

---

February 1, 2017

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 13-4

AGENCY OF TRANSPORTATION  
CONSTRUCTION CONTRACT

New Haven Paving Project:  
Opportunities Exist to Shorten  
Project Timelines, Reduce Costs, and  
Limit Financial Risk to the State

Dated: 09/17/2013

---

---

# Overview

---

The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations, although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities one and three years after the calendar year in which the audit report is issued. Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

<http://auditor.vermont.gov/about-us/strategic-plans-and-performance-reports>

This report addresses the requirements of Act 155 (2012) to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state's financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our current contract for this work requires the contractor to provide the results of its recommendation follow-up.

| Audit No., Name  | Rec #  | Recommendation  | Follow-Up Date | Status & Date   | Review Comments   |
|--|--|---|----------------|---|---|
| <a href="#">13-4 New Haven Paving Project: Opportunities Exist to Shorten Project Timelines, Reduce Costs, and Limit Financial Risk to the State</a> | 1  | Revise liquidated damages policies to include other costs of project related delays such as inconvenience to the public and traffic control in addition to the Agency's oversight costs.  | 2015           | Not Implemented   | AOT has not implemented our recommendation and will maintain their existing methodology for calculating liquidated damages. Although unrelated to our audit recommendation, AOT reported that an updated rate table for liquidated damages was put into effect on 6/13/14. These rates will be reviewed biannually with the next review scheduled for June 2016.  |
|  | 2  | Provide detailed documentation to enable adequate review for change orders such that approvers can verify the accuracy and completeness of the revised quantities and prices prior to change order approval.  | 2015           | Implemented   | AOT updated their procedures for drafting and executing change orders during 2014. The procedures require that (1) the Resident Engineer complete a cost analysis with the change order draft and email to the regional support staff for review and (2) the staff members review this cost analysis during the change order approval process either through an attachment or a description in the email.<br><br>No further follow-up is required because the recommendation was implemented.   |
|  | 3  | Develop policies and procedures that provide a comprehensive, consistent framework for the calculation of price adjustment change orders to ensure that the price adjustments are calculated accurately and all quantities subject to adjustments are reconciled. | 2015           | Implemented   | As part of the 2014 changes to the Construction Manual, AOT drafted procedures which will be used by the Resident Engineer and Regional Staff when conducting independent cost analyses for price adjustment change orders. AOT provided staff training in April 2014 related to price adjustments for asphalt and fuel.<br><br>No further follow-up is required because the recommendation was implemented.  |
|  | 4  | Evaluate SiteManager user privileges to ensure access rights are commensurate with employee and consultant responsibilities and implement controls to ensure segregation of duties.   | 2015           | Partially Implemented   | AOT reported that a review and update of permissions within SiteManager is currently in-process and scheduled for completion by April 2016.   |
|  |  |   | 2016           | Partially Implemented   | AOT reported the SiteManager Coordinator has been working with IT to review and update membership of every user group and purged non-essential users, who are categorized as administrators of the system. AOT anticipates completing the review of SiteManager and adopting a policy and procedures manual by summer 2017.   |
|  | 5  | Increase efficiency of the close out process by eliminating procedural redundancies and increasing the use of technology in the field.  | 2015           | Implemented   | AOT reported that the Construction Contract Finals (CCF) cloud-based process improvement system was deployed in December 2014 and is currently being used to process 50% of projects with a goal of 80% by July 2016. This system has achieved efficiencies in these areas: (1) forms are automatically created from the database; (2) step-to-step actions are visible to all parties; and (3) paperwork and mailing certified letters have been greatly reduced. AOT estimates this software and other process improvements have reduced close-out processing time from 17 months to 6 months. Additionally, AOT staff received training in April 2015 for electronic field books which AOT plans to implement in 2016.<br><br>No further follow-up is required because the recommendation was implemented. |
| 6  | Implement procedures in Contract Administration for comparing the adequacy of a contractor's insurance coverage to the requirements of the Standard Specifications prior to the execution of the contract, including validating with the insurance company that contractor policies are in force and documenting that the validation occurred. | 2015  | Implemented    | AOT has implemented procedures requiring validation of insurance coverage prior to the execution of the contract by including requests for proof of insurance coverage as part of the award letter. AOT representatives met with Risk Management during Spring/Summer 2014 for training to improve oversight and monitoring of insurance coverage. Contract Administration staff received Insurance 101 training which included guidance for reviewing Certificates of Liability. |   |
|  |  | No further follow-up is required because the recommendation was implemented.  |                |   |   |

| Audit No., Name  | Rec # | Recommendation  | Follow-Up Date | Status & Date        | Review Comments   |  |
|--|-------|---|----------------|----------------------|---|--|
| <a href="#">13-4 New Haven Paving Project: Opportunities Exist to Shorten Project Timelines, Reduce Costs, and Limit Financial Risk to the State</a> | 7     | Revise Construction Section insurance monitoring procedures to require that policies match the coverage types and limits of the Standard Specifications, document verification of the insurance coverage directly with the insurance company, and implement supervisory review to ensure systematic performance of those verifications. | 2015           | Implemented          | AOT provided revised written procedures for insurance verification and tracking which were put in place in October 2014. AOT verifies insurance coverage directly with the insurer via an official ACORD Certificate. Tracking logs are maintained and checked by the supervisor.   |  |
|  |       | No further follow-up is required because the recommendation was implemented.  |                |                      |   |  |
|  |       | Develop a monitoring procedure to ensure that products and completed operations coverage extends past project acceptance.   | 2015           | No Longer Applicable | This recommendation is no longer applicable. AOT reported that PCOC coverage is required to be in effect up to and including the date of project acceptance. However, after consultation with AOT's legal counsel and the Office of Risk Management, AOT was informed that PCOC coverage by definition extends one year after project acceptance. Therefore, there is no need to monitor coverage after project acceptance. |  |
| No further follow-up is required because the recommendation was no longer applicable.  |       |   |                |                      |   |  |
|  | 9     | Align Construction Section wage rate practices with the Construction Manual to allow sampling of wage rates as  | 2015           | Not Implemented      | AOT has not implemented our recommendation and continues to review 100% of the weekly payroll submissions.  |  |
|  |       |   | 2016           | Not Implemented      | AOT has still not implemented our recommendation and continues to review 100% of the weekly payroll submissions.  |  |