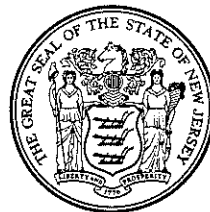

**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**



**Department of Transportation
Bridge Maintenance Contract Expenditures**

July 1, 2008 to January 27, 2011

**Stephen M. Eells
State Auditor**

2008 - 2009

LEGISLATIVE SERVICES COMMISSION

ASSEMBLYMAN
JOSEPH J. ROBERTS, JR.
Chairman

SENATOR
THOMAS H. KEAN, JR.
Vice-Chairman

SENATE

ANDREW R. CIESLA
RICHARD J. CODEY
NIA H. GILL
ROBERT M. GORDON
SEAN T. KEAN
JOSEPH M. KYRILLOS, JR.
LORETTA WEINBERG

GENERAL ASSEMBLY

PETER J. BIONDI
JON M. BRAMNICK
JOHN J. BURZICHELLI
ALEX DECROCE
ALISON LITTELL MCHOSE
JOAN M. QUIGLEY
BONNIE WATSON COLEMAN



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN STREET
PO BOX 067
TRENTON NJ 08625-0067

ALBERT PORRONI
Executive Director
(609) 292-4625

OFFICE OF THE STATE AUDITOR
(609) 292-3700
FAX (609) 633-0834

STEPHEN M. EELLS
State Auditor

THOMAS R. MESIBROLI
Assistant State Auditor

JOHN J. TERMYNA
Assistant State Auditor

The Honorable Chris Christie
Governor of New Jersey

The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Sheila Y. Oliver
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Transportation, Bridge Maintenance Contract Expenditures for the period of July 1, 2008 to January 27, 2011. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
April 4, 2011

Table of Contents

	Page
Scope	1
Objectives.....	1
Methodology	1
Conclusions.....	2
Findings and Recommendations	
Contract Compliance	3
Auditee Response	4

Scope

We have completed an audit of the Department of Transportation, Bridge Maintenance Contract Expenditures for the period July 1, 2008 to January 27, 2011. Our audit included a review of expenditures from annual bridge maintenance contracts funded by the Special Transportation Fund and bridge painting maintenance expenditures funded by the American Recovery and Reinvestment Act (ARRA). We also reviewed selected general and application information technology controls with regard to daily maintenance work activity and maintenance expenditure payments. Total expenditures for the period were \$149 million, which included \$22 million of ARRA funds. The expenditures included in the review were from appropriations budgeted for fiscal years 2006 through 2011. The primary responsibility of the department's bridge maintenance function is to maintain bridges to ensure safe and efficient movement of traffic.

Objectives

The objectives of our audit were to determine whether bridge maintenance contract expenditures were reasonable, recorded properly in the accounting systems, related to the contract, in compliance with the terms and conditions of the contract, and in compliance with ARRA requirements. Our audit also included a determination of the adequacy of selected information technology general and application controls. These controls included policies and procedures to maintain the applications, user authentication, and authorization to provide network and application security.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Additional guidance for conduct of the audit was provided by Control Objectives for Information and Related Technology (CobiT) issued by the IT Governance Institute.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Department of the Treasury, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our audit tests. We also read the budget messages, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of expenditure transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. We also tested information technology general and application controls to provide conclusions about the adequacy of these controls. Transactions were judgmentally selected for testing.

Conclusions

We found that the bridge maintenance contract expenditures were reasonable, recorded properly in the accounting systems, related to the contract, in compliance with the terms and conditions of the contract, and in compliance with ARRA requirements. We found that the information technology systems had general and application controls in place that were operating as intended. In making these determinations we identified an issue that warrants management's attention.

Contract Compliance

Key personnel changes need to be reported and approved in accordance with the terms of the contract.

The New Jersey Department of Transportation (DOT) relies on the list of key personnel in the technical proposal submitted by consulting firms when procuring professional consulting services for construction project management. The Consultant Selection Committee within the department's Division of Procurement selects a firm by analyzing the submitted proposals on a weighted rating system. Key personnel is weighted at fifty percent, the firm's capability thirty percent, project approach fifteen percent and five percent is given to project management. The key personnel component has the most significant impact because the department assigns full responsibility for managing the project, ensuring quality control, and certifying the contractor's request for payments. The department has minimal direct oversight in the management of these projects.

The DOT's Division of Procurement has standard articles included in every consultant contract. For example, Article 20, Removal of Consultant Personnel, states the consultant shall not remove key personnel whose name was submitted as part of the technical proposal without prior approval from the department. The purpose of this article is to prevent consulting firms from including their most qualified personnel in their technical proposal and subsequently replacing them with less qualified staff.

The DOT has three regional construction offices that oversee contracts assigned to them. We selected five ARRA funded bridge painting projects for testing. Four of these projects required the DOT to procure and contract a professional consulting firm to oversee the construction inspection of these projects. This contract was administered by the northern office. We found that the northern office released the consulting firm from their contractual obligation to use the key personnel, citing project lead time and human resource issues to justify the changes. The department does not have a procedure requiring these changes to be communicated to the Division of Procurement. Communicating these changes would be useful during subsequent procurement cycles.

Recommendation

We recommend the DOT require all regional construction offices enforce the terms and conditions of professional consulting contracts. We also recommend the department develop and implement a policy requiring key personnel changes to be reported to the Division of Procurement.

»»««



State of New Jersey

DEPARTMENT OF TRANSPORTATION
P.O. Box 600
Trenton, New Jersey 08625-0600

CHRIS CHRISTIE
Governor

JAMES S. SIMPSON
Commissioner

KIM GUADAGNO
Lt. Governor

March 24, 2011

Stephen M. Eells, State Auditor
Office of the State Auditor
P.O. Box 67
Trenton, NJ 08625-0067


Dear Mr. Eells:

Staff in the Capital Program Management area completed a review of the "findings and recommendations" for Contract Compliance, identified in the OLS Audit report conducted from July 1, 2008 to January 27, 2011. Analyses have been conducted and the New Jersey Department of Transportation offers the following response to these specific recommendations:

Contract Compliance: Although, the Department of Transportation does not have a written policy on contract key personnel changes, all three regional contract managers exercise the authority to approve the proposed change in contract key personnel based on the merit of request, project need, and qualification of the alternate personnel. Thus, the Department of Transportation has consistently enforced the terms and conditions of professional consulting contracts.

The Department is already in the process of documenting the current practice followed consistently by all three regional offices related to changes in contract key personnel as a Department policy. The proposed policy will include the auditor's recommendation to report changes in contract key personnel to the Department's Division of Procurement at the conclusion of the consultant contract.

Respectfully submitted,



Richard T. Hammer
Assistant Commissioner
Capital Program Management