UCI Tri-Annual Meeting

DOT – OIG Audit & Action Plan

Local Government Training (Partnership with TTA)

November 17, 2011

Russ Dudley
Local Assistance Division
Historical Overview of Local Aid Program (LAP) Audits

- Virginia Baseline Survey of Federal-aid LAP Program (2007)
- Local Government Aid Internal Audit – 2009
- USDOT OIG ARRA Review – Feb 2010
- Performance Audit of Significant Operations of VDOT – August 2010
- FHWA ARRA National Review Team Visits – 2010/11
- GAO Review – Feb 2011
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US DOT Audit and VDOT Action Plan
Most recent: US DOT OIG Audit

Office of Inspector General
Audit Report

FEDERAL HIGHWAY ADMINISTRATION'S
OVERSIGHT OF FEDERAL-AID AND
RECOVERY ACT PROJECTS ADMINISTERED
BY LOCAL PUBLIC AGENCIES
NEEDS STRENGTHENING

Federal Highway Administration
Report Number: MH-2011-146
Date Issued: July 15, 2011
Objectives of Audit:
“... to assess the effectiveness of FHWA’s process to improve state oversight of LPA projects.”
“... to determine whether FHWA has taken actions to reduce risks identified with locally administered projects.”

Reviewed:
1. The extent of LPA compliance with federal requirements.
2. The effectiveness of FHWA’s actions in ensuring that states have adequate LPA oversight programs.
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Where did they look and who did they include?

- 59 Projects
- 29 Localities
- Four States
- FHWA – Divisions
- FHWA - HQ
Extent of LPA compliance with federal requirements?

- “LPAs HAD A HIGH LEVEL OF NONCOMPLIANCE WITH FEDERAL REQUIREMENTS”
- “Most prevalent were shortcomings related to construction management requirements”
- 12 “project activities” were reviewed; 7 with highest levels of noncompliance:

<table>
<thead>
<tr>
<th>Change orders &amp; claims (79% - 42)</th>
<th>Project bidding, contractor selection, unbalanced bid analysis (73% - 30)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Agreements / reimbursements (67% - 3)</td>
<td>Consultant selection &amp; billing (63% - 24)</td>
</tr>
<tr>
<td>CN pay items / progress payments (49% - 45)</td>
<td>Project Reporting / Tracking (44% - 39)</td>
</tr>
<tr>
<td>QA procedures** (39% - 44)</td>
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</tbody>
</table>
“Unsupported Costs” - constant theme in audit report.

- Insufficient engineering calculations demonstrating measurement of quantities invoiced
- Lack of documentation to substantiate work hours associated with change orders
- No evidence of documented cost analysis to support change orders
- Inadequate field diaries to substantiate work hours, equipment, & materials

$5 M of unsupported project costs in 33 of 59 projects reviewed.
Findings specific to FHWA:

“Division offices do not assess the adequacy of state LPA oversight programs fully and uniformly, limiting ability to make meaningful comparisons between states …”

“FHWA HQ does not accurately report the status of states’ LPA oversight programs because state assessments are not based on objective criteria and do not sufficiently focus on whether states administer federally funded projects in compliance with federal requirements.”

“FHWA HQ does not independently assess or enforce corrective action plans that are needed to improve states’ oversight of LPAs”
"Due to similarities in the approach to LPA oversight in other states, the extent of noncompliance and unsupported costs found suggest the potential for broader vulnerabilities ... in other parts of the country”

What does this mean to us???
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• **Awareness** –
  - Ensure that localities are aware of the identified high risk areas and their responsibility to address them.
    - Audit Report posted on LAD webpage
    - Subject of next LAD Newsletter (Fall)
    - Additional guidance for those providing construction oversight

• **Provide Training** –
  - Provide localities with additional training opportunities that specifically target the audit findings.
    - Supplement the Web-based core curriculum
    - Partnering with TTA to provide additional classroom training
    - Partnering with FHWA for additional materials quality assurance training

• **Assessments** –
  - Evaluate localities’ conformance with VDOT LAP guidelines and requirements regarding the identified high risk areas as part of the compliance program.
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LAD 18-month Goal: Increased Outreach and Training

How would you rate the amount of training VDOT provides Localities for LAD programs.

- More than what you needed
- Just what you needed
- Somewhat less than what you needed
- Very little of what you needed
- You have received no training from VDOT
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Local Assistance Division Survey Preference for Training Types

% Prefer to Strongly Prefer VDOT Staff
% Prefer to Strongly Prefer Localities
What’s our Plan for Continued Outreach and Training?

- Continue to emphasize Local Government core curriculum on-line training
- Develop short topic-specific on-line modules
- Work more closely with TTA (LTAP) to bring more training to localities
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- Continue to emphasize core curriculum on-line
- Addition of new NHI On-line Modules

Locally Administered Projects Core Curriculum:

- Brochure
- Introduction to Locally Administered Projects
- Locally Administered Projects for the Local Government Project Manager

Web-based self-paced courses available from NHI

- Introducing Highway Federal Aid
- Introduction to NEPA and Transportation Decision-Making
- Real Estate Acquisition Under the Uniform Act: An Overview
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Develop short topic-specific on-line modules

- Focus on LAP Manual Chapters

<table>
<thead>
<tr>
<th>Part</th>
<th>Last updated</th>
<th>PDF</th>
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</thead>
<tbody>
<tr>
<td>Table of contents</td>
<td>Jan. 27, 2011</td>
<td>54 KB</td>
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<tr>
<td>Preface</td>
<td>July 1, 2011</td>
<td>82 KB</td>
</tr>
<tr>
<td>Index</td>
<td>Jan. 27, 2011</td>
<td>48 KB</td>
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Part 1: Program development

- VDOT policy | July 1, 2009 | 100 KB |
- Qualifications for federal and state-aid project administration | Jan. 27, 2011 | 54 KB |
- Roles and responsibilities | May 31, 2011 | 228 KB |
- Resources for local governments | May 31, 2011 | 893 KB |
- State-funded projects and special programs | April 29, 2010 | 795 KB |
- Certification program (Reserved) | July 1, 2009 | 100 KB |
- Assessment/audit program requirements | May 31, 2011 | 710 KB |
- Project initiation and authorization | July 29, 2010 | 610 KB |
- Project development overview/summary | July 22, 2011 | 990 KB |

Part 2: Project management

- Project administration and agreements | May 31, 2011 | 279 KB |
- Consultant procurement | May 31, 2011 | 1.4 MB |
- Project development | Oct. 3, 2011 | 1.4 MB |
- Project delivery (construction administration) | April 29, 2011 | 2 MB |
- Project close-out | May 31, 2011 | 762 KB |

Part 3: Standards and practices for locally administered projects

- Environmental requirements | January 2011 | 1.3 MB |
- Right of way | May 31, 2011 | 1 MB |
Work more closely with TTA to bring more training to localities

- Locally Developed Training

- NHI Courses – combined VDOT / Local Staff Attendance

### 2012 Proposed Training

<table>
<thead>
<tr>
<th>Training Topic</th>
<th>Description</th>
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<tbody>
<tr>
<td>New Project Coordinator Training (October 2011)</td>
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<tr>
<td>Intro to NEPA; 2 sessions</td>
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<tr>
<td>Materials QA Overview / Contract Work Orders / Project Documentation; 3 sessions (Feb - April 2012)</td>
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<tr>
<td>Historic Preservation – Section 106 Compliance</td>
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<tr>
<td>NHI - Contract Administration Core Curriculum; 2 sessions</td>
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<tr>
<td>Transportation Construction Quality Assurance</td>
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<tr>
<td>Intro to R/W for LPAs</td>
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<tr>
<td>Transportation Project Development</td>
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<td>Federal Aid Abbreviated / LAP Introduction</td>
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<tr>
<td>LAD Statewide Project Development / Programs Workshop</td>
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Questions?

If you have any additional questions:
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804-786-6663