



Director's Office

Douglas A. Ducey, Governor
John S. Halikowski, Director
Scott Omer, Deputy Director for Operations
Kevin Biesty, Deputy Director for Policy
Dallas Hammit, Deputy Director for Transportation

September 24, 2015

Ms. Debbie Davenport
Auditor General
2910 North 44th Street #410
Phoenix, AZ 85018

Dear Ms. Davenport:

Please find below the Arizona Department of Transportation's (ADOT) response to the revised preliminary draft as requested in your letter dated September 16, 2015.

STATE SUNSET FACTORS

FINDING #1

(See Sunset Factor 2, pages 9 through 10 for more information)

Collection of Construction Project Data (Improvements underway and additional improvements are needed):

One of the Department's Information Technology (IT) systems Field Office Automation System (FAST), contains data for every construction project, including the start and end date, the construction time frame and budget specified in the contract and amount used to date, the construction district, the name of the contractor, the payments made to the contractor, supplemental agreements, and other information. This information is reviewed by the department staff to help manage projects.

AUDIT RECOMMENDATIONS

The Department should continue its efforts to comprehensively review construction project data, determine if there is additional project data that would be useful to review, and create reports to show this information. The Department should also determine which department officials should review the reports, the frequency of these reviews, and what actions to take when needed improvements to the construction program are identified.

AGENCY RESPONSE

The finding of the Auditor General is agreed to and will be implemented. The Intermodal Transportation Division through the Assistant State Engineer for Construction will produce an annual report detailing the number of supplemental agreements (change orders, force accounts and other), and the reasons for those supplemental agreements. The report will be presented to the State Engineer's office, including the State Engineer, ITD Division Director, Deputy State Engineer for Operations, Deputy State Engineer for Contracts and Deputy State Engineer for Project Delivery. The report will include recommendations for improvement and possible changes in the development process. The Deputy State Engineer for Project Delivery and Deputy State Engineer for Contracts will respond to each recommendation explaining how the recommendation will be incorporated or why it is not practical.

FINDING #2

(See Sunset Factor #2, pages 10 through 11 for more information)

Internal Quality Assurance (QA) Reviews (improvements needed):

The Department's Construction Operations Section conducts on-site reviews of construction projects to provide an independent check and ensure that the contractor is complying with the contract and that department staff are ensuring compliance with the contract.

AUDIT RECOMMENDATIONS

As the Department implements its new PEN5 software application, it should improve its use of quality assurance (QA) reports, by determining what QA report data would be beneficial to review, ensuring this information is entered into its PEN5 software application, and creating reports to show this information. The Department should also determine which department officials should review the reports, the frequency of these reviews, and what actions to take when needed improvements to the construction program are identified.

AGENCY RESPONSE

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

The Intermodal Transportation Division through the Construction Operations Manager will review QUANTLIST trends on a quarterly basis and identify needs for improvement in a report to the Assistant State Engineer for Construction & Materials. The Assistant State Engineer for Construction & Materials will review this report and determine what actions should be taken. At least twice a year, the Construction & Materials Group will provide a summary of trends and needed improvements to be presented to the Resident Engineers, District Engineers, State Engineers Office, and if appropriate the Contracting community. On an annual basis, the Construction & Materials Group will incorporate these data into a review of the construction program.

The PEN5 software application will be ready for Phase I roll out in October (diaries portion of the application) and for Phase II rollout in December (QUANTLIST and reporting portion of the application). The roll out will be in stages to insure that there are no significant bugs in the application. The first state of roll out will be to one Unit (San Tan Field Office) for one payment cycle, then to a full District (Phoenix Construction District) for one payment cycle, then to full statewide implementation assuming no significant issues. Roll out may be delayed because the application is dependent on PC Refresh because current computer system will not support the application.

The new application will enable reporting functions that were previously not available. Specifically, it will be possible to report on trends in the results for specific attributes. This will enable the Construction & Materials group to monitor QUANTLIST trends. For example, if a specific attribute has consistently low conformance, it will be possible to determine if it is a statewide trend or only in certain areas of the state and take appropriate action. Once trends are identified, the Construction & Materials Group will review the attributes to determine whether it is a specification issue, a training issue, or a combination of both. Because the reporting function is new, there are likely other useful trends that can be identified and used to monitor and improve the construction program.

FINDING #3

(See Sunset Factor #2, pages 12 through 13 for more information)

Lessons Learned Process (improvements needed):

Lessons learned refers to a collaborative process where project participants identify successes and areas for improvement that can be applied to future projects. According to best practices for project management, lessons learned should identify successes and cite these as examples that can be repeated in future projects. Additionally, the lessons-learned process should identify areas for improvement by describing the project's problems or reasons for variances and how they were corrected, and recording the results to share with future program participants.

AUDIT RECOMMENDATIONS

The Department should take steps to follow best practices as well as its established guidance and criteria for lessons-learned meetings to help ensure that it does not miss opportunities to improve its construction program. This should include holding lessons-learned meetings on a regular basis; incorporating the successes and areas for improvement into future projects, such as through design policy and procedural changes, staff training, or additional reviews of design plans; storing lessons-learned documents in its planned database; and ensuring future programs participants know where they are located.

AGENCY RESPONSE:

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

The Intermodal Transportation Division through the Deputy State Engineer for Project Delivery and the Assistant State Engineer for Project Management will on a semi annual basis review projects completed during the previous 6 months. The review will focus on projects that have large quantity over or under runs and change orders where design errors or omissions were the cause of the supplemental agreements. Once projects are selected, the project manager, resident engineer, and assistant state engineer for construction will meet and determine the cause and recommend a solution to the State Engineers Office to prevent this from occurring in the future.

FINDING #4

(See Sunset Factor #2, page 13 for more information)

Department should conduct fingerprint background checks for prospective MVD employees who process vehicle registration mail-in renewals:

Although the Department requires fingerprint background checks for its customer service representatives (CSRs) who work at its MVD field offices, it does not conduct these background checks for the CSRs who process mail-in renewals. The Department has the statutory authority to perform fingerprint background checks for applicants seeking employment as a new hire or any department employee seeking a transfer, reclassification, or reassignment to a different position. The Department requires many of its CSRs to receive fingerprint background checks.

AUDIT RECOMMENDATIONS

The Department should develop and implement a policy that specifies which of its employee positions will be required to complete fingerprint background checks and the rationale for this requirement. Because of the volume of confidential information and revenue handled by the customer service representatives (CSRs) who process mail-in vehicle registration renewals, these policies should include a requirement to begin fingerprinting prospective employees who are hired for this position.

AGENCY RESPONSE

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

The agency will review current policies and will establish which classifications are subject to fingerprint background checks.

FINDING #5

(See Sunset Factor #4, page 17 for more information)

The extent to which rules adopted by the Department are consistent with the legislative mandate:

General Counsel for the Office of Auditor General has reviewed the Department's rule-making statutes and believes that, in general, the Department has not developed the two rules as required by statute. Specifically, A.R.S. 28-4537 requires rules that govern the enforcement and administration of dealer and manufacturer license plates, and A.R.S. 28-5639 (C) requires rules that establish the evidence that a motor fuel supplier must provide to receive and uncollectable fuel tax credit. However, because of a moratorium on state agencies' rule-making, the Department should determine whether and when it can proceed with a rule-making to establish these required rules.

AUDIT RECOMMENDATIONS

Because of the existing moratorium on state agencies' rule-making, the Department should determine whether and when it can proceed with a rule-making to establish rules that (1) govern the enforcement and administration of dealer and manufacturer license plates, as required by A.R.S. 28-4537, and (2) establish the evidence that a motor fuel supplier must provide to receive an uncollectable fuel tax credit, as required by A.R.S. 28-5639 (C).

AGENCY RESPONSE

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented.

However, since there is a moratorium on rule-making, the Department is unable to establish rules until the moratorium is lifted.

Sincerely,

John S. Halikowski
ADOT Director