

# STATE AUDITOR DOUG HOFFER

## PRESS RELEASE

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### **State Auditor Examines AOT Projects, Practices**

MONTPELIER, VT – The Auditor’s Office examined two roadway construction contracts at the Agency of Transportation. The goal was to see if the contracts were completed on schedule; were completed within budget; and met contract insurance requirements and federally required wage provisions.

The audit found that one project was on schedule and within budget (Bennington Bypass) and one was not (New Haven paving).

According to the report, the New Haven project was expected to be completed in 117 days but was 35 days over schedule. The Agency determined that the contractor was responsible for 24 of those days (a 21% overrun). When a delay is caused by the contractor, the Agency can charge liquidated damages to help recover costs associated with the delay and to provide an incentive for getting the job done on time. In this case, the Agency charged the contractor \$45,600 to cover the added costs of project oversight; equal to 1.2% of the original \$3.8 million contract.

The report also noted that the liquidated damages did not include \$70,000 for flaggers, uniformed traffic officers, and traffic control signage that were needed during the delay. Hoffer said, “I am concerned that the Agency of Transportation is leaving money on the table. Why should taxpayers pay \$70,000 for the contractor’s failure to finish the job on time?”

Limiting liquidated damages to the cost of Agency oversight captures only a fraction of the costs associated with delays. Not considering and charging all quantifiable liquidated damages may increase the risk that contractors will not finish projects on schedule.

The report also found room for improvement with insurance coverage on AOT projects. “Our review of the contractors’ insurance certificates indicated that certain types of required insurance coverage were excluded and coverage limits did not meet contract requirements,” said Hoffer. The Auditor also found the state was not listed as an insured party on one of four insurance certificates applicable to the contracts. These deficiencies put the State at risk of financial loss.

The audit identified numerous opportunities for the Agency to shorten project timelines, reduce financial risk to the State, and deliver increased value for every construction project.

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