

# REPORT HIGHLIGHTS



OPERATIONAL RISK AREAS  
PERFORMANCE AUDIT, MAY 2019

DEPARTMENT OF TRANSPORTATION  
TRANSPORTATION COMMISSION

## CONCERN

In Fiscal Year 2017, the Department of Transportation (Department) spent 37 percent more than it requested in its Budget Allocation Plan (Budget Plan) for the year. The Budget Plan, which is annually approved by the Transportation Commission, did not include prior-year revenue that was still available to spend. Additionally, the Department lacks processes to detect and deter employee fraud through data analysis, does not always close construction projects in a timely way, and does not always use master task order contracts as designed.

## KEY FINDINGS

- Problems with the completeness and transparency of the Department's Budget Plan and controls over spending based on the Budget Plan include:
  - The Department spent \$582.7 million more than approved in the Fiscal Year 2017 Budget Plan. This was primarily due to prior year revenue that was still available to spend but was not included in the Budget Plan. In addition, a budget-to-actuals analysis cannot be performed for nearly \$1.3 billion (about 80 percent) of the Department's approved budget due to a lack of alignment between the Budget Plan and how the Department tracks expenses in the accounting system.
  - The Department did not include statutorily required information in the Fiscal Year 2017 Budget Plan, including more than \$1 billion carried forward from prior years, and construction and maintenance project information.
  - The Budget Plan did not accurately reflect federal highway funding. In Fiscal Year 2017, the Department received \$718.6 million in federal funding—about \$43.7 million more than was included in the approved Budget Plan.
- The Department does not close construction projects and release unused funds within its required timeframe, delaying the release of \$29.3 million in budgeted construction funds for projects we reviewed.
- Our analysis of the Department's vendor records and Fiscal Year 2017 payment data found suspicious patterns and anomalies that indicate a lack of detective controls to identify and deter potential fraud by employees. We did not identify specific instances of fraud.
- We found problems with all five master task order contracts, as well as 80 of the 84 related task orders, we sampled. The problems included scopes of work that did not align between contracts and task orders, unapproved consultant labor rates, contracts without proper approvals, and contract terms that did not comply with state requirements.

## BACKGROUND

- The Department oversees the State's transportation system. It conducts statewide transportation planning; constructs, operates, and maintains the State highway system; and promotes transportation safety.
- The Transportation Commission (Commission) sets transportation policy, supervises Department spending, and adopts the Department's annual Budget Plan.
- The Fiscal Year 2017 Budget Plan reflected a budget of \$1.56 billion.
- The Department completed construction on 277 State-administered design-bid-build projects between April 2016 and August 2018.

## KEY RECOMMENDATIONS

- Include all required information in the Budget Plan or seek statutory changes, if needed; reflect all planned spending and revenue in the Budget Plan; and routinely analyze budget-to-actual data based on the Budget Plan categories.
- Implement policies and processes to routinely analyze vendor and payment data for suspicious patterns or anomalies, and investigate any indicators of potential fraud.
- Develop reports and implement policies and processes to evaluate the timeliness of construction project closure and release of unused funds.
- Implement controls over the cost, duration, and scope of work in master task order contracts.

The Department and Commission agreed with the recommendations.