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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

April 24, 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 an 18-month followup of the Arizona Department of Transportation—Aspects of Construction Management regarding the implementation status of the 16 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in July 2006 (Auditor General Report No. 06-05). As the attached grid indicates:

- All 16 recommendations have been implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this report concludes our follow-up work on the Department's efforts to implement the recommendations resulting from the July 2006 performance audit.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

DD:Acm
Attachment

cc: Victor Mendez, Director
Arizona Department of Transportation

**ARIZONA DEPARTMENT OF TRANSPORTATION
ASPECTS OF CONSTRUCTION MANAGEMENT
18-Month Follow-Up Report To
Auditor General Report No. 06-05**

FINDING 1: ADOT should optimize internal resources to reduce consultant usage

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. To better ensure that it develops competency internally and reduces costs, ITD should aggressively seek to:		
a. Fill existing vacant employee positions with competent staff;	Implemented at 18 Months	
b. Identify ongoing, recurrent work related to project design, construction management, and other similar functions currently provided by consultants and perform these services in-house when appropriate; and	Implemented at 18 Months	
c. Continue to develop strategies to recruit and retain staff, and consider mentoring, succession, and other programs to help reduce the impact of employee turnover and retirements.	Implemented at 6 Months	

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FINDING 1: ADOT should optimize internal resources to reduce consultant usage (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
2. To better ensure that it identifies and maintains the proper level of consultant usage, ITD should:		
a. Develop division-wide criteria for deciding when to use a consultant to complete projects or tasks; and	Implemented at 18 Months	
b. Develop methods of tracking and monitoring consultant usage, such as compiling data on the dollar amount, quantity, and type of projects or services completed by consultants, and reasons for using consultants or other relevant information, and evaluate information to identify consultant services that could be more cost-effectively provided by in-house employees.	Implemented at 18 Months	

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FINDING 2: ITD should improve implementation and documentation of inspection process

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>1. To ensure that the checklist results are determined in a consistent manner, ITD should assess how field inspectors and independent QA inspectors are interpreting the checklist items. Further, ITD should provide training and/or develop guidelines to help field inspectors and independent QA inspectors interpret the checklist items in a similar manner.</p>	<p>Implemented at 18 Months</p>	
<p>2. To comply with department policy and FHWA inspection practices, ADOT should ensure that field inspectors document inspection results, including:</p> <ul style="list-style-type: none"> • Whether work conforms to plans and specifications; • Whether problems occurred; and • Problem resolution. 	<p>Implemented at 18 Months</p>	
<p>3. To comply with department policy, ADOT should ensure that field inspectors complete and submit checklists as part of their daily diaries, and document that critical and major items were addressed.</p>	<p>Implemented at 6 Months</p>	

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FINDING 2: ITD should improve implementation and documentation of inspection process (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
4. To help ensure that checklists meet field inspectors' needs and contain applicable content, ADOT should consider a checklist revision process that includes knowledgeable field inspectors.	Implemented at 18 Months	
5. ADOT should require followup on independent QA inspection results that identify critical or major noncompliance.	Implemented at 18 Months	

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FINDING 3: ADOT needs to improve audits of design and construction contracts

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The Office should continue its efforts to:		
a. Fill vacant positions and, if necessary, develop new recruitment strategies. If the Office cannot fill positions with experienced auditors, it might consider hiring auditors without cost accounting experience and providing training or offering an internship program.	Implemented at 6 Months	
b. Implement performance measurements to monitor its production and work activities. This should include the number and types of audit requests received and conducted, the timeliness of completing audits, and audit results.	Implemented at 6 Months	
c. Ensure that the highest-risk projects are audited by applying a risk-based approach to selecting and conducting audits that considers items such as staffing available to complete audits, dollar thresholds at which audits should be conducted, and office audit requirements for each type of contract.	Implemented at 6 Months	

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FINDING 3: ADOT needs to improve audits of design and construction contracts (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
d. Replace its database system and obtain a system that can track and schedule workload and measure production.	Implemented at 6 Months	
e. Annually estimate its workload and prioritize its audits based on available resources. This plan should be documented in an annual audit work plan and revised with changing circumstances.	Implemented at 6 Months	
f. Revise its audit manual to reflect changes in business practices and ensure that it provides adequate audit coverage of department projects.	Implemented at 6 Months	