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February 1, 2017

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 13-3

AGENCY OF  
TRANSPORTATION  
CONSTRUCTION CONTRACT

Bennington Bypass Project: On  
Schedule, On Budget, but  
Opportunities to Improve Contract  
Oversight Exist

Dated: 09/17/2013

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# Overview

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

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

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

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

Audit No., Name	Rec #	Recommendation	Follow-Up Date	Status & Date	Review Comments
<a href="#">13-3 Bennington Bypass Project: On Schedule, On Budget, but Opportunities to Improve Contract Oversight Exist</a>	1	Revise liquidated damages policies to include other costs of project related delays such as inconvenience to the public and traffic control, in addition to the Agency's oversight costs.	2015	Not Implemented	AOT has not implemented our recommendation and will maintain their existing methodology for calculating liquidated damages. Although unrelated to our audit recommendation, AOT reported that it updated the rate table for liquidated damages on 6/13/14. These rates will be reviewed biannually with the next review scheduled for June 2016.
			2016	Not Implemented	AOT has still not implemented our recommendation.
	2	Provide detailed documentation to enable adequate review for change orders such that approvers can verify the accuracy and completeness of the revised quantities and prices prior to change order approval.	2015	Implemented	AOT updated their procedures for drafting and executing change orders during 2014. The procedures require that (1) the Resident Engineer complete a cost analysis with the change order draft and email to the regional support staff for review and (2) staff members review this cost analysis during the change order approval process either through an attachment or a description in the email.
			No further follow-up is required because the recommendation was implemented.		
	3	Eliminate the practice of allowing verbal approval for major project change orders.	2015	Not Implemented	AOT reported that procedures for change orders were updated in 2014. However, the updated procedures for verbal approvals for major change orders states the Resident Engineer must obtain verbal approval from the FHWA Engineer, in addition to the Regional Construction Engineer and the Project Manager, before proceeding with the Change Order or any of the additional work. This implies that work can commence based solely on verbal approvals. Therefore, we conclude that AOT has not implemented our recommendation.
			2016	Not Implemented	AOT has not implemented our recommendation and continues to allow verbal approvals for major project change orders.
	4	Require change order requests to be executed before the start of work.	2015	Not Implemented	AOT has not implemented this recommendation and believes procedures are adequate to mitigate the risk of proceeding without an executed change order.
			2016	Not Implemented	AOT has still not implemented our recommendation.
	5	Evaluate SiteManager user privileges to ensure access rights are commensurate with employee and consultant responsibilities and to ensure segregation of duties.	2015	Partially Implemented	AOT reported that a review and update of permissions within SiteManager is currently in-process and scheduled for completion by April 2016.
			2016	Partially Implemented	AOT reported the SiteManager Coordinator has been working with IT to review and update access rights for every user group, and eliminated non-essential users who were categorized as administrators with full access rights to the system. AOT plans to finish its review and adopt a policy and procedures manual to manage user privileges and access rights by summer 2017.
6	Develop policies and procedures that provide a comprehensive, consistent framework for the calculation of price adjustment change orders to ensure that they are calculated accurately and that all quantities subject to adjustments are reconciled.	2015	Implemented	As part of the 2014 changes to the Construction Manual, AOT drafted procedures which will be used by the Resident Engineer and Regional Staff when conducting independent cost analysis for price adjustment change orders. AOT provided staff training in April 2014 related to price adjustments for asphalt and fuel.	
		No further follow-up is required because the recommendation was implemented.			
7	Implement procedures in Contract Administration for comparing the adequacy of a contractor's insurance coverage to the requirements of the Standard Specifications prior to the execution of the contract, including validating with the insurance company that contractor policies are in force and documenting that the validation occurred.	2015	Implemented	AOT has implemented procedures requiring the validation of insurance coverage prior to the execution of the contract by including requests for proof of insurance coverage as part of the award letter. AOT representatives met with Risk Management during Spring/Summer 2014 for training to improve oversight and monitoring of insurance coverage. Contract Administration staff received Insurance 101 training which included guidance for reviewing Certificates of Liability.	
		No further follow-up is required because the recommendation was implemented.			

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<a href="#">13-3 Bennington Bypass Project: On Schedule, On Budget, but Opportunities to Improve Contract Oversight Exist</a>	8	Revise Construction Section insurance monitoring procedures to require that policies match the coverage types and limits of the Standard Specifications; to document verification of the insurance coverage directly with the insurance company; and to implement supervisory review to ensure systematic performance of those verifications.	2015	Implemented	AOT provided revised written procedures for insurance verification and tracking which were put in place in October 2014. AOT verifies insurance coverage directly with the insurer via an official ACORD Certificate.
	No further follow-up is required because the recommendation was implemented				
	9	Develop a monitoring procedure to ensure that Products and Completed Operations [insurance] Coverage extends past project acceptance.	2015	No Longer Applicable	AOT reported that PCOC is required to be in effect up to and including the date of project acceptance. However, after consultation with AOT's Legal Counsel and the Office of Risk Management, AOT was informed that PCOC by definition extends for one year after project acceptance. Therefore, there is no need to monitor coverage after project acceptance.
	No further follow-up is required because the recommendation is no longer applicable.				
	10	Align Construction Section wage rate practices with the construction manual to allow sampling of wage rates as opposed to 100 percent review.	2015	Not Implemented	AOT has not implemented our recommendation and continues to review 100% of the weekly payroll submissions.
				2016	Not Implemented