

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF CONSTRUCTION CONTRACTS  
AWARDED UNDER THE AMERICAN  
RECOVERY AND REINVESTMENT ACT  
BY THE DISTRICT OF COLUMBIA  
DEPARTMENT OF TRANSPORTATION**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



February 15, 2012

Terry Bellamy  
Director  
Department of Transportation  
55 M Street, S.E., Suite 400  
Washington, D.C. 20003

Dear Mr. Bellamy:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) *Audit of the Construction Contracts Awarded Under the American Recovery and Reinvestment Act by the District of Columbia Department of Transportation* (OIG No. 10-1-13KA).

Our audit disclosed that the District Department of Transportation (DDOT) did not effectively manage the change order process for ARRA-funded construction contracts, ensure that project designs were current, accurate, and complete, monitor contractor compliance with ARRA reporting requirements, and assess penalties for contractor non-compliance. We directed 10 recommendations to DDOT for actions necessary to correct the described deficiencies.

On October 24, 2011, DDOT provided a response to a draft of this report and agreed with 7 of 10 recommendations made in the report. DDOT actions taken or planned on Recommendations 1, 4, 5, 7, 8, 9, and 10 are considered to be responsive and meet the intent of the recommendations.

The OIG considers DDOT's comments to recommendations 2 and 3 to be nonresponsive and, consequently, these recommendations are unresolved. Accordingly, we request that DDOT reconsider the position taken on those two recommendations and provide an additional response to us by March 5, 2012. For recommendation 6, we also request that DDOT provide an updated response by March 5, 2012, which reflects the full extent of participation by the Federal Highway Administration in the additional cost of the two projects where the District may be at risk for the cost of unauthorized work.

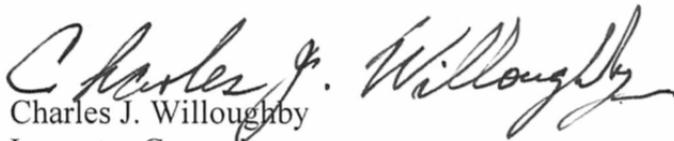
The complete text of DDOT's response is included at Exhibit F. Audit recommendations should generally be resolved within 6 months of the date of the final report. Accordingly, we will continue to work with DDOT to reach final agreement on the unresolved recommendations. Based on DDOT's response, we re-examined our facts and

Mr. Bellamy  
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February 15, 2012  
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conclusions, made corrections where necessary, and determined that the report is fairly presented.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

  
Charles J. Willoughby  
Inspector General

Enclosure

CJW/rw

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**AUDIT OF CONSTRUCTION CONTRACTS AWARDED UNDER THE  
AMERICAN RECOVERY AND REINVESTMENT ACT BY THE  
DISTRICT OF COLUMBIA DEPARTMENT OF TRANSPORTATION**

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**ACRONYMS**

ARRA	American Recovery and Reinvestment Act
CCO	Chief Contracting Officer
CE	Chief Engineer
CO	Contracting Officer
CFR	Code of Federal Regulations
COTR	Contracting Officer's Technical Representative
CY	Cubic Yard
DCMR	District of Columbia Municipal Regulations
DDOT	District of Columbia Department of Transportation
FHWA	Federal Highway Administration
FMIS	Financial Management Information System
IFB	Invitation for Bid
IPMA	Infrastructure Project Management Administration
OIG	Office of the Inspector General
PASS	Procurement Automated Support System
PCO	Proposed Change Order
SOW	Statement of Work
SSHS	Standard Specifications for Highways and Structures
ROM	Rough Order of Magnitude
USDOT	United States Department of Transportation

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## EXECUTIVE DIGEST

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### OVERVIEW

The Office of the Inspector General (OIG) has completed its audit of Construction Contracts Awarded Under the American Recovery and Reinvestment Act (ARRA) by the District of Columbia Department of Transportation (DDOT). The audit was included in our *Fiscal Year 2010 Audit and Inspection Plan*.

The United States Department of Transportation (USDOT) apportioned \$123.5 million to the District of Columbia (District) for highway infrastructure investment on March 2, 2009. The USDOT's Federal Highway Administration (FHWA) provides stewardship over the Interstate System, from new construction of highways, bridges, and tunnels to maintenance and preservation. In its oversight role, FHWA is involved in all phases of the District's construction projects. Its involvement includes approving the award of contracts and change orders, as well as monitoring the overall performance of construction projects.

DDOT is responsible for management of the District's highway infrastructure. DDOT is comprised of several administrations with the Infrastructure Project Management Administration (IPMA) bearing responsibility for the design, engineering, and construction of roadways, bridges, traffic signals, and alley projects in the District. IPMA has four project management teams and each team is responsible for managing construction projects in two of the eight wards in the District.

The Chief Procurement Officer, Office of Contracting and Procurement delegated independent procurement authority to DDOT, and the agency's procurement function is headed by a Chief Contracting Officer (CCO). Accordingly, the CCO is responsible for procuring all goods and services DDOT requires and developing policy and procedures to ensure compliance with District procurement laws and regulations. However, based on the dollar value of the contract being awarded, other members of the DDOT contracting staff may be assigned as the contracting officer (CO). IPMA assigns a Contracting Officer's Technical Representative (COTR) to provide general administration of the contract, including the initiation of change orders, and advise the CO of contractor compliance or noncompliance with the contract.

Our original audit objectives were to determine whether: 1) DDOT met the federal requirements under Section 1511 of ARRA; 2) DDOT complied with District procurement regulations in awarding construction contracts; and 3) internal controls were in place to safeguard against fraud, waste, and abuse. As a result of our survey work, we revised our audit objectives to include an evaluation of the effectiveness of internal control at DDOT over the change order process for ARRA-funded construction contracts.

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## EXECUTIVE DIGEST

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### CONCLUSIONS

The OIG concluded that the District met federal requirements under Section 1511 of ARRA for the certification of projects. Also, DDOT substantially complied with District procurement regulations in awarding contracts for construction projects.

However, DDOT did not effectively manage the change order process for ARRA-funded construction contracts. Specifically, DDOT officials did not: (1) timely inform the CO of project developments requiring change orders and obtain authorization prior to contractor performance; (2) obtain FHWA approval prior to proposed change order (PCO) work; (3) establish and monitor internal controls over the change order process; and (4) adequately review and negotiate the estimated costs of PCOs in accordance with standard contract provisions.

These conditions occurred because DDOT management: (1) disregarded standard contract provisions that required the CO to be notified of change requirements in writing; (2) did not adhere to federal regulations that required FHWA's formal approval of contract changes; and (3) did not develop and issue standard operating procedures for the change order process. Program managers also appeared to intentionally circumvent the contracting specialist's role in processing and negotiating PCOs. Further, contractors did not adhere to contract provisions that required CO approval prior to performing proposed contract changes.

Also, DDOT did not ensure that project designs, drawings, and specifications were current and accurately reflected site conditions for ARRA-funded construction projects. This occurred because DDOT did not adequately review project plans, designs, and specifications delivered by firms it hired to provide design services. The lack of site visits or inadequate site reviews during the design reviews at the 30, 65, and 100 percent completion intervals contributed to this condition.

Lastly, DDOT did not effectively monitor contractor compliance with ARRA reporting requirements, and collect data necessary to assess penalties for noncompliance. This condition occurred because DDOT did not clearly assign the responsibility to monitor contractors' compliance with this requirement. DDOT also had not tracked monthly report submissions required in order to assess penalties for noncompliance at contract close-out.

As a result, the District may be liable for an estimated \$1.9 million in the total cost of work that contractors were allowed to perform, without CO authorization, for 2 of 15 ARRA projects. In addition, based on our review of outstanding PCOs for all ARRA projects, the District's liability may be as much as \$2.8 million. Also, the District lost the opportunity to obtain a competitive price for design changes that had a total estimated cost of \$2.8 million. Finally, due to insufficient monitoring, the District failed to assess at least \$17,600 in penalties for contractor noncompliance.

## **EXECUTIVE DIGEST**

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### **SUMMARY OF RECOMMENDATIONS**

We directed 10 recommendations to DDOT that focus on: (1) developing and implementing standard operating procedures to define the process for change orders and establishing effective internal controls; (2) holding management employees accountable for upholding their responsibilities in overseeing construction projects; and (3) assessing current practices for design reviews and negotiation of change order costs.

### **MANAGEMENT RESPONSES AND OIG COMMENTS**

On October 24, 2011, DDOT provided a response to a draft of this report and agreed with 7 of 10 recommendations made in the report. DDOT actions taken or planned for Recommendations 1, 4, 5, 7, 8, 9, and 10 are considered to be responsive and meet the intent of the recommendations.

The OIG considers DDOT's comments to recommendations 2 and 3 to be nonresponsive, and consequently, these recommendations are unresolved. Accordingly, we request that DDOT reconsider the position taken on these two Recommendations and provide an additional response to us by March 5, 2012. For recommendation 6, we also request that DDOT provide an updated response by March 5, 2012, which reflects the full extent of participation by the Federal Highway Administration in the additional cost of the two projects where the District may be at risk for the cost of unauthorized work.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

## INTRODUCTION

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### BACKGROUND

The Office of the Inspector General (OIG) has completed its audit of Construction Contracts Awarded Under the American Recovery and Reinvestment Act (ARRA) at the District of Columbia Department of Transportation (DDOT). The audit was included in our *Fiscal Year 2010 Audit and Inspection Plan*.

**American Recovery and Reinvestment Act.** The American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), known as the Stimulus Act or Recovery Act, appropriated monies to spur the economic recovery of the United States. The purpose of the Act was to create jobs and promote investment and consumer spending. ARRA funds totaled approximately \$787 billion and of this amount, \$105.3 billion was set aside for nationwide infrastructure improvements.

In order to receive these funds, projects had to be considered “shovel ready,” which meant that the planning phase was complete and approvals were secure, and the project was required to be initiated within 90 days. On March 2, 2009, the United States Department of Transportation (USDOT) apportioned \$123.5 million to the District of Columbia (District) for highway infrastructure investment. A total of 15 construction projects ranging from bridge reconstruction to highway paving were certified and received funding.

**Federal Highway Administration.** The Federal Highway Administration (FHWA), a major agency of USDOT, is charged with the responsibility of ensuring that the nation’s roads and highways continue to be the safest and most technologically advanced. FHWA provides financial and technical support to state and local jurisdictions for construction, improvement, and preservation of America’s highway system. FHWA was authorized to administer \$27.5 billion of ARRA funds in competitive grants for infrastructure projects. These projects included highway rehabilitation and restoration, bridge repair, and projects to improve highway safety and resurfacing.

In its oversight role, FHWA is involved in all phases of District project construction from approving the award of contracts and change orders to monitoring the overall performance of construction projects.

**DDOT Responsibility.** DDOT is responsible for managing the District’s highway infrastructure. DDOT is comprised of several administrations with the Infrastructure Project Management Administration (IPMA) bearing responsibility for the design, engineering, and construction of roadways, bridges, traffic signals and alley projects in the District of Columbia. The IPMA has four project management teams and each team is responsible for managing all construction projects for two of the eight wards in the District.

## INTRODUCTION

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**Packet Tracker.** In early 2010, DDOT deployed a software tracking system to electronically move proposed change orders (PCOs) through the approval process. (See Exhibit E for an illustration of the PCO process.)

**DDOT Procurement and Contract Administration.** The Chief Procurement Officer, Office of Contracting and Procurement delegated independent procurement authority to DDOT and the agency's procurement function is headed by a Chief Contracting Officer (CCO). Accordingly, the CCO is responsible for procuring all goods and services DDOT requires and developing policy and procedures to help ensure compliance with District procurement laws and regulations. In June 2008, DDOT issued a procedures manual that specifically covered the solicitation/award process. However, the procedures did not include a section on the change order process for construction contracts.

IPMA assigned a Contracting Officer's Technical Representative (COTR) to provide general administration of the contract and advise the contracting officer (CO) as to the contractor's compliance or noncompliance with the contract. The COTR is also responsible for initiating, processing, and negotiating proposed change orders to construction projects.

### CRITERIA

Criteria covering construction change orders are contained in the Code of Federal Regulations (CFR), the DDOT Standard Specifications for Highways and Structures (SSHS), and Special Contract Provisions. Specifically related criteria for each are briefly discussed below.

**Code of Federal Regulations (CFR).** Regulations included in Title 23 CFR, Part 635 Construction and Maintenance, require FHWA formal approval of all changes to projects resulting in extra work to participating construction projects.

**DDOT Standard Specifications for Highways and Structures (2009).** Section 103.01, Article 3, Changes, allows the CO to unilaterally order the contractor to perform work via a written change order within the general scope of the contract. Also, Article 4 of this Section, Equitable Adjustment of Contract Terms, describes circumstances under which and provides criteria for when a contractor is entitled to an equitable adjustment of the contract terms for change orders.

**Special Contract Provisions.** One of the special contract provisions indicates that the CO is the only person authorized to make changes to the contract and instructs the contractor not to comply with any order or directive that changes a contract requirement unless issued in writing and signed by the CO.

**District of Columbia Municipal Regulations.** In evaluating the solicitation/award of contracts for construction services, the OIG relied on the following regulations:

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## INTRODUCTION

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Title 27 DCMR § 1500 – This section, Invitation for Bids, describes the requirements of the competitive sealed bidding process when used to solicit goods, services and construction.

Title 27 DCMR § 2500.1 – This provision sets forth the requirement on the District to “specify procurement needs in a manner designed to promote competition to the maximum extent possible.”

Title 27 DCMR § 2600 – This section, General Provisions, sets forth the requirements for awarding construction and architect-engineer contracts.

**DDOT Design and Engineering Manual (2009).** The manual contains guidelines for DDOT reviews of project designs and specifications.

**ARRA Employment Reporting Requirement.** All ARRA-funded construction projects require jurisdictions to report employment data. The federal government used these data to measure the number of jobs created or retained that resulted from stimulus spending. To comply with this requirement, the District was required to report payroll data for each of the ARRA- funded projects. As a result, DDOT included a special contract provision in each construction contract that required contractors to report payroll data to DDOT by the 10<sup>th</sup> day of the month. DDOT subsequently amended this provision to change the report due date to the 5<sup>th</sup> day of the month.

### OBJECTIVES, SCOPE, AND METHODOLOGY

Our original audit objectives were to determine whether: 1) DDOT met the federal requirements under Section 1511 of ARRA; 2) DDOT complied with District procurement regulations in awarding construction contracts; and 3) internal controls were in place to safeguard against fraud, waste, and abuse. Based upon our survey work, we revised our audit objectives to include an evaluation of the effectiveness of internal control at DDOT over the change order process for ARRA-funded construction contracts.

Our scope included ARRA-funded contracts with a total award value of \$123,510,453 and proposed change orders with an estimated total cost of \$3,618,780 for 15 construction projects. (See Exhibits B and D for details.)

To accomplish our objectives, we conducted interviews with responsible DDOT officials to obtain a general understanding of the process used to award and administer ARRA-funded construction contracts. We reviewed documentation for projects certified by the Mayor; held discussions with DDOT officials related to procurement procedures and processes; developed flow charts for the contract award and change order processes; and identified internal controls and performed compliance testing.

## INTRODUCTION

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We also reviewed specific ARRA reporting requirements, procurement solicitation/award documents; proposed change order documents that DDOT maintained; and email documentation that the ARRA grants administrator retained.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 1: MANAGEMENT OF THE CHANGE ORDER PROCESS FOR CONSTRUCTION PROJECTS</b>
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### SYNOPSIS

DDOT met federal requirements under Section 1511 of ARRA for project certification. DDOT also substantially complied with District procurement regulations in awarding contracts for construction projects.

However, DDOT did not effectively manage the change order process for ARRA-funded construction contracts. Specifically, DDOT officials did not timely inform the CO of project developments requiring change orders and obtain authorization prior to the contractor performing the work; obtain FHWA approval prior to PCO work; establish and monitor internal controls over the change order process; and adequately review and negotiate PCO estimated costs in accordance with standard contract provisions.

These conditions occurred because DDOT management disregarded standard contract provisions requiring that the CO be notified of change requirements in writing; failed to adhere to federal regulations requiring FHWA formal approval of contract changes; and had not developed and issued standard operating procedures for the change order process. Program managers also appeared to intentionally circumvent contracting specialists in processing and negotiating PCOs. Further, contractors contributed to this condition by failure to adhere to specific contract provisions that required CO approval before performing work.

As a result, the District may be liable for at least \$1.9 million<sup>1</sup> in the total cost of work that contractors were allowed to perform without CO authorization (see Table 1). In addition, based upon our review of all outstanding PCOs, which totaled \$3.6 million, the District's liability may be as much as \$2.8 million.

### DISCUSSION

Our audit survey showed that written CO and FHWA approvals and authorizations for contract change requests did not occur in advance of work performed, as required by law and specific contract provisions. Based on our survey, we reviewed proposed contract changes comprised of 29 PCOs for 15 ARRA-funded construction projects. We determined the total PCO estimated cost of \$3.6 million involved 22 of the 29 PCOs and 6 of the 15 projects. The remaining seven PCOs did not result in any additional cost, mainly due to tradeoffs within the project. (See Exhibit D for details.)

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<sup>1</sup> This amount represents unauthorized work performed for 2 of the 15 projects. Of the total \$1,939,948, FHWA only approved \$26,333.

## FINDINGS AND RECOMMENDATIONS

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The specific criteria we relied upon to reach our conclusions are discussed in the following four sections.

**Authorization of Proposed Change Order Work.** We verified that the CO and FHWA did not authorize in advance of work performed the PCOs for two projects with a total estimated cost of \$1.9 million. According to the following criteria, advance CO and FHWA approval must be obtained for any change in the requirements of the contract before any work may be performed.

SSHS Section 103.01, Article 4 states that when differing conditions (such as when a site condition is not reflected by the contract drawings) are encountered at the project construction site, “the Contractor, upon discovering such conditions, shall promptly notify the contracting officer in writing of specific differing conditions before they are disturbed and before the affected work is performed.”

Also, the construction contracts included a special provision that clearly communicated that only the CO had the authority to approve changes in the requirements of the contracts and that contractors shall not comply with any order or directive unless issued in writing and signed by the CO.

Finally, the CFR states that the FHWA Division Administrator shall formally approve all major changes to projects. Specifically, 23 CFR § 635.120(a) states that unless there are unusual or emergency conditions, “all major changes in the plans and contract provisions and all major extra work shall have formal approval by the Division Administrator in advance of their effective dates....”

We reviewed documentation for 16 PCOs with a total value of \$2.4 million<sup>2</sup> for the Eastern Avenue Bridge and Pennsylvania Avenue projects and determined that the CO had not authorized work, with a combined estimated total cost of \$1.9 million, prior to it being performed. Of this amount, we found that FHWA had only given formal approval for \$26,333. We performed site visits, conferred with project and contracting personnel, and subsequently determined that the work had been performed without authorization. Details for unauthorized work on each of the two projects are summarized and presented in Table 1, Unapproved PCOs for the Eastern and Pennsylvania Avenue Projects, on the following page.

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<sup>2</sup> Of this amount, the CO authorized the contractor to proceed with work valued at \$500,000 that FHWA also approved.

## FINDINGS AND RECOMMENDATIONS

<b>ARRA Project/Contract No.</b>	<b>PCO #</b>	<b>PCO Value</b>	<b>Amount Not Approved by FHWA</b>	<b>Amount Not Approved by CO</b>	<b>Amount Not Included in Contract Modification</b>
<b>Pennsylvania Avenue Project: Contract No. DCKA-2009-C-0090</b>	PCO #1	\$275,000	\$275,000	\$275,000	\$275,000
	PCO #2	\$185,219	\$185,219	\$185,219	\$185,219
	PCO #3	\$0	\$0	\$0	\$0
	PCO #4	\$17,500	\$17,500	\$17,500	\$17,500
	PCO #5	\$54,627	\$54,627	\$54,627	\$54,627
	PCO #6	\$20,473	\$20,473	\$20,473	\$20,473
	PCO #7	\$32,250	\$32,250	\$32,250	\$32,250
	PCO #8	\$269,365	\$269,365	\$269,365	\$269,365
	PCO #9	\$500,000	\$0	\$0	\$500,000
<b>Project Total</b>	<b>9</b>	<b>\$1,354,434</b>	<b>\$854,434</b>	<b>\$854,434</b>	<b>\$1,354,434</b>
<b>Eastern Avenue Project: Contract No. DCKA-2009-B-0183</b>	PCO #1	\$26,333	\$0	\$26,333	\$26,333
	PCO #2	cancelled	cancelled	cancelled	cancelled
	PCO #3	\$76,302	\$76,302	\$76,302	\$76,302
	PCO #4	\$751,325	\$751,325	\$751,325	\$751,325
	PCO #5	\$90,370	\$90,370	\$90,370	\$90,370
	PCO #6	\$3,419	\$3,419	\$3,419	\$3,419
	PCO #7	\$113,806	\$113,806	\$113,806	\$113,806
	PCO #8	\$23,959	\$23,959	\$23,959	\$23,959
<b>Project Total</b>	<b>7</b>	<b>\$1,085,514</b>	<b>\$1,059,181</b>	<b>\$1,085,514</b>	<b>\$1,085,514</b>
<b>Grand Total</b>	<b>16</b>	<b>\$2,439,948</b>	<b>\$1,913,615</b>	<b>\$1,939,948</b>	<b>\$2,439,948</b>

For the Pennsylvania Avenue project (ARRA Contract No. DCKA-2009-C-0090), we found that work identified by eight of nine PCOs – estimated at a cost of \$854,434 – had already been completed without the prior written authorization of either the CO or FHWA. We also calculated that all nine PCOs had been outstanding for an average of 279 days from the point of initiation to the date of CO approval or February 28, 2011,<sup>3</sup> whichever came first. (See Exhibit D for details.)

The Eastern Avenue project (ARRA Contract No. DCKA-2009-B-0183), with a scheduled completion date of October 20, 2010, had seven outstanding PCOs on February 28, 2011, with a total estimated cost of \$1,085,514. None of the seven PCOs had been approved by the CO. Of this amount, FHWA only approved \$26,333. We calculated that the PCOs had been

<sup>3</sup> We concluded testing on February 28, 2011, and the days outstanding for all PCOs not yet included in a contract modification were calculated using this end date.

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## FINDINGS AND RECOMMENDATIONS

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unapproved for an average of 228 days from the point of initiation to February 28, 2011, the cut-off date for our testing. We confirmed with the contract specialist that the bridge work, including the work identified in the seven PCOs, was completed. Two of the PCOs were initiated on November 3, 2010, and January 11, 2011, or after the contract completion date. (See Exhibit D.)

As previously stated, we verified that the work related to PCOs for two projects was performed without authorization. However, due to the lack of written procedures, inadequate internal controls, and the high PCO average days outstanding, we believe that the total cost of work performed on all 15 projects without CO authorization could total as much as \$2,849,516. (See Exhibit C for details.)

**Internal Controls Over Change Order Process.** DDOT had not established adequate internal controls for the change order process. This condition existed because DDOT had not developed and issued standard operating procedures, and communicated the change order process to all parties. To determine DDOT's process for initiating, processing, and approving change orders, we conferred with the CCO and Chief Engineer (CE) and subsequently developed a flow chart for the process (See Exhibit E).

In our analysis, we determined DDOT did not include key internal controls early in the process. For example, the process did not address the requisite prompt written notification of change requirements to the CO. Also, the process did not define the timeline for bringing PCOs to the attention of DDOT senior management and FHWA. Further, we found that PCO costs can have a profound impact on construction project budgets and schedules and, therefore, believe that management should be informed immediately of change requirements.

As previously mentioned, in early 2010, DDOT deployed the Packet Tracker tracking system to electronically move PCOs through the approval process. Packet Tracker appeared to provide DDOT senior management with oversight of PCO activity and the ability to approve or disapprove a PCO early in the process.

However, we found that DDOT either did not enter or timely enter PCOs in the Packet Tracker system. One reason for this condition was that the IPMA team members were not all using the Packet Tracker system to process PCOs. For example, one IPMA team member initiated several PCOs between February and June 2010 but none were entered in the system during that period. Another IPMA team member indicated that he had never used the Packet Tracker to process a PCO. Therefore, DDOT senior management may not have had knowledge of all change order activity. Consequently, PCO packages could languish indefinitely without proper DDOT management oversight, including that of the CO.

We found further evidence of inadequate internal control in our analysis of PCO processing times. Our analysis showed that processing times for all 29 PCOs were too long and PCOs were not finalized. With few exceptions, each of the contracts had a performance period of 365

## FINDINGS AND RECOMMENDATIONS

days or less from the contract notice-to-proceed dates. (See Exhibit C for project completion dates.) We calculated that PCOs had been outstanding and excluded from a contract modification for an average of 210 days from the point of initiation or for almost two-thirds of the construction period. (See Exhibit D for details.)

At least five projects had outstanding PCOs beyond the contract completion dates. (See Table 2, Contracts With Outstanding PCOs After the Contract Completion Date, below). We conferred with contracting specialists and found that none of the contracts for the projects had been modified to extend the completion dates beyond the period stated in the original contract. Although not approved, only one of these projects had an outstanding PCO that requested an extension in the contract completion date.

ARRA Contract No.	Estimated Contract Completion Date	Number of PCOs Outstanding on 2/28/2011
DCKA-2009-B-0183	10/20/2010	7
DCKA-2009-B-0092	12/6/2010	3
DCKA-2009-B-0103	6/25/2010	3
DCKA-2009-C-0047	7/25/2010	2
POKA-2006-T-0079-MN	7/25/2010	1

We interviewed contracting specialists assigned to the IPMA project management teams to determine some of the reasons why PCOs remained outstanding for long periods of time. Contract specialists informed us that the project teams were not including them in the PCO process in a timely manner. To support this position, one of the contract specialists presented evidence indicating the date he received the PCOs for review and comment. In some cases, the PCOs were initiated 7 months prior to routing to the contract specialist for review.

The contract specialist's statements were further supported by comments made during a meeting we held with one of the four IPMA project management teams. In the meeting, a project management official stated that the contract specialist assigned to the project was purposely not consulted because he was more of a hindrance than help.

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As a result of inadequate internal controls, DDOT did not reduce the risk of fraud, waste, and abuse. Specifically, the District faces a potential liability of \$1.9 million resulting from unauthorized work performed by contractors on two projects.

**Cost Estimates for Proposed Change Orders.** Our review showed that cost estimates reflected in the PCOs did not conform to requirements specified in the Standard Contract Provisions. We concluded that the IPMA project management teams did not adequately prepare and negotiate the prices for change requirements based on the contract provisions. SSHS Section 103.01, Article 4, Equitable Adjustment of Contract Terms, addresses making an equitable adjustment of the contract terms when situations develop for “Differing Site Conditions” and “Significant Changes in the Character of Work.”

When “Differing Site Conditions” develop, Article 4 specifically requires the contractor to provide prompt written notice to the CO before the work is performed. Article 4 also provides that when the CO determines that “conditions materially differ and cause an increase or decrease in the cost or time required for the performance of any work under the contract, an adjustment, excluding [the] loss of anticipated profits, will be made and the contract modified in writing accordingly.” Further, Article 4 states that “[n]o contract adjustment which results in a benefit to the Contractor will be allowed unless the Contractor has provided the required written notice.”

In addition to the failure to notify the CO, we concluded that several of the PCOs did not comply with the cost adjustment aspect of this provision by including profit in the proposed adjustments (estimated costs). In some cases, the cost estimates also reflected a price that was in excess of the line item price in the contract. For example, PCO No. 6 for the Pennsylvania Avenue project contained a price of \$5,118 per tree removed when the contract specified a line item price of \$3,308 each.

In another example, PCO No. 4 for the Eastern Avenue project also involved tree removal. In this case, we calculated an average price of \$2,275 from the contractor’s cost estimate to remove 11 additional trees of various sizes when the original contract showed a line item price of \$495 each for any sized tree. Further, DDOT’s summary for PCO No. 4 indicated that there were 21 total trees (or an additional 19 trees), but we only could identify individual pricing for the 11 additional trees specified in the contractor’s proposal.

Regarding “Significant Changes in the Character of Work,” Article 4 provides, “If the alterations or changes in quantities significantly change the character of the work under the contract, whether or not changed by any such different quantities or alterations, an adjustment, excluding loss of anticipated profits, will be made to the contract.”

One of the two definitions provided by Article 4 for “significant change” is:

When an item of work is increased in excess of 125 percent or

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## FINDINGS AND RECOMMENDATIONS

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decreased below 75 percent of the original contract quantity. Any allowance for an increase in quantity shall apply only to that portion in excess of 125 percent of original contract item quantity, or in case of a decrease below 75 percent, to the actual amount of work performed.

Several of the PCO cost estimates illustrated that DDOT did not follow the Article 4 requirement for significant changes. PCO No. 1 for the Pennsylvania Avenue project best illustrates a condition that is subject to this Article 4 provision. PCO No. 1 showed a requirement of 11,000 cubic yards (CY) of borrow backfill, for an increase of 10,450 CY or 1,900 percent over the original contract line item requirement of 550 CY. The total PCO estimated cost reflected a cost adjustment for 100 percent of the additional 10,450 CY requirement instead of an adjustment for 10,312.5 CY, the amount exceeding 125 percent of 550 CY which is calculated as follows:  $(11,000 \text{ CY} - (550 \text{ CY} \times 1.25)) = 10,312.5 \text{ CY}$ .

We held discussions on the Article 4 provision with the IPMA team responsible for the Pennsylvania Avenue project. Most of the team members present at the meeting indicated they were aware of the Article 4 provision but acknowledged that they never applied it when negotiating change order prices. However, one of the project engineers indicated he was unfamiliar with the details of the Article 4 provision.

We believe the primary cause for this condition resulted from the failure of IPMA project personnel to familiarize themselves with the standard contract provisions and properly prepare to negotiate change requirements. During our interviews, none of the team members present indicated that they had received formal training in conducting negotiations. Instead, in general, they relied on experience to negotiate change requirements. In our opinion, the negotiation summaries were not comprehensive and did not adequately reflect details to indicate estimated costs were developed based on the standard contract provisions.

As a result, change requirements may have been incorporated in the contracts based on cost estimates that do not conform to contract provisions. We note that the PCO is not the final approval document and cannot state with absolute certainty that final prices were not or will not be negotiated further to comply with the standard contract provisions. However, unless stronger internal controls are implemented, it is likely that change orders will be executed in contravention of contract terms.

**Contractor Responsibility.** Each construction contract contains language that specifically identifies the CO as the only person who may authorize additional contract work on behalf of the District. Also, SSHS Section 103.01, Article 4 discusses the contractor's responsibilities for notifying the CO in writing of change requirements and receiving written authorizations from the CO to proceed with work.

## FINDINGS AND RECOMMENDATIONS

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In the case of the Pennsylvania and Eastern Avenue projects, we verified that the contractors did not notify the CO in writing and receive written authorization from the CO prior to performing the work identified in the PCOs. In our view, the COTR interfaces daily with contractors during project construction and is responsible for managing risks to the District by ensuring that required construction changes are not implemented without the prior written CO authorization.

The contract language clearly communicates to the contractor that the COTR does not have the authority to make or direct any changes in the specifications, scope of work, or terms and conditions of the contract. Paragraphs 5 and 15 of the Contract Special Provisions for the Pennsylvania and Eastern Avenue projects, respectively, contain the following language:

Authorized Changes by the Contracting Officer:

- A. The Contracting Officer is the only person authorized to approve changes in any of the requirements of this contract.
- B. The Contractor shall not comply with any order, directive or request that changes or modifies the requirements of this contract, unless issued in writing and signed by the Contracting Officer.
- C. In the event the Contractor effects any change at the discretion of any person other than the Contracting Officer, the change will be considered to have been made without authority and no adjustment will be made in the contract price to cover any cost increase incurred as a result thereof.

In our view, contractors for the Pennsylvania and Eastern Avenue projects clearly disregarded this requirement when they performed additional work without the authorization of the CO. Therefore, the contractors should not be absolved of their responsibility for ensuring that project PCOs are properly authorized before performing additional work. As a result, contractors may not be entitled to full compensation for unauthorized work.

## RECOMMENDATIONS

We recommend that the Director of DDOT:

1. Take appropriate disciplinary action against DDOT employees who allow PCO implementation without prior written authorization from the CO and FHWA.

## FINDINGS AND RECOMMENDATIONS

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### DDOT RESPONSE

DDOT agreed with the recommendation and indicated in its response that a program manager was disciplined and demoted.

### OIG COMMENT

Action taken by DDOT is responsive and meets the intent of the recommendation.

2. Develop and promulgate a comprehensive procedure to define the process for initiating, processing, and issuing change orders, and establish adequate management internal controls to include:
  - a. Packet Tracker as the designated tracking tool;
  - b. Time parameters for the project manager or project engineer to document the proposed change requirement in Packet Tracker;
  - c. Program managers as the first required approver in Packet Tracker;
  - d. Verification that the contracting officer has been notified in writing of the pending change requirement; and
  - e. Contracting Officer authorization or notification to proceed with the work.

### DDOT RESPONSE

DDOT indicated in its response that it would continue to review the process established by Packet Tracker and make adjustments as necessary.

### OIG COMMENT

The OIG concluded that DDOT did not adequately respond to this recommendation. In our opinion, Change Orders constitute a major process that should be documented in a standard operating procedure (SOP). The SOP should assist DDOT in identifying and establishing internal controls, implementing consistency among the users of the process, and assigning functional responsibilities throughout the process.

Accordingly, the OIG requests that DDOT reconsider and provide an additional response to this recommendation by March 5, 2012, which addresses the development of a comprehensive standard operating procedure to implement a consistent practice across the various IPMA groups responsible for initiating and processing proposed change orders.

## FINDINGS AND RECOMMENDATIONS

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3. Review all PCOs and take actions to immediately remedy any pricing deficiencies.

### **DDOT RESPONSE**

DDOT disagreed with the recommendation and indicated that the prices reviewed by the auditors are part of the first step in the change order process and are only an order-of-magnitude estimate. It further stated that the final change orders are the negotiated amounts and represent a change to the contract.

### **OIG COMMENT**

The OIG requests that DDOT reconsider and provide an additional response to the recommendation by March 5, 2012.

The OIG acknowledged in the Draft Report that the cost estimates in the PCOs may not be final. We also stated that unless stronger internal controls were implemented, the cost estimates were not likely to change if the PCOs became final.

We stand by our conclusion as evidenced by the PCO costs FHWA subsequently approved and DDOT presented in its response to the draft report. The costs reflected in these FHWA-approved PCOs have not changed from the cost estimates presented in the PCOs at the time of our review. Per the DDOT change order process, FHWA approval should occur only after DDOT senior management has approved the PCO and the cost has been negotiated with the contractor.

The two examples that we cited in the Draft Report (where the PCO cost estimates were not developed based on the Article 4 provisions) were presented to FHWA for approval and included in the DDOT response at the same cost as reviewed by the auditor. As discussed in the Draft Report, both of the PCOs in these examples also included an issue with the cost estimate disagreeing with the contract line item cost. In our opinion, the PCO costs in these examples support our conclusion that DDOT does not follow Standard Contract Provisions when negotiating costs.

4. Implement a training program to ensure that IPMA project personnel and COTRs are well-versed in standard and special contract provisions, and properly prepared to negotiate the cost of change requirements.

### **DDOT RESPONSE**

DDOT agreed with the recommendation and indicated in its response that the Office of the Attorney General and the Office of Contracting and Procurement provided training on the Standard Contract Provisions to project managers. DDOT also indicated that this training was part of a broader initiative to improve the change order process.

## FINDINGS AND RECOMMENDATIONS

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### OIG COMMENT

Action taken by DDOT is responsive and meets the intent of the recommendation.

5. Establish a format and template for negotiation summaries that, once completed, will provide reasonable assurance that the standard contract provisions were properly utilized in the development and negotiation of cost estimates.

### DDOT RESPONSE

DDOT agreed with the recommendation and indicated that it is developing a standard template for negotiations to be consistent with the standard contract provisions for highways and structures.

### OIG COMMENT

We consider actions taken by DDOT to be responsive and meet the intent of the recommendation.

6. Implement steps to disallow reimbursement of the \$1.9 million for work performed without the proper CO authorization. At a minimum, reimbursement to the contractor for unauthorized change order work should be limited to the cost incurred, exclusive of any profit.

### DDOT RESPONSE

FHWA officials have agreed to fully participate in the cost of most of the PCOs and DDOT expects their full participation on several others. DDOT also indicated that the remaining PCOs were cancelled or the work was not performed.

### OIG COMMENT

Action taken by DDOT is responsive and meets the intent of the recommendation. However, we request that DDOT provide an additional response by March 5, 2012, to indicate the status of all PCOs that have not been resolved as DDOT's response to the draft report reflects.

## FINDINGS AND RECOMMENDATIONS

### FINDING 2: PROJECT DESIGNS AND SPECIFICATIONS FOR CONSTRUCTION PROJECTS

#### SYNOPSIS

DDOT did not ensure that project designs and specifications accurately reflected current site conditions for ARRA-funded construction projects. Almost \$2.8 of \$3.6 million, or approximately 76% of the total estimated cost of PCOs, was attributed to design errors or omissions. This condition occurred because DDOT did not adequately review and approve project designs and specifications delivered by firms it contracted with to provide design services. The lack of site visits or inadequate site inspections during the design phase contributed to the condition. As a result, the District lost the opportunity to obtain a competitive price for a more robust and complete set of contract specifications.

#### DISCUSSION

According to the DDOT Design and Engineering Manual, Sections 3.1.10, 3.1.11, and 3.1.13, DDOT performs design reviews at the 30, 65, and 100 percent completion intervals of design contracts. These reviews serve to ensure that designs are current, complete, and accurate. Our review showed that 22 of 29 PCOs for 6 projects proposed a total change in contract cost of about \$3.6 million. For 3 of the 6 projects, the proposed increase in contract price was more than 10 percent of the original contract award amount. (See Table 3 below.)

<b>Construction Contract Number</b>	<b>Contract Award Amount</b>	<b>Total Number PCOs</b>	<b>Total Estimated Cost of PCOs</b>	<b>Proposed Percent Incr/Decr in Contract Award Amount</b>
DCKA-2009-B-0102	\$2,259,046	2	\$331,879	14.69%
DCKA-2009-B-0092	\$5,940,481	2	\$817,064	13.75%
DCKA-2009-B-0183	\$8,667,808	7	\$1,085,514	12.52%
DCKA-2009-B-0090	\$25,182,540	8	\$1,354,434	5.38%
POKA-2006-T-0079-MN	\$848,821	1	\$31,160	3.67%
DCKA-2009-C-0047	\$3,422,817	2	(\$1,271)	-0.04%
<b>Totals</b>	<b>\$46,321,513</b>	<b>22</b>	<b>\$3,618,780</b>	<b>7.81%</b>

## FINDINGS AND RECOMMENDATIONS

Seventeen of the 22 PCOs cited design errors or omissions. More importantly, these PCOs totaled almost \$2.8 million, or approximately 76 percent, of the total \$3.6 million in estimated costs for all 22 PCOs. (See Table 4 below.)

<b>Contract No.</b>	<b>No. of PCOs</b>	<b>Total Est. Cost of PCOs</b>	<b>PCOs Citing Design Errors or Omissions</b>	<b>Est. Cost of PCOs Citing Design Errors or Omissions</b>	<b>Percent of Total Est. PCO Cost Attributed to Design Errors or Omissions</b>
DCKA-2009-B-0102	2	\$331,879	2	\$331,879	100.0%
DCKA-2009-B-0092	2	\$817,064	2	\$817,064	100.0%
DCKA-2009-B-0183	7	\$1,085,514	7	\$1,042,598	96.0%
DCKA-2009-B-0090	8	\$1,354,434	5	\$552,192	40.8%
POKA-2006-T-0079-MN	1	\$31,160	0	\$0	N/A
DCKA-2009-C-0047	2	(\$1,271)	1	\$14,836	1,167.3%
<b>TOTALS</b>	<b>22</b>	<b>\$3,618,780</b>	<b>17</b>	<b>\$2,758,569</b>	<b>76.2%</b>

One of the PCOs for the Eastern Avenue Bridge project is an example of design omissions. The project specifications indicated that there were only 2 trees with a diameter greater than 36 inches requiring removal. However, PCO No. 4 was circulated for approval to remove 21 trees greater than 36 inches in diameter, almost 10 times as many trees as included in the initial project requirement. We believe that a site inspection would have clearly identified the total number of trees requiring removal per the specifications.

We held discussions with DDOT officials about the large percentage of the change orders citing design issues and were reminded that in order for projects to be approved, they had to be “shovel ready.” DDOT officials further stated that in some cases, the design work was completed years ago and FHWA prohibited the District, as well as other states, from spending ARRA funds on design reviews. Further, one DDOT official stated that this particular prohibition was addressed during the question-and-answer (Q&A) period for states seeking ARRA funding.

During the early stages of ARRA implementation, states presented questions about the process to FHWA. FHWA maintained a database of these questions and the answers for easy reference by the states. We searched the database and found no Q&A to preclude the District or states from spending ARRA funds to validate or review designs. We also spoke with FHWA officials and were unable to confirm that the District or any state was prohibited from spending ARRA funding on design reviews. However, one FHWA official stated that although spending of ARRA funding for design work was never expressly prohibited, it was discouraged.

## FINDINGS AND RECOMMENDATIONS

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Once a contract award is made, DDOT is in a contractual relationship with a sole source supplier and the ability to negotiate pricing is diminished if additional work is required. Therefore, as a result of design deficiencies, the District lost the opportunity to obtain a competitive price for the \$2.8 million of estimated costs identified by the 17 PCOs.

### RECOMMENDATIONS

We recommend that the Director of DDOT:

7. Reassess current practices for the design review process and establish an independent team of engineers to assess the accuracy and completeness of project designs and specifications for future projects as well as projects that have not reached the implementation stage.

#### DDOT RESPONSE

DDOT generally concurred with the recommendation and indicated that it has established an independent Project Development Team to review projects during the design process. In addition, for technically complex projects where FHWA will participate in the costs, DDOT indicated that it will secure the services of an independent consultant to perform a third-party review.

#### OIG COMMENT

Action taken by DDOT is responsive and meets the intent of the recommendation.

8. Require the newly established independent team to attest to the accuracy and completeness of project specifications prior to publishing the “Invitation for Bids.”

#### DDOT RESPONSE

DDOT concurred with the recommendation. DDOT indicated in its response that it has established an independent Project Development Team to review projects and approve project designs.

#### OIG COMMENT

Action taken by DDOT is responsive and meets the intent of the recommendation.

## **FINDINGS AND RECOMMENDATIONS**

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9. Assess whether current DDOT personnel have been negligent in the preparation or review of the project designs and specifications. As appropriate, discipline current employees.

### **DDOT RESPONSE**

Based on our finding that change orders represented 7.8 percent of the total value of contracts examined by our audit, DDOT concluded that its employees acted reasonably when executing proposed change orders, as this percentage is well within the generally accepted contingency in the construction industry.

### **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of the recommendation.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 3: ARRA EMPLOYMENT REPORTING REQUIREMENTS</b>
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### SYNOPSIS

DDOT did not effectively monitor contractor compliance with ARRA reporting requirements for payroll data or collect the data necessary to assess penalties for contractor noncompliance. Our review of the 15 construction projects showed that contractors were consistently late in filing the reports and DDOT did not track delinquencies. This condition occurred because DDOT failed to assign contract specialists to monitor this requirement. As a result, DDOT reported inaccurate monthly employment data to FHWA. In addition, DDOT was not aware that at least \$17,600 should have been assessed in penalties at contract close-out.

### DISCUSSION

As a recipient of ARRA funding, the District was required to collect and submit employment data each month to the federal government to measure the number of jobs created or retained. Accordingly, DDOT included a special provision in each construction contract that required contractors to report payroll data by the 10<sup>th</sup> day of each month. Because of the many problems with report submissions, the contracts were subsequently amended to change the report due date to the 5<sup>th</sup> of the month.

The contracts also indicated that penalties would be assessed for untimely reports or failed report submission. According to contract terms, the contractors would be assessed a penalty at contract close-out of \$100 for each late report and \$500 for each failure to report. Our review of the 15 ARRA projects for a 13-month period disclosed that contractors did not always comply with the reporting requirement and DDOT did not establish a method to track reporting in order to impose the penalties required by contract.

The ARRA grants administrator informed us that DDOT contract specialists submitted reports after receiving them from the contractors via email. The contract specialists, however, did not establish a system to monitor and collect information in order to assess penalties.

We used the ARRA grants administrator's email record of all reports received from DDOT contract specialists to compile our estimate of penalties that should have been assessed for noncompliance during the 13-month period. For missing reports, we consulted with the DDOT contract specialists to determine whether they maintained the email submission from the contractors.

This condition occurred because DDOT did not specifically require the contract specialists to monitor this reporting requirement. Post-award contract administration is typically delegated to the assigned COTR. In this case, however, the COTR was not involved in the reporting process. Because this was a unique requirement involving payroll data and the COTRs were

## FINDINGS AND RECOMMENDATIONS

not involved, we believe the CO should have assigned the responsibility for monitoring contractor compliance and collecting information to assess penalties to the contracting specialists.

As a result of late submissions or failure to submit reports during the 13-month period, contractor monthly employment data were not always included in the District’s monthly report submissions to FHWA. Also, for the same period, we calculated \$17,600 as the amount of penalties that contractors should have been assessed for either late submissions or failure to submit reports.

<b>Table 5. Penalties for Noncompliance With ARRA Monthly Labor Reporting Requirement</b>					
<b>Total Reports Due For 13 Periods</b>	<b>No. Reports Submitted Late</b>	<b>No. Reports Not Submitted</b>	<b>Percent of Reports Submitted Late or Not Submitted</b>	<b>Penalty Amount per Contract</b>	<b>Total Penalty Amount</b>
315	86	N/A	27.3%	\$100.00	\$8,600.00
315	N/A	18	5.7%	\$500.00	\$9,000.00
<b>TOTAL</b>					<b>\$17,600.00</b>

### RECOMMENDATIONS

We recommend that the Director of DDOT:

10. Review ARRA report submissions for all contracts and compute and assess the contract-specified penalty amounts due as a result of late submissions or failure to submit reports.

### DDOT RESPONSE

DDOT concurs that penalties should be assessed in accordance with the terms and conditions of contracts funded by ARRA, and indicated that penalties will be assessed at contract close-out.

## **FINDINGS AND RECOMMENDATIONS**

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### **OIG COMMENT**

After we issued our draft report, we provided DDOT with an analysis of reports submitted by contractors and consider DDOT's planned actions to assess penalties to be responsive and meet the intent of the recommendation.

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS RESULTING FROM THE AUDIT**

<b>Recommendations</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date</b>	<b>Status<sup>4</sup></b>
1	Compliance and Internal Control. Establishes and enforces accountability for IPMA program managers.	Non-Monetary	10/24/2011	Closed
2	Compliance and Internal Control. Standardizes processes and establishes internal controls.	Non-Monetary	TBD	Open
3	Compliance, Internal Control, and Financial. Enforces compliance with standard contract provisions.	Monetary TBD	TBD	Open

<sup>4</sup> This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS RESULTING FROM THE AUDIT**

<b>Recommendations</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date</b>	<b>Status<sup>4</sup></b>
4	Compliance and Internal Control. Ensures IPMA personnel are trained in standard and special contract provisions and price negotiation.	Non-Monetary	10/24/2011	Closed
5	Internal Control. Establishes minimum standards for negotiation summaries.	Non-Monetary	10/24/2011	Closed
6	Compliance, Internal Control, and Financial. Enforces contract terms.	Monetary \$1,939,948	TBD	Open
7	Internal Control. Establishes internal control for the design review process.	Non-Monetary	10/24/2011	Closed
8	Internal Control. Establishes key internal controls for accurate project designs and specifications.	Non-Monetary	10/24/2011	Closed
9	Internal Control. Enforces accountability for employees and contractors.	Non-Monetary	10/24/2011	Closed

**EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS RESULTING FROM THE AUDIT**

<b>Recommendations</b>	<b>Description of Benefit</b>	<b>Amount and Type of Benefit</b>	<b>Agency Reported Estimated Completion Date</b>	<b>Status<sup>4</sup></b>
10	Compliance, Internal Control, and Financial. Enforces penalties for contractor noncompliance with standard and special contract provisions.	Monetary \$17,600	10/24/2011	Closed

**EXHIBIT B. CONSTRUCTION PROJECTS FUNDED BY ARRA**

# of ARRA-Funded Projects	ARRA Project No./ Description	Contract No.	Contractor	Contract Description	Contract Date	Construction Amount	Construction Mgmt. Amount	Total ARRA Funded Contract Amount
1	CDT97A - New York Ave Bridge	DCKA-2008-B-0094	Ft Myer	Construction	10/2/2009	\$24,868,845	\$0	\$24,868,845
	CDT97A	DCKA-2009-Q-0099-1	LPA Group	Construction Management	1/4/2010	\$0	\$6,225,952	\$6,225,952
	CDT97A	POKA-2006-T-0054JJ	Parsons & Brinckerhoff	Construction Management	9/22/2009	\$0	\$1,533,119	\$1,533,119
	CDT97A	PDCKA-2010-T0049	KCI Associates	Construction Management	3/11/2010	\$0	\$413,582	\$413,582
2	EDO61A - Great Streets or Pennsylvania Avenue	DCKA-2009-B-0090	Ft Myer	Construction	10/5/2009	\$25,182,540	\$0	\$25,182,540
	EDO61A	DCKA-2009-Q-0099-2	David Volkert	Construction Management	11/18/2009	\$0	\$4,932,570	\$4,932,570
	EDO61A	DCKA-2010-T-0010	Athavale & Lystand	Construction Management	2/19/2010	\$0	\$251,006	\$251,006
3 & 4	CDTC0A/CDT B1A - Eastern Ave Bridge and Roadwork	DCKA-2009-B-0183	Ft Myer	Construction	10/1/2009	\$8,667,808	\$0	\$8,667,808
	CDTC0A/CDT B1A	DCKA-2009-Q-0099-3	Jacobs Eng	Construction Management	11/13/2009	\$0	\$1,723,990	\$1,723,990
	CDTC0A/CDT B1A	DCKA-2010-T-0038	Greenhorne & O'Mara	Construction Management	2/25/2010	\$0	\$191,499	\$191,499
5	CKT76A - Reconstruction Resurfacing 18th St	DCKA-2009-B-0092	Ft Myer	Construction	11/2/2009	\$5,940,481	\$0	\$5,940,481
	CKT76A	DCKA-2010-T-0024		Construction Management	12/29/2009	\$0	\$1,280,575	\$1,280,575
6	ADO18A - Citywide Streetlights Bladensburg St Lights	POKA-2006-C-0099JJ	Ft Myer	Construction	4/13/2009	\$4,151,915	\$0	\$4,151,915

**EXHIBIT B. CONSTRUCTION PROJECTS FUNDED BY ARRA**

# of ARRA-Funded Projects	ARRA Project No./ Description	Contract No.	Contractor	Contract Description	Contract Date	Construction Amount	Construction Management Amount	Total ARRA Funded Contract Amount
7	SRO72A – Resurf. & Streetscape 17th NW	DCKA-2009-B-0103	Capital Paving	Construction	9/23/2009	\$4,515,863	\$0	\$4,515,863
	SRO72A	POKA-2006-T-0079-MN	Temple Group	Construction Management	11/12/2009	\$0	\$848,821	\$848,821
8	CKO10A - Downtown Business Improvement	DCKA-2009-B-0040	Ft Myer	Construction	8/10/2009	\$5,529,814	\$0	\$5,529,814
	CKO10A	POKA-2006-T-0053	CMTS	Construction Management	9/17/2009	\$0	\$936,429	\$936,429
9	SRO61A - Resurfacing 4th St	DCKA-2009-C-0047	Capital Paving	Construction	9/23/2009	\$3,422,817	\$0	\$3,422,817
10	SRO68A - Western Avenue	DCKA-2009-B-0102	Civil Construction	Construction	1/26/2010	\$2,259,046	\$0	\$2,259,046
11	CMO63A - Safe Routes to Schools	DCKA-2009-B-0193	Anchor Construction	Construction	12/22/2009	\$2,161,473	\$0	\$2,161,473
12	C1O56A - Installation of Back-up Power Supply	DCKA-2009-B-0100	Ft Myer	Construction	12/14/2009	\$1,250,808	\$0	\$1,250,808
13	SRO66A - Street Resurfacing	POKA-2006-C-0003JJ	Ft Myer	Construction	4/24/2009	\$1,000,000	\$0	\$1,000,000
14	FA CW - Sidewalk Restoration	DCKA-2010-B-0106	Ft Myer	Construction	5/25/2010	\$4,444,929	\$0	\$4,444,929
15	SRO74A - FA CW Pavement Restoration	DCKA-2010-B-0106	Ft Myer	Construction	5/25/2010	\$11,776,571	\$0	\$11,776,571
<b>Totals</b>						<b>\$105,172,910</b>	<b>\$18,337,543</b>	<b>\$123,510,453</b>

**EXHIBIT C. ESTIMATED COST OF UNAUTHORIZED WORK**

ESTIMATED COST OF UNAUTHORIZED WORK							
ARRA Contract No.	PCO #	Contract Notice to Proceed Date	Contract Completion Date	Est. Cost of Work Performed Without the FHWA Authorization	Est. Cost of Work Performed Without the CO Authorization	Est. Cost of Work Performed That May Have Been Performed Without the CO Authorization	Total Est. Cost of Work Performed Without the Authorization of the CO
DCKA-2009-C-0090	PCO #1	12/2/2009	12/2/2011	\$275,000	\$275,000		\$275,000
	PCO #2			\$185,219	\$185,219		\$185,219
	PCO #3			\$0	\$0		\$0
	PCO #4			\$17,500	\$17,500		\$17,500
	PCO #5			\$54,627	\$54,627		\$54,627
	PCO #6			\$20,473	\$20,473		\$20,473
	PCO #7			\$32,250	\$32,250		\$32,250
	PCO #8			\$269,365	\$269,365		\$269,365
	PCO #9			\$0	\$0		\$0
DCKA-2009-B-0183 (PCO #2 was cancelled)	PCO #1	11/24/2009	10/20/2010	\$0	\$26,333		\$26,333
	PCO #3			\$76,302	\$76,302		\$76,302
	PCO #4			\$751,325	\$751,325		\$751,325
	PCO #5			\$90,370	\$90,370		\$90,370
	PCO #6			\$3,419	\$3,419		\$3,419
	PCO #7			\$113,806	\$113,806		\$113,806
	PCO #8			\$23,959	\$23,959		\$23,959
DCKA-2009-B-0092	PCO #1	12/7/2009	12/6/2010			\$193,423	\$193,423
	PCO #2					\$623,641	\$623,641
	PCO #3					\$0	\$0
DCKA-2009-B-0103	PCO #1	10/26/2009	6/25/2010			\$0	\$0
	PCO #2					\$0	\$0
	PCO #3					\$0	\$0
DCKA-2009-B-0040	PCO # 1	9/21/2009	9/20/2010			\$0	\$0
	PCO # 2					\$0	\$0
DCKA-2009-C-0047	PCO # 1	10/26/2009	7/25/2010			\$0	\$0
	PCO # 2					\$0	\$0
POKA-2006-T-0079-MN	PCO # 1	10/26/2009	7/25/2010			\$0	\$0
DCKA-2009-B-0102	PCO # 1	4/5/2010	4/4/2011			\$0	\$0
	PCO # 2					\$92,505	\$92,505
<b>TOTALS</b>	<b>29</b>			<b>\$1,913,615</b>	<b>\$1,939,948</b>	<b>\$909,569</b>	<b>\$2,849,517</b>

## EXHIBIT D. PCO AVERAGE DAYS OUTSTANDING

ARRA Contract No.	PCO #	PCO Value	PCO Initiation Date	Days to issue Modification or Days Outstanding on February 28, 2011	PCO Average Days Outstanding by Project
DCKA-2009-C-0090	PCO #1	\$275,000	2/9/2010	384	
	PCO #2	\$185,219	3/4/2010	361	
	PCO #3	\$0	6/17/2010	256	
	PCO #4	\$17,500	6/3/2010	270	
	PCO #5	\$54,627	6/17/2010	256	
	PCO #6	\$20,473	6/17/2010	256	
	PCO #7	\$32,250	6/24/2010	249	
	PCO #8	\$269,365	7/16/2010	227	
	PCO #9	\$500,000	6/24/2010	249	
<b>Average Days Outstanding</b>					<b>279</b>
DCKA-2009-B-0183	PCO #1	\$26,333	2/19/2010	374	
(PCO #2 was cancelled)	PCO #3	\$76,302	4/9/2010	325	
	PCO #4	\$751,325	6/4/2010	269	
	PCO #5	\$90,370	4/9/2010	325	
	PCO #6	\$3,419	11/3/2010	117	
	PCO #7	\$113,806	10/12/2010	139	
	PCO #8	\$23,959	1/11/2011	48	
<b>Average Days Outstanding</b>					<b>228</b>
DCKA-2009-B-0092	PCO #1	\$193,423	11/4/2010	116	
	PCO #2	\$623,641	11/10/2010	110	
	PCO #3	\$0	11/17/2010	103	
<b>Average Days Outstanding</b>					<b>110</b>
DCKA-2009-B-0103	PCO #1	\$0	6/2/2010	271	
	PCO #2	\$0	9/10/2010	171	
	PCO #3	\$0	10/27/2010	124	
<b>Average Days Outstanding</b>					<b>189</b>
DCKA-2009-B-0040	PCO # 1	\$0	6/2/2010	271	
	PCO # 2	\$0	9/10/2010	171	
<b>Average Days Outstanding</b>					<b>221</b>
DCKA-2009-C-0047	PCO # 1	(\$16,107)	8/4/2010	208	
	PCO # 2	\$14,836	9/9/2010	41	
<b>Average Days Outstanding</b>					<b>125</b>

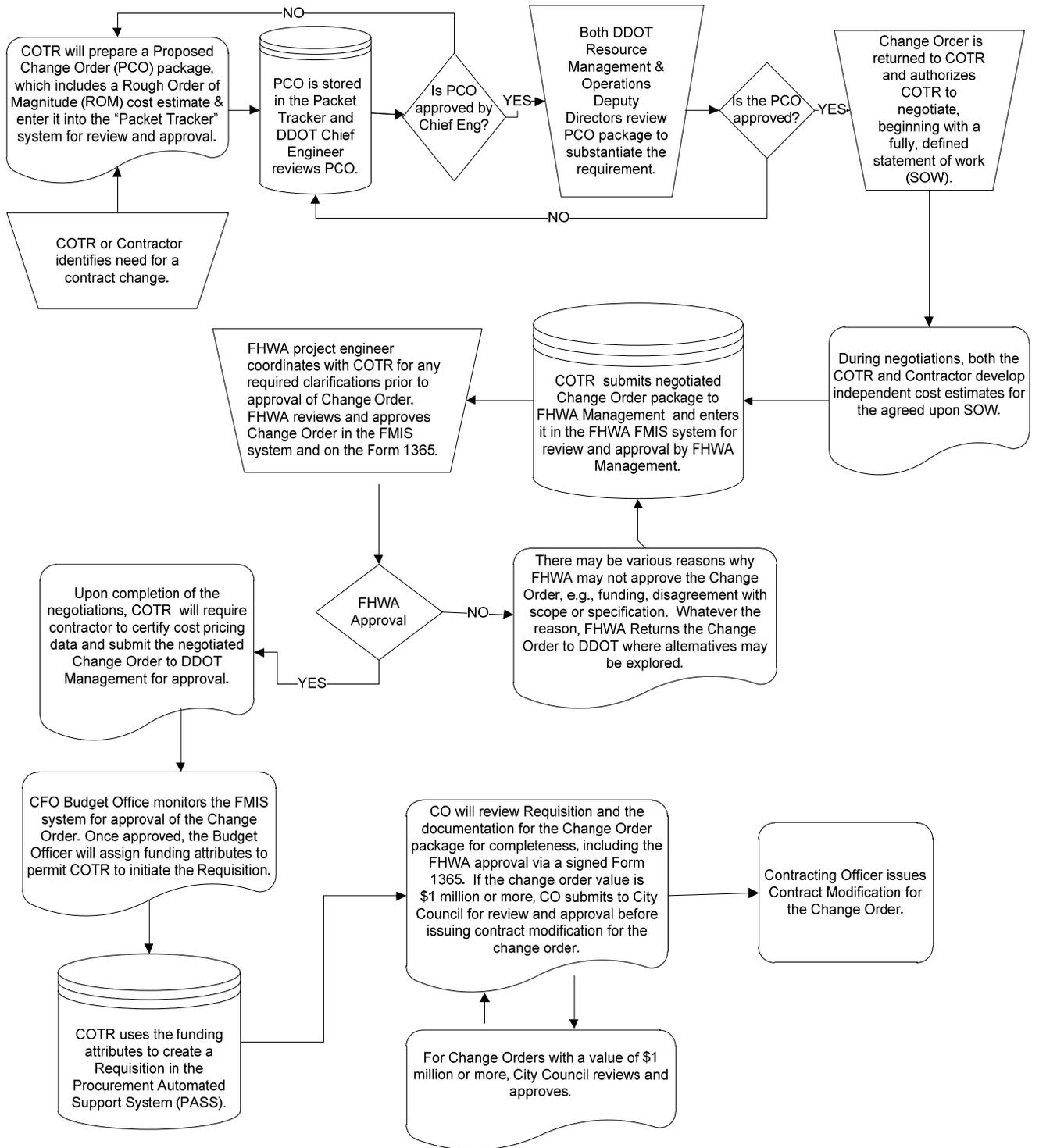
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**EXHIBIT D. PCO AVERAGE DAYS OUTSTANDING**

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<b>ARRA Contract No.</b>	<b>PCO #</b>	<b>PCO Value</b>	<b>PCO Initiation Date</b>	<b>Days to issue Modification or Days Outstanding on February 28, 2011</b>	<b>PCO Average Days Outstanding by Project</b>
POKA-2006-T-0079-MN	PCO # 1	\$31,160	10/27/2010	124	
<b>Average Days Outstanding</b>					<b>124</b>
DCKA-2009-B-0102	PCO # 1	\$239,374	6/25/2010	112	
	PCO # 2	\$92,505	9/15/2010	166	
<b>Average Days Outstanding</b>					<b>139</b>
<b>Average Days Outstanding – All PCOs</b>	<b>29</b>	<b>\$3,618,780</b>		<b>210</b>	

## EXHIBIT E. CHANGE ORDER PROCESS FLOW CHART



**EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S  
RESPONSE TO THE DRAFT REPORT**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF TRANSPORTATION**



d. Office of the Director

October 24, 2011

Mr. Charles Willoughby  
Inspector General  
717 14<sup>th</sup> Street NW  
Washington, DC 20005

Dear Mr. Willoughby:

Enclosed is a response to the Office of the Inspector General's Draft Audit of the Construction Contracts Awarded Under the American Recovery and Reinvestment Act by the District of Columbia Department of Transportation.

Sincerely,

A handwritten signature in cursive script that reads "Terry Bellamy".

Terry Bellamy  
Director

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## EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

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The District Department of Transportation (DDOT) is proud to implement \$123.5 million in ARRA / Stimulus projects for the District of Columbia to improve transportation infrastructure and preserve and create jobs. The ARRA funds that DDOT received were in addition to the funds that FHWA annually provides to DDOT (\$126 million in FY2009) for infrastructure improvements.

Through its stewardship of the District's transportation system, DDOT is committed to achieving an exceptional quality of life in the nation's capital through more sustainable travel practices, safer streets, and outstanding access to goods and services.

DDOT is also committed to implementing capital projects as efficiently and effectively as possible. To that end DDOT is advancing a number of initiatives to improve project management and contract administration, and to reduce the number and dollar amount of change orders, including:

- **Performance Institute / Lean Six Sigma Process** – Working with the Performance Institute, DDOT is near completion of an effort to analyze all stages of project implementation to establish a standard, uniform process across DDOT that will advance quality, cost-effective designs.
- **FHWA Partnering Sessions** – DDOT is partnering with officials in the Federal Highway Administration (FHWA) to improve capital project implementation. This effort includes the comprehensive review of the change order process and implementation of modifications to that process as necessary to improve efficiency and ensure standardization. This initiative, kicked off in the summer of 2011, is ongoing with FHWA, and is on target to be completed by summer of 2012.
- **Consultant Evaluation process** – Implemented in September 2011 to assess consultant performance during the design phase, the evaluation of consultants is now being performed upon completion of preliminary, intermediate, and final design. Consultants are also evaluated after construction is complete to identify any design deficiencies and this information will be used for future consultant selection. This initiative establishes a uniform program for systematic evaluation of consultant performance.
- **Training** – DDOT continues an ongoing effort to provide training to project management staff. As part of that effort, in March and June 2011 the Office of the Attorney General and the Office of Contracting and Procurement provided training to project managers on the change order process. In addition to project management training, several technical training sessions were provided to the inspectors and engineers.
- **Packet Tracker** – DDOT has implemented an electronic process to track and monitor the approval of contract awards, change orders, and other documents.
- **DDOT University** – In collaboration with the University of the District of Columbia, DDOT is bringing some of its training in-house to improve access to training opportunities for all staff.

## EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

The following is in response to the findings from the Office of the Inspector General report.

**Finding 1: Management of the Change Order Process for Construction Projects**

DDOT concurs with the finding by the Inspector General that DDOT has complied with District procurement regulations in awarding ARRA construction projects.

DDOT further agrees that in the two of the fifteen projects reviewed by the Inspector General, the project manager did not fully comply with the established change order process. This project manager was disciplined and demoted, and is no longer authorized as a Contracting Officer's Technical Representative (COTR).

To help ensure that project managers follow the established change order process, DDOT, with the Office of the Attorney General and the Office of Contracting and Procurement, has provided training to project managers. This is part of a larger initiative to improve and shorten the change order process.

*Authorization of Proposed Change Order Work*

All change orders identified in the report have either obtained FHWA approval, are in the process of gaining FHWA concurrence, or were cancelled and the work not completed as indicated in the table below:

**Status of Change Order Review by FHWA**

PCO # / Cost	Change Order Status with FHWA
Eastern Ave / Contract No. DCKA-2009-B-0183	
PCO#1: \$26,333	Change order approved by FHWA
PCO#2: \$185,219	Change order cancelled - work not performed
PCO#3: \$76,302	Change order submitted; DDOT anticipates full FHWA participation
PCO#4: \$751,325	Change order submitted; DDOT anticipates full FHWA participation
PCO#5: \$90,370	Change order approved by FHWA
PCO#6: \$3,419	Change order approved by FHWA
PCO#7: \$113,806	Change order cancelled - work not performed
PCO#8: \$23,959	Change order cancelled - work not performed

## EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

PCO # / Cost	Change Order Status with FHWA
Pennsylvania Ave / Contract DCKA-2009-C-0090	
PCO #1: \$275,000	Change order approved by FHWA
PCO #2: \$185,219	Change order approved by FHWA
PCO #3: \$0	Change order approved by FHWA
PCO #4: \$17,500	Change order approved by FHWA
PCO #5: \$54,627	Change order approved by FHWA
PCO #6: \$20,473	Change order approved by FHWA
PCO #7: \$32,250	Change order submitted; DDOT anticipates full FHWA participation
PCO #8: \$269,365	Change order submitted; DDOT anticipates full FHWA participation
PCO #9: \$500,000	Change order approved by FHWA

### *Internal Controls Over Change Order Process*

DDOT does not agree with the Inspector General's statement that it has not established adequate internal controls over the change order process. Change orders require the authorization of the Contracting Officer (CO) and FHWA approval. Of the fifteen projects reviewed by the Inspector General, the Inspector General identified two in which the project manager acted outside of the standard processes.

The change order process is laid out in the DDOT Design Manual, and a Change Order Checklist is used to provide instruction and to document submission requirements. All change orders are approved through the DDOT Packet Tracker system, a system that DDOT implemented to ensure compliance with the change order process and to standardize approvals across the organization. DDOT has also provided training sessions so that project managers understand and follow standard procedures.

Training sessions were held on March 31 and June 27 of this year on the legal aspects of the change order process; that training was conducted by DDOT's staff attorney who has over thirty years of construction change order experience. These sessions dealt specifically with Article 3 and Article 4 provisions and the sole authority of the Contracting Officer to execute change orders on behalf of the DDOT.

In addition, DDOT's Office of Contracting and Procurement routinely provides orientation to new engineering staff and refresher training to others as needed. And, the Contracting Officer periodically attends the Chief Engineer's staff meeting to provide guidance to engineering staff.

### *Cost Estimates for Proposed Change Orders*

DDOT acknowledges that in two of the fifteen projects reviewed by the Inspector General, that the change order process was not followed and the project manager did not report the changed field conditions to the Chief Engineer and Contracting Officer.

DDOT disagrees that PCOs (Proposed Change Order) did not conform to Standard Contract Provisions. In a Proposed Change Order (PCO), only a magnitude of cost is estimated. The approval of a PCO is the

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## EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

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initial authorization to proceed with the actual cost estimate and negotiations with the contractor. The SSHS Section 103.01 is not required during the PCO process.

### *Contractor Responsibility*

DDOT concurs that contractors do not have the authority to complete work that is not authorized by the Contracting Officer (CO).

### OIG Recommendations

1. Take appropriate disciplinary action against DDOT employees who allow PCO implementation without prior written authorization from the CO and FHWA.

DDOT response: DDOT agrees. Disciplinary action has been taken against the project manager.

2. Develop and promulgate a comprehensive procedure to define the process for initiating, processing, and issuing change orders, and establish adequate management internal controls to include:
  - a. Packet Tracker as the designated tracking tool;
  - b. Time parameters for the project manager or project engineer to document the proposed change requirement in Packet Tracker;
  - c. Program managers as the first required approver in Packet Tracker
  - d. Verification that the contracting officer has been notified in writing of the pending change requirement; and
  - e. Contracting Officer authorization or notification to proceed with the work.

DDOT response: DDOT concurs that the Contracting Officer should authorize all change orders, and that Packet Tracker is the designated tracking tool for contract approval and change orders. The Chief Engineer is the first approver in Packet Tracker, and he approves the submission after the project manager indicates concurrence.

Change orders require authorization from the Contracting Officer. The first notification to the Contracting Officer is done through the PCO process which provides advance notification to the Contracting Officer of the proposed change order. This is prior and in addition to entry of the change order in Packet Tracker.

Through the Lean Six Sigma and partnering sessions, DDOT will continue to review the process established by Packet Tracker and make adjustments as necessary. This will include evaluation of the use of time parameters.

3. Review all PCOs and take actions to immediately remedy any pricing deficiencies

DDOT Response: PCOs (Proposed Change Orders) are the first step in the change order process, and are an order-of-magnitude estimate. Final change orders are the negotiated amounts and represent a change to the contract.

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## EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

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DDOT will continue to review PCOs and work to reduce the number and amount of contract change orders. DDOT's effort to refine its design review process and more efficiently coordinate the work of the utility companies are the most important factors in reducing the number and dollar amount of contract change orders, and DDOT commits to continuing to improve that process.

4. Implement a training program to ensure that IPMA project personnel and COTRs are well-versed in standard and special contract provisions, and properly prepared to negotiate the cost of cost change requirements.

DDOT Response: DDOT concurs that continuous training should be provided to project managers. As part of that effort, in 2011 project managers received training in the change order process as well as COTR training for some project managers.

5. Establish a format and template for negotiation summaries that, once completed, will provide reasonable assurance that the standard contract provisions were properly utilized in the development and negotiation of cost estimates.

DDOT Response: The Chief Engineer is developing a standard template that is consistent with the Design Manual. The Design Manual is the standard specifications for highways and structures.

6. Implement steps to disallow reimbursement for work performed without the proper CO authorization. At a minimum, reimbursement to the contractor for unauthorized change order work should be limited to the cost incurred, exclusive of any profit.

DDOT Response: Of the change orders that have been submitted and reviewed, FHWA has participated fully in the FHWA portion of the costs, including the cost and any profit.

DDOT believes that the action taken has sufficiently addressed the issue and no further action is contemplated at this time.

### **Finding 2: Project Designs and Specifications for Construction Projects**

DDOT does not agree with the Inspector General's statement about project designs and specifications. DDOT works to minimize changes during construction due to site conditions. Because of the lack of sub-surface information and as-built drawings of our aged infrastructure, it is not always possible to fully be aware of the existing site conditions. The change orders identified by the Inspector General are within a generally accepted contingency standard in the construction field.

DDOT does not agree with the Inspector General's statement that it did not adequately review and approve project designs and specifications delivered by firms it contracted with to provide design services. The design review process includes a full review of the plans specification and bid forms at preliminary, intermediate, and final design phase by the project staff. Additionally review comments are received from FHWA, stakeholders, and other administrations of DDOT.

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## EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

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As part of efforts to improve project management and reduce the number and dollar amount of change orders, especially those that are the result of design errors and omissions, DDOT has established a Project Development Team that will review projects during design, and DDOT has established a standard check list conforming to the DDOT Design Manual to have a consistent review during the design process as part of the Performance Institute / Lean Six Sigma Process.

### OIG Recommendations

7. Reassess current practices for the design review process and establish an independent team of engineers to assess the accuracy and completeness of project designs and specifications for future projects as well as projects that have not reached the implementation stage.

DDOT Response: The design review process includes review of the plans, specifications, and bid forms at preliminary, intermediate, and final design phases by the project staff. FHWA-funded projects also are reviewed by FHWA, stakeholders, and other administrations of DDOT.

As part of an effort to improve project management and reduce the number and dollar amount of change orders, DDOT, through the Performance Institute / Lean Six Sigma Process, has established a standard Change Order Checklist conforming to the DDOT Design Manual. This will help ensure that design review is consistent for each project during the design process.

Finally, DDOT has established a Project Development Team, an independent team of engineers that is reviewing projects throughout the design phase (at 30 percent, 65 percent, and final design).

8. Require the newly established independent team to attest to the accuracy and completeness of project specifications prior to publishing the "Invitation for Bids"

DDOT Response: On technically complex projects where FHWA will participate in the costs, an independent consultant is secured to perform a third party review for quality as well as value engineering analysis. Also, DDOT's Project Development Team is an independent team of engineers that is reviewing documents prior to the Invitation for Bids.

9. Assess whether current DDOT personnel have been negligent in the preparation or review of current project designs and specifications. As appropriate, discipline current employees.

DDOT Response: The Inspector General found that change orders were 7.8 percent of the contract values examined. This is well within the generally accepted contingency in the construction industry. Of the change orders identified by the Inspector General, some were due to site conditions or changes made during construction. Not all were due to design errors.

DDOT continues its efforts to minimize change orders through the Performance Institute / Lean Six Sigma project development process.

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## EXHIBIT F. DISTRICT DEPARTMENT OF TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

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**Finding: ARRA Employment Reporting Requirements**

DDOT disagrees with the Inspector General's finding that it did not effectively monitor contractor compliance with ARRA reporting requirements for payroll data. To date, all contractors have made submissions. Contractors have submitted reports from the time that work began on each of the ARRA projects. Some of the reports have been submitted late, and DDOT will assess penalties against those contractors.

**OIG Recommendations**

10. Review ARRA report submissions for all contracts and compute and assess the contract-specified penalty amounts due as a result of late submissions or failure to submit reports.

DDOT Response: DDOT monitors reports monthly. We concur that penalties should be assessed against contractors per the terms of the contract, including penalties for noncompliance with ARRA labor reporting requirements. According to DDOT records, all contractors have submitted reports since the time construction work began. In some cases, reports have been submitted late. Where warranted, DDOT will assess fines for late or no reporting as part of the close out of these projects.