



Inefficiencies in the Department of Transportation Close Out Process Resulted in Delayed Revenues to the City

Published: August 2, 2023

Objective

We conducted a Biennial Performance Audit of the **Department of Transportation (DOT)** for the Fiscal Years Ended June 30, 2021 and June 30, 2020. The objectives of our performance audit were to:

1. determine whether the (DOT) Federal Project Closeout process is efficient and effective; and
2. follow up on prior findings and recommendations included in the previous Biennial Performance Audit Report, dated August 3, 2020.

Background

The DOT is responsible for maintaining and improving the transportation infrastructure to produce a safe, reliable, accessible, and efficient system for multiple modes of transportation.

Although DOT's capital projects are funded by different sources, the majority of funds come from the Federal government. Most of these government funds are reimbursement basis – which means Federal Contract Closeout processing does not begin until construction is complete, and DOT submits a final reimbursement voucher to the **State Highway Administration (SHA)**. Contract closeout is complete one all documents are submitted, final audits are conducted, all work is completed and validated, and final payment has been made.

Findings

DOT does not effectively monitor to make certain projects are closeout within a reasonable timeframe, which result in delayed expense reimbursements to the City from the SHA.

Out of 18 capital projects we reviewed, DOT was not able to provide documentation for seven projects (approximately 39%). Of the remaining 11, we identified delays ranging from 16 months to 235 months (approximately 19.6 years) from the completion of construction to the reimbursement voucher sent to the SHA.

These significant delays are because DOT does not:

1. have established timeframes to complete each phase of the closeout; and
2. task a division such as the Contract Administration to track and monitor key tasks are completed within the established timeframe.

Effect

Inefficiencies in the DOT close out process result in delayed reimbursement revenues to the City and leaves essential funds tied up for too long in federal highway projects. For example, at

the time this audit was conducted, \$154,202.98 is still outstanding on the contract for Mount St/Amtrak, a project that started in 1998. If projects are not closed out and reimbursed in a timely manner, the City may have to use general funds to cover project costs, restricting our ability to start other needed construction projects.

Recommendations

We recommend the Director of DOT establish policies and procedures to:

1. establish timeframes to complete one key task to another;
2. grant authority to Contract Administration to track and monitor key tasks are completed within the established timeframes; and
3. maintain documentation to track and monitor the key dates.

The DOT agreed with Audits' recommendations, while emphasizing that the closeout process is lengthy, and DOT is not the only participant in the close out process.

Prior Findings

Of the four prior recommendations that we followed up as part of this Biennial Performance Audit, all of them were implemented.