



COMMONWEALTH of VIRGINIA
Office of the
SECRETARY of TRANSPORTATION

**Virginia Department of Transportation
Performance Audit Summary**

House Appropriations Committee

October 18, 2010

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Secretary of Transportation



Overview of Performance Audit

- **Governor calls for performance audit of VDOT**
- **Purpose of the audit is to:**
 - **Provide an independent assessment of VDOT's organizational structure, programs, and operations;**
 - **Determine whether VDOT is operating efficiently and effectively in carrying out its mission; and**
 - **Develop findings and recommendations designed to reduce duplication of effort, increase programmatic efficiencies, and effect cost savings wherever possible.**
- **Cherry, Bekaert & Holland selected to conduct the audit on April 26, 2010 – estimated cost = \$424,000**
- **Audit identifies over 50 recommendations that may accelerate the planning and delivery of over \$1 billion in maintenance and construction projects**

Findings/Recommendations

Funding

- **Obligate federal funds earlier during the year**
 - 6 months into FFY10, only 5% of federal funds obligated
- **Improve project monitoring of inactive projects (\$130 million on average)**
- **Obtain FHWA approval to use toll credits (over \$400 million in credits)**
 - Not additional funds – allow VDOT to use 100% federal funds and eliminate state match requirement
 - Portion of CPR bonds available for other uses
- **Eliminate federal revenue reserve to allow better leveraging of existing resources (\$524 million)**
- **Revise reserve cash and funding policies to reduce from 5 ½ month reserve to 60 day reserve (\$200 million)**

Findings/Recommendations

Maintenance

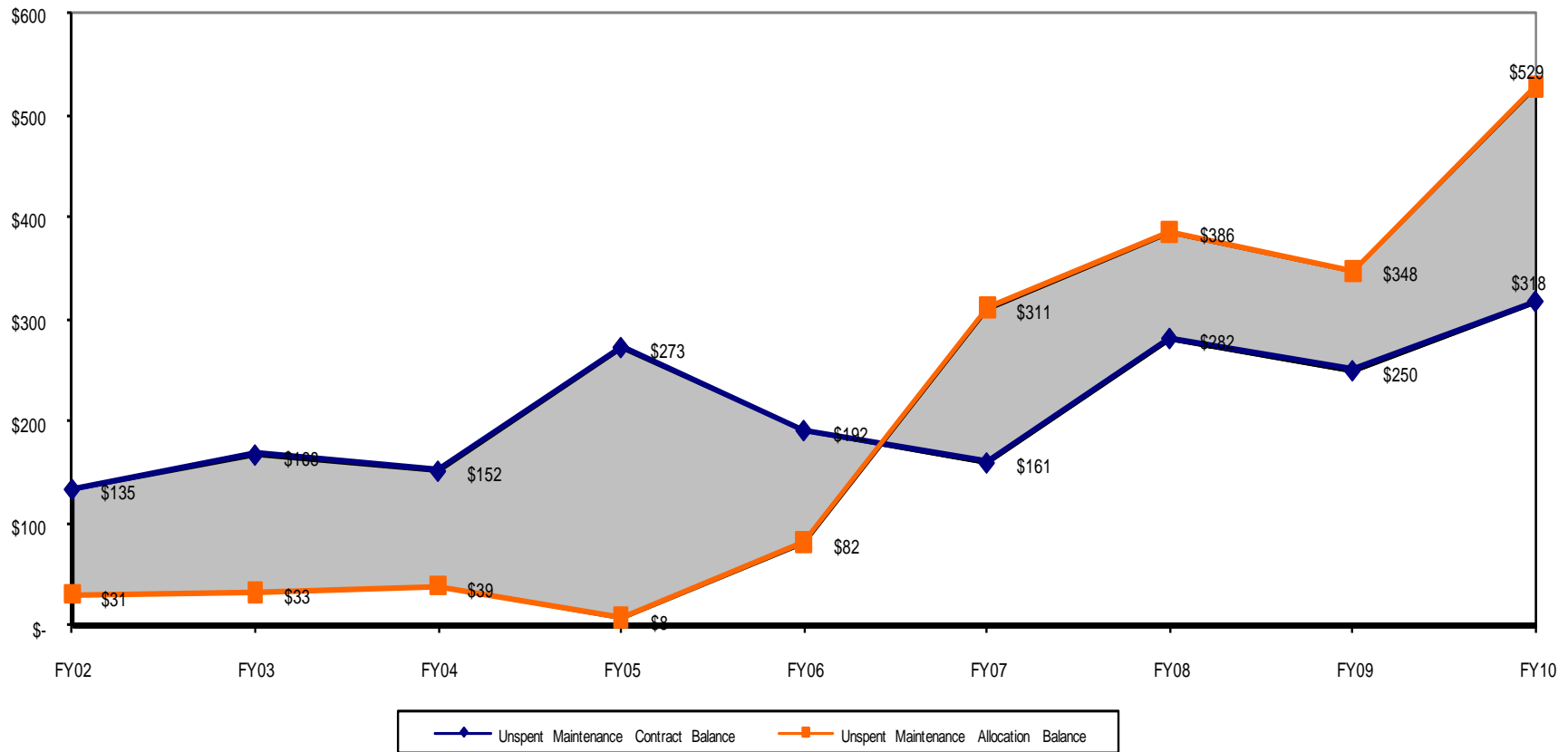
- **\$355 million out of available \$843 million spent on maintenance projects**
 - **\$529 million in unspent maintenance allocations**
- **Formalize district budget review process to ensure strategic directions and condition assessments are addressed**
- **Monitor plans and budgets with objective of spending available funds**
 - **FY10 – districts planned to spend \$505 million less than allocated**
- **Revise policy to federalize only maintenance projects needed to meet federal funding goals**
- **Plan maintenance work to utilize budgets and accelerate maintenance work to reduce carryover**
 - **Carryover balances grew from \$8 million in FY05 to \$529 million in FY10**

Carryover Trends 2002-2010 (in millions)

Fiscal Year	Original Approved Allocation	Final Allocation (including carryover)	Expenditures	Balance	Percent of Unspent Final Allocations
2002	\$ 871.9	\$ 871.0	\$ 840.1	\$ 30.9	3.55%
2003	878.5	935.1	901.8	33.3	3.56%
2004	933.2	918.4	879.2	39.2	4.27%
2005	993.8	1,032.4	1,024.4	8.0	0.77%
2006	1,080.0	1,102.8	1,021.0	81.8	7.42%
2007	1,185.7	1,282.8	971.7	311.1	24.25%
2008	1,257.6	1,583.7	1,197.3	386.4	24.40%
2009	1,186.4	1,578.5	1,230.1	348.4	22.07%
2010	1,312.4	1,660.8	1,131.7	529.1	31.86%

Unspent Maintenance Balances to Unspent Maintenance Contracts (at June 30th in millions)

The following graph shows the shift in policy of how VDOT manages maintenance projects:



Findings/Recommendations

Project Development and Execution

- **Currently use same process regardless of size or complexity**
- **Designate certain construction and maintenance project types for state funding only and develop risk based approach to reduce time and costs**
- **Improve communication between districts and Central Office and the transportation industry**
- **Develop project management performance metrics and increase district and Central Office monitoring**
- **Shorten procurement time for obtaining consultant engineers**

Findings/Recommendations

Operations relating to safety and congestion mitigation

- Analyze effects of reduction in safety service patrols to determine negative impact on congestion, safety, or environment
- Improve connectivity and redundancy between Transportation Operations Centers, provide technology funding, better leverage & market available technologies & innovation

Compliance with Blueprint Initiative

- Make business process improvements and design structure & staff size based on analysis
- Monitor and assess use of contractors & consultants for effective utilization, cost savings, and outsourcing alternatives
- Implement Planning & Investment Management group in each district to plan and utilize resources to maximum benefit of Commonwealth

Actions Underway to Address Audit Recommendations

- **Advertise/award \$800 to \$900 million of maintenance and construction contracts from June to December 31, 2010**
- **Advertise/award 261 projects in the SYIP totaling \$471 million from January 1, 2011 through June 30, 2011**
- **Develop \$450 million in paving and maintenance related projects to close gap between allocations available and awarded contracts**
 - **\$200 million in contracts currently under development**
 - **Remaining \$250 million under contract by spring 2011**
- **Improve process of obligating federal funds**
- **Obtain FHWA approval to use over \$400 million in toll credits**
- **Revise Six-Year Improvement Program to add back \$524 million of federal reserves**
- **Recommend to CTB that \$60 million is dedicated annually to preliminary engineering to support construction program**

Actions Underway to Address Audit Recommendations

- **Work with localities and MPOs to advance locally administered projects and safety projects using federal funds**
- **Utilize \$200 million of the construction cash balance to advance projects in the SYIP**
- **Monitor construction projects financed with federal funds and move unused balances to active projects - \$130 million in FY11**
- **Implement staff changes to improve management team:**
 - **Districts report to new Chief Deputy**
 - **New Chief of Planning and Programming – more emphasis on construction**
 - **New Chief Financial Officer**
 - **New PPTA office**
 - **Restore emergency staff to proper levels**

Recommendations to Better Leverage Current Resources

(shown in millions)

Proposed actions	Immediate Impact (12 months or less)	Longer Impact (longer than 12 months)	Total
Utilize excess construction cash	\$200		\$200
Add federal reserves to the SYIP	84	\$440	524
Let more maintenance project contracts	200		200
Release federal inactive balances	130		130
Total	\$614	\$440	\$1,054
Utilizing toll credits may allow more flexibility with CPR bonds		Over \$400	Over \$400
Total with funding/credits	\$614	\$840	\$1,454