



# DEPARTMENT OF TRANSPORTATION

Biennial Performance Audit  
for Fiscal Years Ended June  
30, 2021 and 2020

City Auditor, Josh Pasch

July 18, 2023



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## Office of the Comptroller

### Josh Pasch, City Auditor

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Honorable Bill Henry, Comptroller  
and Other Members  
of the Board of Estimates  
City of Baltimore

## EXECUTIVE SUMMARY

We conducted a *Biennial Performance Audit of the Department of Transportation for the Fiscal Years Ended June 30, 2021 and June 30, 2020*. The objectives of our performance audit were to: (1) determine whether the Department of Transportation's (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.

To accomplish the DOT's objective for Federal Contract Closeout processing, they submit the final voucher to State Highway Administration (SHA). It should be noted that the SHA is the pass-through entity for all Federal Highway Administration (FHWA) grants and is responsible for monitoring compliance and disbursing grant funds. DOA will reference SHA throughout the report. The successful completion of this process involves:

- Completion and submission of various forms and documents;
- Conducting final audits; and
- Validating that all work has been completed satisfactorily by SHA issuing material clearance certificates.

Our audit concludes that DOT does not effectively and efficiently monitor project close out are completed within a reasonable timeframe. Specifically, we selected 18 capital projects for our analysis. DOT was not able to provide documentation for seven of the projects. 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. This resulted in delayed expense reimbursements from SHA.

The significant delays are because DOT does not: (1) have established timeframes to complete each phase of the close-out; and (2) task a division such as Contract Administration to track and monitor key tasks are completed within the established timeframe.

To improve the efficiency of the DOT Federal contract closeout process, we recommend the Director of DOT implement the recommendations included in this report. Management's responses are included in Appendix I on page 11.

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

We wish to acknowledge DOT and Bureau of Accounting and Payroll Services' (BAPS) cooperation extended to us during our audit.

Respectfully,



Josh Pasch, C.P.A.  
City Auditor  
City of Baltimore, Maryland  
July 18, 2023

## **BACKGROUND INFORMATION**

## **Department of Transportation**

The DOT's mission is to maintain and improve the transportation infrastructure to produce a safe, reliable, accessible, and efficient system for everyone that provides for multiple and sustainable modes of transportation for residents, businesses, and visitors. DOT's capital projects are funded by different sources; the majority of funds come from the Federal government. Most of these funds are reimbursement basis, meaning DOT requests funds from the Federal government after projects costs are incurred. The DOT hires contractors to complete their projects. The following are key DOT divisions responsible for federally funded project closeout: Transportation Engineering and Construction (TEC), Administration - Fiscal, and Contract Administration.

### **I. DOT Engineer's Completion and Review of Project**

Once construction is "substantially" completed, the construction inspectors of the DOT TEC division meet with the contractors hired for the project and prepare a "Punch list" that shows all the items completed and all outstanding items that must be addressed before the project is considered complete. A "Semi-Final" inspection is then done by SHA. Once SHA approves the Semi-Final inspection, DOT TEC issues an engineering certificate indicating that the construction project is complete. At this point, DOT contract administration reviews the construction files, including all billings, and prepares a Final Acceptance Letter which is signed with the contractor. This outlines any outstanding billings and punch list items. Once the Engineering Certificate and Final Acceptance letter are completed, the project is transferred to the DOT Maintenance Division. Transfer of project to DOT maintenance signifies the construction project is completed and put into use. At this point, it should be capitalized by BAPS for accounting purposes. However, BAPS official policy and procedure is to capitalize projects identified by agencies as part of the fiscal year close-out process.

### **II. DOT Contract Administration's Review of Engineer's Documentation**

Once the project is completed from the engineering side, TEC delivers the "construction box" to Contract Administration. The box contains all the Inspectors Daily Reports (IDR), summary of all charges, and final estimate for the project. After reviewing all these items, the contractors involved in the project are sent a summary of all expenditures incurred and paid and any outstanding items. If they agree with the summary, they will sign a Quality Adjustment Letter. When the signed Quality Adjustment letter is returned to DOT Contract Administration, they perform a final review and send the documentation to SHA for the approval of the closeout. The documentation sent includes, if necessary, Extra Work Orders (EWO), to balance the project revenues and expenditures. Upon approval, SHA sends all the documentation back to Contract Administration. This will include their approval of the EWO which is presented to the Board of Estimates for Approval.

### **III. DOT Fiscal Division's Review of Expenses**

Once Contract Administration receives the approved documents from SHA, they are forwarded to the DOT Fiscal Division. DOT Fiscal then reviews expenses to confirm all charges are accurate and complete. At this point, any adjustments necessary to bring the expenses in line with revenue sources are completed. The Fiscal Division verifies that federal expenditures match with the final federal appropriation for the project and all required matching funds are expended as well. DOT Fiscal then sends a final voucher to SHA for approval. The final voucher summarizes all expenditures and their funding sources. SHA reviews the final voucher and informs BAPS when it is approved. This prompts BAPS to complete the final billing.

### **IV. BAPS Closeout of Project**

When BAPS receives notice from SHA of Final Voucher approval, they will run reports on the revenue billed for the project. Based on the final expenditures, they will determine what was remaining to be billed and include the amount in the consolidated billing for the month. When the consolidated billing is sent, revenues are recorded in the general ledger. BAPS was responsible for closing out of projects in City Dynamics. This closeout would include making related general ledger accounts associated with the capital project inactive. Upon completion of the closeout process, the SHA retention policy requires that all documentation be kept for three years.

## OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted our performance audit 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. The objectives of our audit were to:

- Determine whether the DOT's Federal Project Closeout process is efficient and effective; and
- Follow-up on prior findings and recommendations included in the previous Biennial Performance Audit Report, dated August 3, 2020. The scope of our audit is for the periods of FY 2021 and FY 2020.

To accomplish our objectives, we:

- Researched the SHA Manual for Construction on federally funded road construction projects as well as Maryland laws and literature concerning the rules noted in the SHA Manual;
- Interviewed key individuals from DOT and BAPS to obtain an understanding of the policies and procedures and systems that govern the Closeout Process for federally funded road construction projects; and
- Identified the related risks and key controls regarding Federal Contract Closeout; then judgmentally selected samples and tested key controls.

## SECTION I: CURRENT FINDING AND RECOMMENDATION

### Finding I - Inefficiencies in the DOT Close Out Process Results in Delayed Revenues to the City.

The DOT does not effectively monitor to make certain projects are closeout within reasonable timeframe, which result in delayed payments from the SHA. Specifically, we selected 18 samples for our analysis. DOT was not able to provide documentation for seven samples, or approximately 39 percent of samples selected for testing. Of the remaining 11 samples, as shown in Table I below, 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. Best practice is to bill when revenue is earned.

**Table I**

**Summary of Time Spent to Complete Key Tasks that Affect Project Closeouts**

Key Tasks	Minimum Months	Maximum Months	Number of Exceptions
Final Acceptance Date to Retainage Release Date <sup>1</sup>	16	117	7
Final Acceptance Date to DOT Director's Signed-off Date on Certification of Work Completion <sup>2</sup>	8	173	8
DOT Director's Signed-off Date to The Date when Contract Administration (CA) Sent Final Package to DOT Fiscal <sup>2</sup>	6	32	5
The Date when CA Sent Final Package to DOT Fiscal to The Date when DOT Fiscal Sent Final Voucher to SHA <sup>3</sup>	9	74	8
Final Acceptance Date to The Date when DOT Fiscal Sent Final Voucher to SHA	16	235	10

**Notes:** 1. Benchmark set at twelve months.  
 2. Benchmark set at three months.  
 3. Benchmark set at six months.

The significant delays are because DOT does not: (1) have established timeframes to complete one key task to the other; and (2) task a division such as Contract Administration to track and monitor key tasks are completed within the established time frame.

**Recommendation:** 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; (3) maintain documentation to track and monitor the key dates.

**SECTION II: IMPLEMENTATION STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS**

Table II

**Summary of Implementation Status of Audit Findings and Recommendations from the Performance Audit Report for Fiscal Years Ending 2021 and 2020 for Service 683 – Street Management<sup>1</sup>**

No.	Findings	Prior Recommendations	Management's Self-reported Implementation Status	Auditor's Assessment
1.	Pothole completion dates are not being consistently documented due to a lack of policies and procedures and supervisory review.	Develop and implement formal policies and procedures for activities pertaining to the measure.	The crew supervisor reviews and signs the crew's pothole log sheet / manifest to ensure all pertinent information is captured. The completion of the pothole repairs is being recorded in Cityworks as it appears on the pothole form. Pothole repairs are recorded in Cityworks within 24 hours of completion. A supervisor reviewed random selections and determined 85percent of the staff was in compliance. Additional training was provided, and audits will continue periodically.	Implemented

<sup>1</sup> The selected performance measure is “% of Pothole Service Requests Repaired Within 48 Hours”.

**Biennial Performance Audit Report on Department of Transportation – Contract Closeout**

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No.	Findings	Prior Recommendations	Management's Self-reported Implementation Status	Auditor's Assessment
2.	<p>The name of the performance measure in the Budget Book does not reflect the actual performance measure results tracked by DOT. Requests made to BBMR to update the measure have not been processed. As a result, the measure could be misunderstood by Budget Book users.</p>	<p>The Director of Bureau of Business and Management Research (BBMR) revise the name of the measure to accurately reflect the objective of the measure and include a note in the Budget Book when the change is made.</p>	<p>The BBMR changed the wording of the performance measure in the Scorecard online system used to capture performance data. The measure now reads "% of Pothole service requests repaired within 48 hours". The BBMR placed a note into the Scorecard that reads: "July 31, 2020: Service measure updated from % of potholes repaired within 48 hours of reporting" to "% of pothole service requests repaired within 48 hours" to clarify data is being reported. Individual service request may report multiple potholes that require repair.</p>	<p>Implemented</p>

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Table III

Summary of Implementation Status of Audit Finding and Recommendations from the Performance Audit Report for Fiscal Years Ending 2021 and 2020 for Service 683 – Street Management<sup>2</sup>

No.	Finding	Prior Recommendations	Management's Self-reported Implementation Status	Auditor's Assessment
1.	Established guidelines for the calculation, validation and review of cost per lane mile do not exist causing inaccurate actual results to be reported in the Budget Book. The current formula does not include all Other Personnel Costs (OPC).	<ol style="list-style-type: none"> <li>1. Calculate and validate the calculation of the cost per lane mile.</li> <li>2. Periodically update the formula to accurately reflect the up to date OPC.</li> </ol>	Cost per lane mile is calculated by total cost divided by the total lane miles. The total cost includes regular and overtime wages, OPC rate, equipment cost, meal cost and material cost for milling and paving. The labor cost is validated with Human Resources using Workday Payroll System, the OPC rate (which includes the fixed rates for Federal Insurance Contribution Act (FICA) tax and flat rates for medical insurance, prescription drugs, dental and vision) are validated with the Fiscal Division, the equipment cost is validated with Department of General Services Fleet Management and the paving and milling costs are also validated with the Fiscal Division. The OPC rate will be updated at the beginning of the Fiscal Year to accurately calculate the cost per lane mile.	Implemented

<sup>2</sup> The selected performance measure is “Cost of Lane Per Mile Resurfaced by Internal Crews”.

**Table IV**

**Summary of Implementation Status of Audit Findings and Recommendations from the Performance Audit Report for Fiscal Years Ending 2021 and 2020 for Service 693 – Parking Enforcement<sup>3</sup>**

No.	Findings	Prior Recommendations	Management's Self-reported Implementation Status	Auditor's Assessment
1.	The selected measure is an output measure. Therefore, it does not capture activities that DOT is able to control and does not accurately measure the performance of DOT.	With the assistance of BBMR, select performance measures that are meaningful and within Parking Enforcement's control.	When discussing this Service Request, the auditors also recommended we change or create another SR which we did, and it was accepted by BBMR. This metric will track the timeliness of abandoned vehicle inspections. In concert with BBMR, the Budget book will still be tracking overall citations to provide a context for the business of the service.	Implemented

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<sup>3</sup> The selected performance measure is “# of Citations Issued”.

## APPENDIX I: Management's Response to the Audit Report

**Date:** May 25, 2023

**To:** Josh Pasch, City Auditor

**Subject:** Management's Response to Audit Report: Biennial Performance Audit Report on the Department of Transportation- Federal Project Closeout process for the Fiscal Years Ended June 30, 2021 and 2020

Our responses to the audit report findings and recommendations are as follows:

### **Recommendation I**

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 time frames; (3) maintain documentation to track and monitor the key dates.

### **Management Response/Corrective Action Plan**

**Agree**       **Disagree**

The DOT accepts your findings and will establish policies and procedures to establish timeframes, to track and monitor the progression of the key tasks and to maintain a tracking system to monitor dates but we want to emphasis that the closeout process is lengthy and DOT is not the only participant in the close out process; there are both internal and external participants in this process.

**Implementation Date:** Mid-year, 2024

### **Responsible Personnel:**

- Brenda Simmons, Chief, Contract Administration, DOT
- Dharendra Sinha, Chief, Fiscal Division, DOT