

REPORT OF THE  
VIRGINIA DEPARTMENT OF TRANSPORTATION

**IMPROVEMENT IN CASH-FLOW AND PROJECT  
MANAGEMENT IN THE VIRGINIA DEPARTMENT OF  
TRANSPORTATION**

TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA



**HOUSE DOCUMENT NO. 12**

COMMONWEALTH OF VIRGINIA  
RICHMOND  
2003



# COMMONWEALTH of VIRGINIA

## DEPARTMENT OF TRANSPORTATION

1401 EAST BROAD  
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VIRGINIA 23219-2000

**PHILIP A. SHUCET**  
COMMISSIONER

January 14, 2004

Dear General Assembly Member:

As directed by HJR 685 of the 2003 General Assembly Session, this report describes actions taken to improve project and cash-flow management within the Virginia Department of Transportation (VDOT) and improvements achieved as a result of such actions.

At Governor Warner's direction, we have initiated a process of reform at VDOT to improve efficiency and accountability within the agency - toward the goal of regaining the public's trust. The Governor's VDOT reform package from the 2003 session has guided this process.

Specifically, actions have been taken to:

- 1) Streamline agency management and the decision-making process,
- 2) Establish clear lines of authority and accountability,
- 3) Establish internal financial controls, and
- 4) Ensure that planning and programming decisions are based on sound data and professional recommendations.

As this report describes, significant progress has been achieved. Of the 50 recommendations directed to VDOT in the 2002 *Special Review of Cash Management and Capital Budgeting Practices* by the Auditor of Public Accounts (APA), 34 (68%) are complete. The remaining recommendations are being implemented currently. We are on schedule to complete implementation of all of the APA's recommendations by the fall of 2004.

These reforms have laid the groundwork for the long-term transformation of VDOT. However, continued focus and sustained effort will be necessary to realize the full benefit of the reforms that have been implemented and to follow through with additional steps.

With the exception of safety, I have no higher single priority for VDOT than the flawless execution of the Six-Year Program. The business-like reforms that we have implemented will help drive the transformation of VDOT and its institutional culture. While this transformation cannot be accomplished overnight, solid progress has been achieved.

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Two of the east coast's largest highway construction projects, the Springfield Interchange and the Woodrow Wilson Bridge, are currently on-time and on-budget. VDOT and the Federal Highway Administration have reached agreement on a streamlined decision-making process to conduct an environmental review of the 1-81 corridor. The agreement will result to ensure that all environmental issues are adequately addressed in a timely fashion.

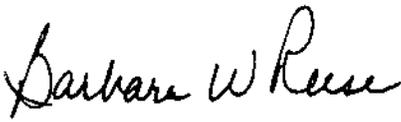
The percentage of contracts completed on-budget (within 110% of contract award) improved from 66% in the first half of FY03 to 73% during the same period in FY04. Progress has clearly been achieved.

In the first two quarters of FY04, 26% of projects were completed on schedule (as defined by original contract completion date). This is a decline from 30% during the same period in FY03. This performance is not acceptable and meeting deadlines will be VDOT's first priority in 2004.

Moving forward, I expect further improvement as the reforms in place and those we continue to implement increasingly reflect on VDOT's on-time and on-budget metrics.

I am committed to true business and performance reform at VDOT that can be sustainable for the long-term. The continued support of the General Assembly will be essential as our efforts continue. I stand ready to meet with you to discuss this progress and the continuing challenge ahead.

Sincerely,

  
for Philip A. Shucet

## **Cash Management**

- 1) As part of an agency-wide reorganization, a Chief Financial Officer (CFO) position has been created.
- 2) As recommended by the APA, VDOT has modified its federal revenue forecasting process. The federal revenue estimate is now based on obligation authority as opposed to apportionment authority. We are not overstating the funding available.
- 3) The Commonwealth Transportation Board (CTB) has developed and approved a formal debt policy to ensure prudent use of FRANs. Adherence to this policy will reduce the debt service burden on the construction program. The Debt Capacity Advisory Committee has approved this policy and it has been reported to the General Assembly.
- 4) VDOT continues to refine the performance of its cash and expenditure forecasting models and managing their work using its results. For example, projects are not added to the advertisement schedule unless the CFO certifies that sufficient revenues have been identified to meet the project's anticipated obligations. This policy will prevent short-term cash deficiencies that have been more common in the recent past.
- 5) Financial plans are now required for all major projects, whether or not required by the Federal Highway Administration.

## **Project Management**

- 1) VDOT's management structure and decision making process has been streamlined. An entire layer of management has been removed. District Administrators now report directly to the Commissioner.
- 2) Decision-making authority has been transferred from the Central Office to the field. District Administrators now have authority and accountability for the projects and activities within their districts.
- 3) Project managers have been named for all major projects. These managers represent a single point of accountability over the course of a project's life cycle.
- 4) VDOT continues to implement concurrent engineering procedures. Concurrent engineering will streamline project development and clarify lines of authority and accountability.
- 5) New project management tools have been developed and are in use. The Dashboard system makes project information available to the public.
- 6) A uniform cost estimation system has been developed and is now in use.
- 7) Constructability reviews are being conducted at milestones throughout the design process to identify obvious design problems or quantity errors before design plans are submitted for construction. These reviews will reduce costly and time-consuming changes to projects under construction.

8) In order to improve professionalism, VDOT now makes Professional Engineer (P.E.) certification a requirement of holding numerous positions within the agency. Approximately 250 engineers, including resident engineers, district construction engineers and division administrators for location and design, construction management, structure and bridge and numerous other positions – have been notified that they must meet P.E. requirements to maintain their positions.

9) Using existing vacancies, 50 additional PEs are being recruited for field assignments to improve professionalism in the districts.