding closed cases. Since some claim cases may span multiple fiscal years, this indicator may include cases that were opened in prior fiscal years. Similarly, active claim cases for the current fiscal year are not included in this performance indicator calculation.

Attachment 2

Department of Transportation
and Development

Proposal for Incentive Fund Reward
Based on Exceptional Performance

REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

DEPARTMENT: SCHEDULE:

AGENCY: PROGRAM:

ACTIVITY:

SUBJECT FISCAL YEAR:

This proposal is for a reward based on exceptional performance.

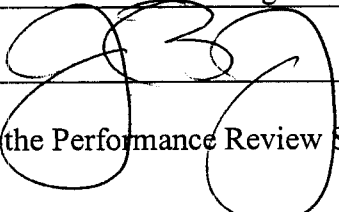
This original document, plus seven copies, must be received by the Performance Review Subcommittee of the Joint Legislative Committee on the Budget by 5:00 p.m. on November 15th. The Subcommittee's physical address is 900 N. 3rd St., State Capitol, 11th Floor, Baton Rouge, LA 70802; the mailing address is P.O. Box 94486, Baton Rouge, LA 70804; the e-mail address is "reade@legis.state.la.us".

The Department of Transportation & Development wishes to recognize the exceptional performance of Ms. Susan Stafford, Attorney 3. Ms. Stafford is responsible for the recovery of repair costs from those whose negligence damaged roads and bridges. In FY 2001 - 2002, she significantly exceeded LaPAS performance indicators by successfully collecting \$1,712,546.59 in damage claims. This translates to an equal amount in savings to the Department as well as to the Louisiana taxpayers.

Application prepared by: Date:

Signature *Barbara J. Ingraham*

Agency head approval: Date:

Signature 

Received by (the Performance Review Subcommittee): Date:

Sent to the Legislative Auditor Date:

Response from Legislative Auditor: Date:

Disposition by Subcommittee: Date:

REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

Part One: Explanation of the Activity and the Exceptional Performance

Describe the activity (the "subject activity"), program and performance data upon which your proposal is based. The subject activity may be a subset or component of a program (or equivalent), or involve the efforts of one or more programs or the entire agency. Be specific in identifying the organizational unit or area where the exceptional performance was achieved. Section A. is used to give a narrative description, and Section B. is used to provide the specific performance data.

A. Provide a detailed narrative description of the subject activity or program(s) and summarize the exceptional performance achieved by that entity.

The Legal Section is a division of the Office of Management and Finance. Among the many responsibilities of the Legal Section is the pursuit and collection of repair costs from those whose negligence damaged roads and bridges. When damage is done to the state's infrastructure, such as that which occurs as a result of vehicular accidents, maintenance crews in the respective districts are discharged to repair the damage. Once the repairs or replacements are completed, invoices detailing the damage as well as the cost of the repairs and replacements are submitted to the Legal Section. For those cases in which responsible parties cannot be identified, the repair costs are assumed by the state. However, for those cases in which responsible parties are identifiable, the Legal Section begins the process of submitting claims to responsible entities in order to receive reimbursement. The Legal Section has been assigned this responsibility since DOTD's establishment in 1977. (LA R.S. 32:291 provides for liability for damage to highways and structures. LA R.S. 32:291.1 provides for roadway hazard cleanup reimbursement. LA R.S. 32:398 M. requires state or local police to contact DOTD where department property as been damaged in an amount estimated to exceed \$500 and to forward accident reports which indicate damage to department property to the department's headquarters maintenance division.) Ms. Susan Stafford, Attorney 3, is the attorney in charge of this program. Through her aggressive and persistent efforts, she significantly exceeded the LaPAS performance objective of the collection of at least 50% of the repair costs. For FY 2001 – 2002, invoices amounting to \$1,921,404.26 worth of damage done to the state's roads and bridges were submitted to the Legal Section; of this, Ms. Stafford collected \$1,712,546.59, achieving an 89% collection rate.

REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

B. Provide detailed performance data evidencing the exceptional performance represented in your proposal. Be sure to note those specific performance indicators and standards which are particularly important. Provide any separate or narrative background information necessary to highlight or support the exceptional nature of the performance. *All proposers must complete Format 1. Format 2 is to be used to report additional data which is not captured in LaPAS.*

Using Format 1, list all objectives and performance indicators for the subject year and at least the immediately preceding year (three years of data is best) for the program (or equivalent) in which the subject activity occurred. Provide the performance standards from the enacted budget/LaPAS. For proposals based on activities which occur at the sub-program (or equivalent) level which are not directly reflected in the agency's LaPAS performance data, the data for the program (or equivalent) comprising such activity is *required*. In cases where multiple programs are involved, provide the performance data for the entire agency.

Format 1. Provide the LaPAS data using this format, attaching addenda as necessary.

Program (or agency):		Management & Finance				
Objective:	1. To ensure that the cost of providing support services remains at or below 15% of other operational costs.					
	FY 01/02		FY 00/01		FY 99/00	
Performance Indicators	Standard	Actual	Standard	Actual	Standard	Actual
1. Cost of support services as a percentage of other costs	15%	12.09%	12%	11.9%	N/A	N/A

Objective:	2. To recover at least 50% of the repair costs referred to the legal section of the program for collection from those whose negligence damaged roads and bridges.					
	FY 01/02		FY 00/01		FY 99/00	
Performance Indicators	Standard	Actual	Standard	Actual	Standard	Actual
1. Percentage of the repair costs recovered	50%	89%	50%	80%	N/A	N/A
2. Dollars collected	\$900,000	\$1,702,510	\$860,000	\$1,516,797	N/A	N/A

REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

Use "Format 2" for instances where the agency's performance data in the enacted budget and LaPAS does not reflect the efforts and achievements associated with the activities forming the basis of your proposal. Provide clear and specific evidence of the establishment of an expected level of performance at the beginning of the fiscal year or before the activity was undertaken, which expectation could then be compared to actual achievements at year's end. Citation of specific source documents for this data is *required*.

Format 2.

Program (or agency):						
	FY 99/00		FY 00/01		FY 01/02	
Performance Expectation	Standard	Actual	Standard	Actual	Standard	Actual

In this space describe the circumstances and process related to development of the performance expectations presented in Format 2, including reference to specific source documentation.

REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

C. Expenditures. For the subject year and the preceding year, provide the following expenditure data for the program(s) (or equivalent) in which the subject activity occurred, as well as that for the entire agency. *Provide this data using the format below, attaching addenda as necessary.*

Program:	Management & Finance	Preceding Year	Subject Year
		FY 00/01	FY 01/02
	End-of-year actual Expenditures	\$36,712,271.00	\$22,109,091.00
	End-of-year actual T.O.	267	266

Program:		FY	FY
	End-of-year actual Expenditures		
	End-of-year actual T.O.		

Agency:	Administration	FY 00/01	FY 01/02
	End-of-year actual Expenditures	\$38,227,167.00	\$23,944,335.00
	End-of-year actual T.O.	297	296

PART TWO: ACTIONS OF EMPLOYEES

Complete this Part if the achievements evidenced in your proposal are the result of the efforts of specific employees. Present this information in narrative fashion. You must include the employee names, job titles, and general contribution to the effort.

The Department of Transportation and Development is responsible for the construction and maintenance of the state's infrastructure. The Department operates on an annual budget of approximately 317 million dollars. Out of this budget, the DOTD spends approximately 208 million on maintenance activities. In addition to scheduled maintenance activities, the Department must also address unplanned maintenance activities such as damage done to the state's infrastructure. Whenever state property is damaged the Department has the responsibility to repair the damage. The greater the amount of money which must be spent on unplanned maintenance, the less money which can be spent on planned maintenance activities. The DOTD has the right to seek compensation for these damages. Since 1994, Ms. Susan Stafford, Attorney 3, has been the primary agent responsible for the pursuit and collection of damage claims. The process of recovering monies from those whose negligence damaged roads and bridges involves identifying and contacting responsible parties and/or their insurance companies, submitting requests for reimbursement, negotiating settlements and, when necessary, filing suits and pursuing the suits through final judgment in state courts. During Fiscal Year 2001 – 2002, the Legal Section received 568 damage claims and closed-out 531. Of the 531 claims closed, 457 were paid in full, 74 were settled for a lesser amount or were uncollectible and lawsuits were instituted on 57. Because of Ms. Stafford's aggressive collection and negotiation skills, an overwhelming majority of these claims were collected (either in full or for a partial amount) totaling over 1.7 million dollars for Fiscal Year 2001 – 2002. Ms. Stafford's tenacity and dedication enabled her to exceed LaPAS performance standards by an astounding 39%.

REWARD PROPOSAL BASED ON EXCEPTIONAL PERFORMANCE

PART THREE: EXPLANATION OF PROPOSED REWARD AND ITS USE

I. Aggregate amount of reward requested:

\$10,000.00

II. Explain how the proposed reward funding would be used, whether for non-recurring expenditures or supplemental compensation, or both:

A. Non-recurring expenditures

None of the reward would be used for non-recurring expenditures.

B. Supplemental Compensation

The entire amount would be awarded to Ms. Susan Stafford as a lump sum payment in recognition of her exceptional performance in collecting over 1.7 million in damage claims for Fiscal Year 2001 – 2002 and exceeding LaPAS performance standards by 39%.