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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 3, 2008

The Honorable John Nelson, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Nelson and Senator Blendu:

Our Office has recently completed a 36-month followup of the Arizona Department of Transportation—A Review of the Oversight and Management of the Maricopa County Regional Freeway System regarding the implementation status of the 8 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in June 2005 (Auditor General Report No. 05-CR1). As the attached grid indicates:

- 7 have been implemented, and
- 1 has been substantially implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the June 2005 performance audit report.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

MMC:Acm
Attachment

cc: Victor Mendez, Director
Arizona Department of Transportation

**ARIZONA DEPARTMENT OF TRANSPORTATION
 A REVIEW OF THE OVERSIGHT AND MANAGEMENT OF THE
 MARICOPA COUNTY REGIONAL FREEWAY SYSTEM
 36-Month Follow-Up Report To
 Auditor General Report No. 05-CR1**

FINDING: A review of the oversight and management of the Maricopa County Regional Freeway System

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Continue to improve and implement successful project management practices, both through the completion of the Accelerated Program and in the implementation of new RFS programming, including the current change order review and approval process.	Implemented at 24 Months	
2. Develop and implement a memorialization and retention policy for documentation of approved project changes and key project decisions, which enables easy documentation location and review.		
a. ADOT should consider developing a checklist to keep in the centralized project files that indicates all the types of documentation to be included in the file, so that at any point, a project file could reasonably be expected to provide a comprehensive overview of changes to the project and/or other key project decisions throughout the project's development.	Implemented at 36 Months	

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FINDING: A review of the oversight and management of the Maricopa County Regional Freeway System (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>3. Develop a single database, or a system of coordinated databases, which is capable of generating reports that track, present, and explain the history of a project's incremental and cumulative development including budgeted to actual costs, timeline, and scope changes. Ideally, this system should allow queries and reports for individual projects, whole corridors, and the Accelerated Program (and/or the Proposition 400 program) overall.</p>	<p style="text-align: center;">Substantially Implemented at 36 Months</p>	<p>According to ADOT staff, ADOT has developed a computerized "Information Data Warehouse," referred to as the Data Mart, to capture Statewide Program Information and records of project contracts, financial forms, design reports, and project agreements. This data warehouse can also generate reports. Data Mart also tracks all MAG Regional Transportation Plan (RTP) cost estimates throughout the project development process and, according to ADOT staff, Data Mart provides a centralized repository of all RTP cost estimates and is available to ADOT management and staff through their personal computers.</p> <p>In addition, the Field Office Automation System database maintains information on project history, including estimated budgets, bid amounts, actual costs, and milestone dates.</p>

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Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>3. Develop a single database, or a system of coordinated databases, which is capable of generating reports that track, present, and explain the history of a project's incremental and cumulative development including budgeted to actual costs, timeline, and scope changes. Ideally, this system should allow queries and reports for individual projects, whole corridors, and the Accelerated Program (and/or the Proposition 400 program) overall (concl'd)</p>	<p style="text-align: center;">Substantially Implemented at 36 Months (concl'd)</p>	<p>However, ADOT is still in the process of getting all RTP Freeway Program data entered into DataMart. For example, cost estimate information is not yet entered that would allow queries and reports on whole corridors. In addition, ADOT is still working on downloading program and project management information (including cost estimate summaries and expenditure and obligation data) into DataMart.</p>
<p>a. Additionally, in the process of establishing a method of retrieving consolidated data, we recommend that ADOT examine opportunities to allocate indirect and/or apply direct project costs currently captured as "system-wide" expenditures for the purposes of Life Cycle Certification Reporting on corridor-specified obligations.</p>	<p style="text-align: center;">Implemented at 36 Months</p>	

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Recommendation	Status of Implementing Recommendation	Additional Explanation
b. We also recommend that ADOT define and track right-of-way acquisition budgets and budget changes to watch for opportunities to increase its ability to anticipate the impact of the right-of-way acquisition process on the overall project budget.	Implemented at 36 Months	

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Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>4. Require comparisons of historical budgets and estimated completion dates – and the memorialized explanations for all prior changes to them – when evaluating newly proposed changes. Proposed changes should also require the presentation of impact on key performance indicators established for the RFS program and other metrics of comparison to enable analysis of cost-efficiency and effectiveness (e.g. budgeted, estimated, and actual costs per mile for similar projects.)</p>	<p>Implemented at 36 Months</p>	
<p>5. Define key performance indicators for the RFS program that will help ADOT, MAG, and STB recognize trends of performance that might trigger greater analysis for opportunities to improve cost-efficiency and effectiveness. For example, consider setting and tracking program success at delivering projects within 95 percent of the original schedule, or having actual project costs come within 10 percent of the first design estimate (plus inflation) – and/or other indicators, as proposed by ADOT, MAG, and/or STB.</p>	<p>Implemented at 36 Months</p>	

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Recommendation	Status of Implementing Recommendation	Additional Explanation
6. Require separate tracking, monitoring, and reporting on the completion, including funding and actual costs, of the Accelerated Program separately of the funding, costs, and timelines for initiatives resulting from the passage of Proposition 400.	Implemented at 12 Months	