
June 1997

**FEDERAL-AID
HIGHWAY PROGRAM**

**Impact of the District
of Columbia
Emergency Highway
Relief Act**



**Resources, Community, and
Economic Development Division**

B-274377

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Congressional Committees and Subcommittees

During 1995, the District of Columbia's financial crisis deteriorated to a point where it severely hampered the District's ability to fund its transportation program, which includes the design, engineering, construction, and maintenance of streets, bridges, and highways. The District's need to use local funds to help pay past bond obligations resulted in a lack of funds for local highway projects and eventually culminated in a lack of matching funds for securing funds under the Federal-Aid Highway Program.¹

With the urging of the Federal Highway Administration (FHWA), the Congress passed the District of Columbia Emergency Highway Relief Act, which the President signed into law on August 4, 1995. The act provided a temporary waiver of the matching share requirement for funds expended for eligible federal-aid highway projects from August 4, 1995, through September 30, 1996—a 14-month window of opportunity for the District. The act requires the District to establish a dedicated highway fund to repay the temporarily waived amounts and make future matching share payments and requires that we annually audit and report on the financial condition and operations of the highway fund. The act also requires that we review and report on the District's implementation of the act's requirements to (1) process and execute federal-aid highway contracts expeditiously; (2) ensure that the necessary expertise and resources are available to plan, design, and construct highway projects and make administrative and programmatic reforms required by the Secretary of Transportation; and (3) establish an independent revolving fund account for highway projects.

In June 1996, we issued an interim report, and as agreed with your offices, we continued to monitor the District's efforts to implement the act's requirements.² This report addresses (1) the extent to which the District took advantage of the opportunity for the federal government to pay 100 percent of eligible projects' costs expended during the waiver period,

¹The Federal-Aid Highway Program is a reimbursable program whereby the federal government reimburses a state (or, in this case, the District) only for costs actually incurred. To start a project, states use their own money; that is, they provide front-end financing for the project and receive cash for the federal share of the project's cost as work is completed. For most federal-aid highway projects, the federal government pays 80 percent of the project's cost, and the state pays a matching share of 20 percent.

²See D.C. Emergency Highway Relief Act (GAO/RCED-96-R, June 28, 1996).

(2) whether the District's efforts to streamline its contract award process have reduced the time frames to process and execute federal-aid highway contracts, and (3) the status of the District's efforts to implement FHWA's recommendations for improving the District of Columbia Department of Public Works' (DC DPW) capabilities to carry out its federal-aid highway program. Our audit report on the financial condition and operations of the District's highway fund (highway and revolving fund accounts) will be issued separately.

Results in Brief

The District used the waiver authority for 62 of the 98 projects it designated as eligible for the waiver. The District did not make a financial commitment to, or expend funds for, the remaining 36 eligible projects either because it lacked funding to commit to the projects or because of delays in awarding contracts during the waiver period. The waiver allowed the District to restart many projects that had been on hold for up to 2 years and to initiate new federal-aid highway projects. The federal government reimbursed the District \$55.5 million for the eligible projects' costs expended during the 14-month waiver period. Of this amount, the District's matching share waived by the act was \$10.2 million. Currently, the District has about \$112 million of federal-aid highway projects under construction.

The District's efforts to streamline its contract award process have improved the time frame to execute federal-aid highway contracts over \$1 million. When the District agreed to implement a pilot program to streamline the external review and approval process in June 1996, the District's goal was to shorten the time frame for the process to 45 days, which is typical for other recipients of federal-aid highway funds. The pilot program was fully implemented on October 8, 1996. For contracts processed since the act became law, the average time to execute contracts over \$1 million decreased from 183 days under the prepilot program's procedures to 92 days under the pilot program's procedures. The average time frame to execute contracts under \$1 million increased slightly—from 103 days under the prepilot program's procedures to 108 days under the pilot program's procedures. These time frames are far longer than the District's 45-day contract award goal. Unless efforts are made to streamline the Department of Public Works' internal contract award procedures, the District has little chance of achieving the 45-day contract award goal.

The District has implemented two of the seven agreed-upon priority recommendations in the Federal Highway Administration's April 1996 technical assistance report involving changes made to the contract award process and to project programming and tracking. The Department of Public Works has not taken action on the other five priority recommendations, which include modifying its budget implementation process, increasing funding for operations and maintenance, increasing its staff levels, developing and implementing staff-training programs, or procuring additional computer and software support. According to District officials, the District government's budget and personnel ceiling constraints affect the District's ability to implement some recommendations. District officials acknowledged that they have not focused attention on these recommendations but, instead, on restructuring the Department of Public Works' organization, including developing a performance-based management system, and addressing a White House proposal for changes in the District's transportation program. The District has neither developed a plan to systematically implement the recommendations nor monitored the implementation of the technical assistance recommendations. In response to our review, District officials have recently begun to determine the status of each recommendation and to develop and document their plans for implementing each.

Background

DC DPW is responsible for managing the District's transportation program. FHWA has full oversight responsibility for federally aided highway projects in the District. FHWA oversees the DC DPW's management of projects and administers funding through its division office located in the District. FHWA's approval of a federal-aid highway project occurs incrementally throughout the planning, environmental review, design and property acquisition, and construction stages. However, FHWA does not make a contractual commitment to obligate federal funds to finance a project until it approves the project's plans, specifications, and cost estimates. These become part of the project authorization—the agreement between FHWA and the District that permits the project to be advertised for bids. FHWA must formally concur with the District's decision on whom to award the contract to and the contract price. A project agreement is then executed between FHWA and the District to identify the location, scope, and estimated cost of the project; the conditions of the District's acceptance of federal funds; and the adjusted amount of federal funds obligated. The District starts a project using its own money; that is, it provides front-end financing for the project. As construction proceeds, the District submits

vouchers to FHWA for the reimbursement of the federal share of a project's cost.

In 1995, FHWA was becoming increasingly concerned about the District's inability to provide matching funds and to effectively and safely maintain its existing highway system. To address these concerns, on June 29, 1995, FHWA and the District signed a memorandum of agreement stipulating that in exchange for FHWA's efforts in seeking legislation to waive the matching fund requirement for a period of time, the District would provide DC DPW with the authority to process procurements, hire and retain staff, and establish a revolving fund. By the late summer of 1995, the District had not advertised any construction contracts for the previous 20 months; nearly \$180 million in federal-aid funds had been obligated but not expended because the District lacked matching funds; an additional estimated \$170 million in federal-aid funds had been obligated but not expended not only because of a lack of matching funds, but also because of environmental litigation; and the maintenance of the existing roadway system had been drastically curtailed. Moreover, the District was in jeopardy of losing over \$80 million in obligation authority for fiscal year 1995 because it lacked the matching funds to certify that it could obligate federal highway funds.

Given these conditions, the Congress passed the District of Columbia Emergency Highway Relief Act, which the President signed into law on August 4, 1995. The act enabled the District to obligate its federal highway funds for fiscal year 1995. In December 1995, the District established a Highway Trust Fund to repay the waived amounts and make future matching share payments. To be eligible for the act's temporary waiver, a District highway project had to be a part of the National Highway System (NHS)³ or of regional significance as determined by the Secretary of Transportation, and the federal share of the project's costs had to have been obligated⁴ prior to or during the waiver period. In addition, the District was required to certify that sufficient funds were not available to pay the nonfederal share of the participating costs of the project.

In response to an August 21, 1995, request by DC DPW for technical assistance in implementing the act's requirements, FHWA and DC DPW

³Designated in 1995, the 160,000-mile National Highway System consists of the Interstate System and other principal arterial routes that serve major population centers, international border crossings, national defense requirements, and interstate and interregional travel needs. Other highways and roads make up the 4 million miles of roads in the United States.

⁴An obligation is the federal government's commitment to pay, through reimbursement to the states, the federal share of a project's eligible cost.

established a review team that assessed DC DPW's ability to carry out its federal-aid highway program. FHWA's April 1996 report presented recommendations for improving DC DPW's organization, systems, and resources.⁵ The team's report included more than 100 recommendations, of which DC DPW and FHWA agreed to the following 7 priorities: (1) modifying the contracting process to reduce the involvement of agencies external to DC DPW, (2) greatly reducing the role of the District's Capital Budget Office in the budget implementation process, (3) improving project programming and tracking so that work is scheduled and funds are used in a timely manner, (4) increasing funding for operations and maintenance, (5) increasing levels for staff and salary to address the previous decline in staff, (6) developing and implementing an Individual Development Plan for each employee to address the core skills necessary for job performance, and (7) procuring computers and software support by using a dedicated funding source and billing back projects for their proportionate share of costs.

Act's Waiver Provided a Jump Start for the District's Dormant Federal-Aid Highway Program

The District used the waiver authority for 62 of the 98 projects it designated as eligible for the waiver. The District failed to make a financial commitment to or expend funds for the remaining 36 eligible projects. According to DC DPW officials, several factors limited their ability to expend funds and take fuller advantage of the act's waiver. In any event, the waiver helped the District's federal-aid highway program return to a level similar to the one experienced before the District's fiscal crisis.

The 62 eligible projects had total estimated costs of over \$225 million. Of this amount, the federal share totaled about \$201 million, and the District's matching share, or the potential amount to be waived, totaled about \$24 million. As shown in table 1, the District expended a total of \$61.6 million for these 62 projects during the waiver period and was reimbursed \$55.5 million. About \$45.3 million was related to the federal share of the projects' eligible costs, and about \$10.2 million was related to the District's matching share. The remaining \$6.1 million was related to the District's expenditures for costs not eligible under the federal-aid highway program, such as the costs for cleaning sewers, improving storm drains, and constructing retaining walls.

⁵Summary Report of Technical Assistance Provided to the District of Columbia Department of Public Works (FHWA DC Technical Assistance Team, Apr. 1996).

Table 1: District's Expenditures Related to Eligible Projects From August 4, 1995, Through September 30, 1996

Dollars in thousands			
Expenditures related to	1995	1996	Total
Federal share of eligible cost	\$13,446	\$31,875	\$45,321
District's share of eligible cost (waived by act)	2,174	7,990	10,164
Ineligible costs	0	6,136	6,136
Total expenditures	\$15,620	\$46,001	\$61,621

Our analysis indicates that DC DPW's expenditure rate related to the eligible projects from August 1995 through September 1996 was generally consistent with FHWA's spend-out rates for federal-aid highway projects nationwide. During the 14-month period, DC DPW expended \$61.6 million, or 27 percent, of the \$225 million total estimated costs related to the 62 projects. FHWA's spend-out rates for federal-aid projects indicate that about 26 percent of a project's costs will be incurred in the first 14 months of construction.

During the waiver period, DC DPW designated 98 projects as eligible to receive 100-percent federal funding. Of the 98 projects, funds for 20 projects were not obligated in the District's Financial Management System because contracts were not awarded before the waiver expired on September 30, 1996.⁶ Although funds for the remaining 78 projects were obligated, DC DPW made no expenditures during the waiver period for 16, or about 21 percent, of the 78 projects.

According to DC DPW officials, several factors limited their ability to expend funds and take fuller advantage of the act's waiver. The act was signed in August 1995, leaving the District only 14 months to realize the benefits of the waived local match. During the waiver period, DC DPW had to restart projects that had been on hold for nearly 2 years. In addition, the District still lacked the funding necessary to pay contractors before seeking reimbursement from FHWA. The District borrowed from the U.S. Treasury to, among other things, pay contractors for projects that were critical and could not be stopped. Payments for other projects were stopped or slowed until FHWA granted DC DPW an advance on 14 critical projects. DC DPW was then able to seek reimbursement from FHWA for the 100-percent federal share. Furthermore, uncertainties caused by changes in the process of awarding new contracts resulted in delays and expenditures that were

⁶Whereas FHWA commits funds when the plans, specifications, and cost estimate for a federal-aid highway project are approved for advertisement, DC DPW obligates funds after the contract bid has been awarded.

smaller than what they might have been. Finally, the severe winter of 1995 shortened the construction season by 4 months, further limiting DC DPW's ability to expend funds.

Currently, DC DPW has about \$112 million worth of federal-aid projects under construction. This amount of construction activity returns the District's federal-aid highway program to a level similar to that experienced before the District's fiscal crisis.

Time Frame to Process and Execute Contracts Over \$1 Million Has Improved

A key component of the act, also enumerated in the June 29, 1995, memorandum of agreement between the District and FHWA, requires the District to expeditiously process and execute contracts to implement the Federal-Aid Highway Program. The memorandum highlights the District's agreement to expedite work by delegating the necessary authority for federal-aid highway projects to the Director, DC DPW. The act did not define the term expeditiously; thus, the definition was left to FHWA. According to FHWA officials, the time to process federal-aid highway contracts from bid opening to contract execution should normally take 45 days or less—a time frame that most states are achieving and one that District officials also accepted as their goal.⁷

On June 6, 1996, the District, FHWA, and the Financial Responsibility and Management Assistance Authority (Authority) entered into a memorandum of agreement to establish a federal-aid highway pilot program for DC DPW. The purpose of the agreement was to establish a process that would allow federal-aid highway contracts to be awarded more expeditiously. The pilot program emphasizes streamlining reviews and approvals, especially those external to DC DPW, and is intended to move the District closer to the 45-day contract award goal. DC DPW fully implemented the federal-aid contract award process under the pilot program for all contracts with bid openings on or after October 8, 1996.

Overall, our analysis of the contracts processed since the act's signing under the prepilot program's and the pilot program's procedures shows that the District has reduced the average time to execute contracts over \$1 million—from 183 to 92 days. The average time to execute contracts under \$1 million increased slightly—from 103 to 108 days. Table 2 shows the average number of days required for the District's contract award process under the prepilot program's and the pilot program's procedures.

⁷The contract bids that are received are opened publicly at the time, date, and place designated in the invitation for bid. A contract is executed on the date that the contracting officer signs it.

Table 2: Average Number of Days to Execute Contracts Processed Since August 4, 1995, Under Prepilot Program's and Pilot Program's Procedures

Dollars in millions			
Contract type	Number of contracts	Amount of contracts	Average number of days from bid opening to contract execution
Contracts under \$1 million			
Prepilot program	16	\$10.8	103
Pilot program	2	1.9	108
Contracts over \$1 million			
Prepilot program	14	81.4	183
Pilot program	5	5.6	92

Process Prior to Pilot Program Was Lengthy

Prior to the pilot program, DC DPW was authorized to process and execute federal-aid contracts under \$1 million. However, federal-aid contracts over \$1 million had to be approved by the Mayor, which entailed a series of reviews by the District's Procurement Review Committee, Department of Administrative Services, Office of Corporation Counsel (two legal sufficiency reviews), and City Administrator. In addition, the Mayor was required to formally submit these federal-aid contracts to the District's City Council and the Authority for approval.

In June 1996, we reported on the time it took for DC DPW to process and execute nine construction contracts from the act's signing on August 4, 1995, through June 3, 1996. From June 4, 1996, until the pilot program was implemented on October 8, 1996, DC DPW processed an additional 21 construction contracts.⁸ Table 3 shows the District's contract processing time frames for construction contracts processed from the date of the act and our June 1996 report and from our June 1996 report and the start of the pilot program.

⁸Although nine contracts were actually executed after the pilot program's implementation, they were not processed under the pilot program's procedures because their bid openings occurred before the pilot program was implemented.

Table 3: Average Number of Days to Execute Contracts Processed Under Prepilot Program's Procedures

Dollars in millions			
Contract type	Number of contracts	Amount of contracts	Average number of days from bid opening to contract execution
Contracts under \$1 million			
Aug. 4, 1995 to June 3, 1996	7	\$4.3	104
June 4, 1996 to Oct. 7, 1996	9	6.5	102
Total, all contracts	16	\$10.8	103
Contracts over \$1 million			
Aug. 4, 1995 to June 3, 1996	2	\$32.5	168
June 4, 1996 to Oct. 7, 1996	12	48.9	186
Total, all contracts	14	\$81.4	183

As shown in table 3, a comparison of the contracts processed from the date of the act through our June 1996 report with that of those processed after our report until the start of the pilot program shows that the average time between bid opening and contract execution for contracts over \$1 million increased from 168 to 186 days. This increase occurred between the time that the contractor was notified of the intent to award the contract and the time that the contract was executed. During this period, DC DPW's Office of Management Services prepared the contract documents, and the District's Office of Corporation Counsel reviewed these documents for legal sufficiency. The average time to process and execute contracts under \$1 million was basically the same—104 days for the earlier period, and 102 days for the later period.

The major difference in the average time frames for the 21 construction contracts processed since our June 1996 report occurred during the bid evaluation phase—the time from bid opening until the purchase requisition is completed and funds can be obligated. This phase of the contract award process averaged 50 of the 102 days for contracts under \$1 million and 97 of the 186 days for contracts over \$1 million. We also noted a large difference in the average time between the completion of the bid evaluation phase and the time that DC DPW issued the notice of intent to accept a contractor's bid. This phase of the contract award process averaged 16 of the 102 days for contracts under \$1 million and 51 of the 186 days for contracts over \$1 million. This difference occurred because of

the time needed for the review and approval of contracts over \$1 million by the Mayor, City Council, and Authority.

Pilot Program Reduced the Time to Process and Execute Contracts Over \$1 Million

The contract award process under the pilot program is more streamlined than the prior process. Previously, federal-aid highway contracts were submitted individually for review and approval by the Mayor, City Council, and Authority. Under the pilot program, DC DPW submits an annual program of federal-aid highway projects to the City Council and the Authority for their review and approval. Once the annual program is approved, each individual contract related to the projects in the program is considered approved. However, the pilot program reserves the right for the (1) District's Chief Financial Officer to certify the availability of funds for individual contracts and (2) Authority to review individual contracts at its discretion. According to the 1996 agreement, these reviews and certifications should, whenever possible, take no more than 3 business days. DC DPW's program of transportation construction and consultant services contracts for fiscal year 1997 included 94 contracts totaling about \$170 million and has been approved by the City Council and the Authority.

In implementing the pilot program, Mayoral Order 96-130, dated August 20, 1996, established procedures to expedite the review, award, and execution of federal-aid highway project contracts. As a result of the Mayoral Order, the Office of the City Administrator waived its review of federal-aid highway contracts, and the Department of Administrative Services agreed to perform its required review after a contract's award. In addition, to further expedite the process, the Office of Corporation Counsel approved a standard solicitation package consisting of contract forms, clauses, provisions, certifications, and other standard contract documents that DC DPW will use in federal-aid highway project contracts. The Corporation Counsel, thus, will review only those individual federal-aid highway contracts that deviate from the standard solicitation package. For each contract award, the Director, DC DPW, must certify that (1) the standard solicitation package, including any special provisions and significant addenda that were approved by the Corporation Counsel, was incorporated into the invitation for bids and has not been modified and (2) the proposed contract award conforms in all respects with the requirements of the District and applicable federal law.

Subsequent to the Mayoral Order, the District's Chief Financial Officer established a Contracting Pricing Review unit as part of the Office of Budget and Planning. As of February 10, 1997, the unit was responsible for

reviewing all applicable contracts, including federal-aid highway contracts, for cost and price sufficiency. Since May 1997, DC DPW has also been required to submit all contract advisements for the Chief Financial Officer's review before contracts can be executed.

Since the implementation of the pilot program on October 8, 1996, through May 23, 1997, DC DPW processed and executed seven construction contracts totaling over \$7.5 million—five contracts over \$1 million totaled over \$5.6 million, and two contracts under \$1 million totaled about \$1.9 million. DC DPW averaged 92 days to execute the five contracts over \$1 million, which is far shorter than the 183 days averaged to execute contracts over \$1 million prior to the pilot program. DC DPW averaged 108 days to execute the two contracts under \$1 million, which is longer than the 103-day average time for such contracts prior to the pilot program. According to a DC DPW official, this delay in processing occurred because one of the contractors took longer than normal to return the signed contract and bonding forms.

In addition, 19 contracts with bids totaling \$45.3 million were in the review and approval phase of the award process during this time. Of these 19 contracts, 6 totaling about \$4.4 million are under \$1 million, and 13 totaling \$40.9 million are over \$1 million. As of May 7, 1997, these contracts had been in processing an average of 54 days for contracts under \$1 million and 90 days for contracts over this amount. These data suggest that the average time to execute these contracts will exceed the 92 days averaged by the five contracts executed thus far under the pilot program.

Department of Public Works Needs to Streamline Its Internal Processes to Reduce Time Frames Further

DC DPW has little chance of achieving the 45-day contract award time frame envisioned by both the June 1996 memorandum of agreement and Mayoral Order 96-130 without continued improvements to its internal processes. The pilot program, with its emphasis on reducing or eliminating reviews and approvals external to DC DPW, has reduced the average time to process contracts over \$1 million to 92 days, which is still far longer than the 45-day goal. As shown in table 4, the time for DC DPW to complete the bid evaluation phase—that is, the time between bid opening and completion of the purchase requisition to obligate funds—averaged 43 days for the seven contracts processed under the pilot program.

Table 4: Average Number of Days to Execute Contracts Process Under Pilot Program's Procedures

Contract type	Average number of days from			
	Bid opening to requisition	Requisition to notice of intent	Notice of intent to execution	Bid opening to execution
Contracts under \$1 million	31	40	37	108
Contracts over \$1 million	48	18	26	92
Average, all contracts	43	25	29	97

Concurrent with DC DPW's bid evaluation activities during this phase, the District's Chief Financial Officer certifies the availability of funds for individual contracts, and FHWA concurs in the contract's award. The Acting Director, DC DPW, told us that delays in the Chief Financial Officer's funding approval directly affect a contract's award time. For the seven contracts processed under the pilot program, FHWA's concurrence review averaged about 21 days, or 15 business days, and the Chief Financial Officer's certification averaged about 22 days, or 16 business days. According to data from the Office of Budget and Planning, under the Chief Financial Officer, five of the seven contract packages received from DC DPW contained errors that had to be corrected before processing could begin, which delayed their processing time. In addition, the data indicated that it took, on average, over 4 business days for the Office of Budget and Planning to receive the contract packages from DC DPW after DC DPW had entered the contract data into the District's Financial Management System. Excluding the time for delivery, the Office of Budget and Planning's statistics indicate that the typical average processing time for all transportation facilities projects is slightly less than 10 business days. Since FHWA's concurrence review and the Chief Financial Officer's certification are done concurrently with DC DPW's bid evaluation activities, it is unclear whether they have a significant impact on the time to process contracts.

DC DPW has recently taken several steps to improve its bid evaluation process. For example, DC DPW's Office of Contract Administration was responsible for initiating construction contracts and determining if bids were responsive. Project managers in DC DPW's Bureau of Transportation Construction Services determined if contractors were responsible and competent to perform the work. Since the implementation of the pilot program, these responsiveness and responsibility determinations have been consolidated into the Office of Contract Administration. In March 1997, DC DPW established a task force to look at the process for

establishing project budgets, including ways to reduce the time required to process purchase requisitions. Finally, DC DPW recognizes the need to increase project efficiency and is looking for opportunities to consolidate a large number of road-resurfacing contracts with small contract amounts into fewer contracts with larger contract amounts.

Limited Progress Made in Implementing FHWA's Technical Assistance Recommendations

FHWA's April 1996 technical assistance report contained many recommendations for improving DC DPW's organization, systems, and resources. Subsequent to the report's issuance, FHWA and DC DPW officials met to determine if the recommendations were acceptable and doable. FHWA and DC DPW then identified seven priorities among the recommendations: procurement, budgeting, project programming and tracking, operations and maintenance, personnel, training, and computer systems. The District has implemented recommendations under only two of the seven categories—modifying DC DPW's contracting process to reduce the involvement of agencies outside DC DPW (as discussed in the prior section) and improving project programming and tracking. According to DC DPW and FHWA officials, the failure to implement the remaining five priority recommendations is due, in large part, to the District's continuing financial crisis and the resultant resource and management limitations placed on DC DPW.

Neither DC DPW nor FHWA is systematically monitoring the implementation of any of FHWA's recommendations. Both the District and FHWA view FHWA's technical assistance recommendations as a resource for DC DPW to use in its efforts to identify and achieve support from the District government for changes to improve its transportation program. Although some discussions occurred, the District and FHWA never came to closure on which of FHWA's recommendations would be implemented within specified time frames. DC DPW has not made the implementation of FHWA's recommendations a priority, has not assigned responsibility for implementing each recommendation, and until recently, was not monitoring the implementation status of these recommendations. In April 1997, in response to our review, DC DPW began developing a process for monitoring each of the technical assistance report's recommendations. This process includes delineating the report's recommendations, identifying which recommendations DC DPW agrees with, and determining and documenting, for each agreed-to recommendation, the implementation status and schedule and the responsible DC DPW offices.

FHWA's Division Office officials told us that they have not followed up on whether the District has implemented FHWA's recommendations because the recommendations were provided at the District's request and were considered a tool—not a mandate—to be used by DC DPW. FHWA officials compared FHWA's role regarding the technical assistance recommendations with that of a consultant to DC DPW and stated that as such, FHWA should not necessarily be expected to follow up on the results of this work. FHWA's Division Office officials stated, however, that they—informally and individually—attempt to keep up with changes that are made.

Additionally, both DC DPW and FHWA officials stated that their priorities since the April 1996 technical assistance report—restructuring DC DPW's transportation organization and developing a proposal by the administration for changes to the District's transportation program—will address many, if not all, of the report's recommendations. The officials consider the reorganization and administration's proposal to be prerequisites for implementing many of the recommendations.

Project Programming and Tracking Procedures Address Recommendations

FHWA recommended that DC DPW strengthen its methods to (1) translate its project-planning documents into priorities and schedules and (2) adjust the annual work plan and project schedules to address variances between planned and actual project costs and schedules throughout the fiscal year. DC DPW reviewed its existing project programming and tracking procedures and believes that its procedures are already responsive to the recommendations. DC DPW has annual and multiyear planning documents that are systematically used by DC DPW as the basis for developing annual budgets and federal-aid obligation plans. DC DPW also produces monthly project status reports for projects in the design and construction phases that provide data on the projects currently in each of these phases.

External Involvement in Budget Implementation Process Is Increasing

FHWA determined that the District Budget Office's involvement beyond the approval of DC DPW's annual transportation budget is (1) unnecessary, because other controls are in place to ensure that the total transportation budget authority is not exceeded, and (2) an implementation barrier to DC DPW's federal-aid highway program. FHWA recommended that DC DPW be given more control over the management of its budget once the annual budget is approved, and that, upon approval of the total budget authority for the transportation program, the Budget Office not be involved in distributing this authority among individual projects. However, throughout fiscal year 1997, the Budget Office has required DC DPW to provide the

Office with project-specific financial updates that it has used to modify project budgets as part of its efforts to manage the District's overall budget. And the District's plans for fiscal year 1998 are to further increase the Budget Office's role through the Office's systematic involvement in monitoring and managing DC DPW projects on a subproject level.

Minor Increases Have Been Made in Operations and Maintenance Funding but Are Still Well Below 1994 Levels

FHWA recommended that the District increase its funding for transportation operations and maintenance, including adding new dedicated revenue sources if possible. Although operations and maintenance spending for fiscal year 1997 is projected to increase to \$3 million from its \$2.8 million level in fiscal year 1996, funding for operations and maintenance is not projected to return to its fiscal year 1994 level of \$4.9 million until fiscal year 2006—ultimately reaching \$6.7 million in fiscal year 2010. No new revenue sources have been dedicated to operations and maintenance. The lack of sufficient funding for transportation operations and maintenance was cited by FHWA as the reason the transportation system had deteriorated to the point of “functioning at no more than a minimum level.”

Short-Term Staffing Targets Were Met, Long-Term Staffing Targets Were Not, and Organizational Changes Are Still in Planning Stage

FHWA recommended that DC DPW increase its transportation staff by 42 in the short-term (6-12 months) and 82 in the long-term (beyond 12 months). In fiscal year 1996, DC DPW temporarily added 49 transportation staff by reassigning staff from other DC DPW functions. According to DC DPW officials, these reassignments became permanent in fiscal year 1997. Also in fiscal year 1997, DC DPW's total authorized staffing level increased by three full-time positions from the level for fiscal year 1996, bringing the total transportation staff increase to 52. However, DC DPW has not met the recommended target of 82 additional transportation staff, though 12 months have lapsed since this recommendation was made. DC DPW and FHWA officials attribute the continued staffing problems to budget limitations and personnel ceiling limits imposed by the District government.

FHWA recommended in its technical assistance report that DC DPW consider forming a District Department of Transportation, which would consolidate all of the city's transportation functions, to provide an improved focus and emphasis on transportation within the District government. The DC DPW reorganization plan is under development, as is an implementation schedule. DC DPW's reorganization plan is expected to create a single Division of Transportation within DC DPW, merging the three main branches

of DC DPW's transportation program—the Office of Policy and Planning, the Office of Design Engineering and Construction Administration, and the Office of Mass Transit. DC DPW and FHWA are also investigating the possibility of transferring some DC DPW project management responsibilities to FHWA, which would reduce DC DPW's staffing requirements. DC DPW officials are hopeful that DC DPW's reorganization plan, when finalized and approved, will result in an increase in transportation staffing levels.

No Efforts Have Been Made to Develop and Implement Staff Training Programs

DC DPW has not undertaken any efforts to develop training plans and programs for all transportation staff, although this was identified as one of the seven priority recommendations. FHWA determined that employee training at DC DPW is critical to the success of the District's transportation program because of understaffing, staff functioning in positions for which they are not trained, and personnel constraints that result in the increased use and management of consultants/contractors. The training of DC DPW's transportation staff continues to occur on an ad hoc basis, as funds are available. DC DPW has provided procurement and contracting training to DC DPW contracting staff, five of whom are now Certified Professional Public Buyers.

Although FHWA recommended that DC DPW develop an Individual Development Plan for each employee in the transportation program and dedicate a percentage of overhead funds to provide the associated employee training, such plans have not been developed, and there is no specified training budget for DC DPW's transportation staff. DC DPW officials stated, however, that they expect to develop plans for senior staff as part of the performance-based management under their proposed transportation reorganization. The officials stated that they will develop an Individual Development Plan for other staff once the reorganization is finalized and new responsibilities have been identified. The officials also noted that the entire annual training budget for the District is only about \$4 million for 27,000 employees (i.e., less than \$150 per employee). FHWA officials told us, however, that they have offered to provide DC DPW employees with training at no cost to the District but that DC DPW generally has not taken advantage of this offer.

Computer Procurement Is Sporadic, and Projects Are Still Not Charged for Computer Costs

FHWA found the need for modern computer hardware and software to be urgent and universal to DC DPW's transportation functions (especially given the need to make existing personnel more productive to help alleviate critical labor shortages) and recommended that DC DPW procure modern computer hardware and software support and provide staff with proper training in its use. Although a computer-aided design and drafting system has since been implemented, this system was under way prior to FHWA's recommendation. No organized effort has been undertaken by DC DPW to identify, prioritize, fund, or meet its computer system needs. DC DPW has obtained some new computers since the April 1996 FHWA recommendation, but these computers were procured on the basis of individual employee/office initiatives and the availability of funds at the time.

In addition to recommending that a dedicated fund be established to purchase or lease new computers, FHWA recommended that DC DPW bill projects for their proportionate share of computer acquisition costs, thereby helping repay the fund over the life of the system. DC DPW officials were not aware of any efforts to implement this recommendation, although some computer costs are charged to projects. Additionally, many of DPW computer needs are to provide financial and other general administrative support, and under federal law, such computer usage cannot be billed to FHWA.

Administration's Proposal

In January 1997, the White House proposed changes to the relationship between the federal government and the District, including its transportation program. FHWA officials stated that under the proposal, as it existed on May 30, 1997, the federal government would assume interim responsibility for the design, construction, maintenance, and operation of the District's NHS. Under the proposal, federal transportation funding for the District would also change and would include eliminating the local matching fund requirement for NHS projects and allowing federal funds to be used on all District roads, including local roads not currently eligible for federal funding. FHWA believes that these transportation changes will allow the District to fully respond to most of FHWA's recommendations, except, perhaps, those relating to increasing DC DPW's staffing. The impact of this proposal on DC DPW's transportation program and the continued relevance of technical assistance recommendations cannot be determined until legislation is enacted to implement the administration's proposal.

Conclusions

Although the District was slow to react to and did not take full advantage of the temporary matching fund waiver, the waiver did provide a jump start for the District's dormant federal-aid highway program. The District's current level of federal-aid project construction is about \$112 million, which returns the District's federal-aid highway program to a level similar to that experienced prior to the fiscal crisis.

The District's efforts to streamline its contract award process have reduced the time frame to process and execute federal-aid highway contracts. To date, most of these efforts have addressed eliminating or limiting reviews and approvals external to DC DPW. For contracts executed under the pilot program, the average time decreased to about 92 days for contracts over \$1 million and increased to about 108 days for contracts under \$1 million. These time frames are far longer than the 45-day contract award process established as a goal by the District's pilot contract award program. Unless efforts are made to streamline DC DPW's internal contract award procedures, the District has little chance of achieving the 45-day contract award goal. For example, DC DPW procedures to ensure that timely, error-free contract packages are submitted to the Chief Financial Officer could help to reduce the time to obtain certification of the availability of funds for contracts.

The technical assistance provided by FHWA to improve DC DPW's ability to carry out its federal-aid highway program has been largely ineffectual. Neither the District nor FHWA uses FHWA's recommendations as a checklist against which DC DPW's improvements can be measured. And neither the District nor FHWA is monitoring the status of these recommendations. Modifying the contracting process for federal-aid highway projects and improving project programming and tracking are the only priority recommendations that have been implemented to date. Additionally, the President is developing a proposal for the Congress to potentially alter the District's transportation responsibilities and funding. The impact of these potential changes on DC DPW's management and the continued relevance of FHWA's 1996 recommendations remain to be seen.

Recommendations

We recommend that the Secretary of Transportation direct the Administrator of FHWA to continue to work with the District to evaluate DC DPW's internal contract award procedures and assist the District in implementing changes needed to help reduce the time to process and execute federal-aid highway contracts. We also recommend that the Secretary direct the Administrator to assist DC DPW in establishing

priorities, timetables, and a process for monitoring the implementation of FHWA's April 1996 recommendations that are still found to be worthwhile.

Agency Comments and Our Evaluations

On May 16, 1997, we provided the Department of Transportation and the District government with copies of a draft of this report for their review and comment. We met with FHWA officials, including the Director, Office of Engineering, and the Administrator, District of Columbia Division Office, on May 27, 1997, and with DC DPW officials, including the Deputy Director, on May 23, 1997, who generally concurred with the information and recommendations contained in the report. On June 6, 1997, and again on June 10, 1997, DC DPW's Acting Director provided additional comments. We have made a number of changes to the report on the basis of new information provided by both FHWA and DC DPW since the draft was provided to them for comment.

FHWA officials believed that the draft report overstated their responsibility for monitoring DC DPW's implementation of the recommendations in FHWA's April 1996 technical assistance report and failed to recognize other FHWA efforts to assist DC DPW, including a new agreement between FHWA and the District to implement the administration's proposal when or if it is enacted into law. FHWA officials consider the technical assistance recommendations as guidance rather than a mandate to be used by DC DPW and, therefore, believe that they are not responsible for monitoring DC DPW's implementation of the recommendations. Our revised report does not call for FHWA to monitor DC DPW's implementation of the technical assistance report's recommendations but does point out that monitoring is not occurring.

DC DPW officials believed that the draft report did not reflect recent federal-aid contracts executed under the pilot program that show improvement in the average time to process and execute contracts. On the basis of new data provided by DC DPW subsequent to our meeting, we updated our analysis of the average times to process and execute contracts under the pilot program. We revised the report where appropriate to reflect that the District's efforts to streamline its contract award process have improved the time frame to execute federal-aid highway contracts over \$1 million. However, we still recognize that these time frames are longer than the District's 45-day contract award goal and that DC DPW needs to streamline its internal processes to further reduce the time frames.

The Acting Director, DC DPW, commented that our draft report inaccurately stated that the funding certification from the District's Chief Financial Officer occurs concurrent with other DC DPW contract processing because DC DPW cannot continue to process a contract until it receives the certification. While we agree that DC DPW cannot continue to process a contract beyond the bid evaluation phase until it receives the certification, our report addresses activities during the bid evaluation phase—that is, the time between the bid opening and the purchase requisition. We were told that during this phase, the Chief Financial Officer's certification and FHWA's concurrence in the contract award overlapped DC DPW's bid evaluation activities, such as making bid responsiveness and contractor responsibility determinations, obtaining necessary tax clearances for the contractor, and approving affirmative action plans.

DC DPW commented that in addition to improvements needed by DC DPW, our report should reflect that the Chief Financial Officer and FHWA need to improve their contract award procedures. The Acting Director, DC DPW, stated that delays in the Chief Financial Officer's funding approval directly affect a contract's award time and that it has taken an average of 41 days to obtain budget certification from the Chief Financial Officer. This estimate of the average time for the Chief Financial Officer certification differs drastically from the estimate that DC DPW officials told us at the May 23, 1997, meeting—namely that certifications average about 24 calendar days, or 18 business days. However, the Office of Budget and Planning, under the Chief Financial Officer, provided us with detailed data showing that the total processing time averaged over 14 business days, including over 4 days for DC DPW to submit contract packages to the Chief Financial Officer after entry into the District's Financial Management System and slightly less than 10 days for certifying the availability of funds for contracts. We did not reconcile the differences in DC DPW's and Chief Financial Officer's average time estimates. Our analysis of the seven contracts processed under the pilot program showed that certification averaged about 22 days, or 16 business days, and that FHWA's concurrence review averaged about 21 days, or 15 business days.

Also, DC DPW officials believed that the draft report did not thoroughly address DC DPW's efforts to implement FHWA's technical assistance recommendations. As a result of new information provided by DC DPW officials during and after our meeting with them, we revised the report to show that DC DPW has taken actions to implement two of the technical assistance report's priority recommendations and has made limited progress in implementing the other five priority recommendations.

However, the Acting Director, DC DPW, believes that our report should also reflect the implementation of the recommendation that DC DPW modify its budget process because our draft report indicated that DC DPW believes its planning and budgeting procedures are consistent with FHWA's recommendations. Our report states that DC DPW believes that its project programming and tracking procedures—not its budgeting procedures—are already responsive to the technical assistance recommendation.

DC DPW officials told us that the District government's budget and personnel ceiling constraints have affected DC DPW's ability to implement some recommendations. The officials also said that they have focused their efforts on other priorities that affect their transportation organization and program instead of implementing the technical assistance recommendations. The officials added that in April 1997, in response to our review, DC DPW began developing a process for monitoring its implementation of FHWA's technical assistance recommendations. We revised our report where appropriate to recognize the impact of these constraints and other priority issues.

DC DPW believes that our criticism of its failure to implement the technical assistance recommendations within some unspecified schedule is both unfair and unwarranted. As part of the team that helped develop the recommendations, DC DPW officials stated that DC DPW knew that it would take additional resources and a number of years to implement the recommendations and, therefore, had not committed itself to specific milestones for implementation. Our report recognizes that the District and FHWA never came to closure on which of FHWA's recommendations would be implemented within specific time frames. According to the technical assistance report, however, the report's short-term recommendations needed to be addressed immediately in order to allow the District's Federal-Aid Highway Program to progress as expeditiously as possible and function at a minimally acceptable level. All the technical assistance recommendations discussed in our report are short-term recommendations, unless specifically noted as long-term. Furthermore, the technical assistance report states that the short-term recommendations, including those with institutional barriers outside DC DPW's control plus many self-imposed barriers, would require 6 to 12 months to fully implement.

DC DPW officials stated that their training efforts have focused on developing performance measures and performance-based budgets as part

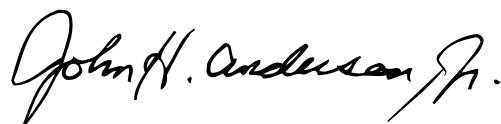
of their overall restructuring of transportation planning, design, and construction into a unified Division of Transportation. The officials believe that these efforts are essential to create a basis for the type of training recommended by FHWA. In addition, the officials stated that DC DPW has to replace its entire computer platform and integrate it with the District's other computerized information management systems before any meaningful improvement can be realized. We agree with DC DPW's long-term efforts to improve its training and computer needs. However, the technical assistance report's recommendations deal with the more immediate needs to train employees in the minimum core skills necessary to perform their jobs and to procure computers and software support so that, given current personnel shortages, existing personnel can be more productive.

Finally, the Acting Director, DC DPW, commented that, to date, FHWA has not provided DC DPW with any technical assistance. Our report states that the FHWA technical assistance study was done at DC DPW's request. In addition, FHWA officials informed us that their current practice is to provide training for DC DPW staff, not to provide DC DPW with FHWA staff. Furthermore, the FHWA officials told us that they have offered to provide DC DPW employees with training at no cost to the District but that DC DPW generally has not taken advantage of this offer.

A copy of DC DPW's June 6, 1997, comments, without the attached suggested editorial changes to our report (which were incorporated as appropriate in the report along with those received from FHWA) and its June 10, 1997, comments are included as appendixes II and III.

We conducted our review from August 1996 through June 1997 in accordance with generally accepted government audit standards. A detailed discussion of our objectives, scope, and methodology appears in appendix I.

We are sending copies of this report to the Subcommittee on Oversight of Government Management and the District of Columbia, Senate Committee on Governmental Affairs; the Subcommittee on the District of Columbia, House Committee on Government Reform and Oversight; Delegate Eleanor Holmes Norton; the Secretary of Transportation; the Administrator, FHWA; the Mayor, District of Columbia; the Director, DC DPW; the Chairman, Financial Responsibility and Management Assistance Authority; the Director, Office of Management and Budget; and other interested parties. We will make copies available on request. If you or your staff have any questions, please call me at (202) 512-2834. Major contributors to this report are listed in appendix IV.



John H. Anderson, Jr.
Director, Transportation Issues

List of Congressional Committees and Subcommittees

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Chairman
The Honorable Max S. Baucus
Ranking Minority Member
Committee on Environment and Public Works
United States Senate

The Honorable John W. Warner
Chairman, Subcommittee on Transportation
and Infrastructure
Committee on Environment and Public Works
United States Senate

The Honorable Bud Shuster
Chairman
The Honorable James L. Oberstar
Ranking Minority Member
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Thomas E. Petri
Chairman
The Honorable Nick J. Rahall, II
Ranking Minority Member
Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
House of Representatives

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Contents

Abbreviations

DC DPW	District of Columbia Department of Public Works
FHWA	Federal Highway Administration
GAO	General Accounting Office
NHS	National Highway System

Objectives, Scope, and Methodology

The District of Columbia Emergency Highway Relief Act was signed into law on August 4, 1995. The act provided for a temporary waiver of the District's matching share of funds expended for eligible federal-aid highway projects from August 4, 1995, through September 30, 1996. The act required, among other things, that we review and report on the District's implementation of requirements to (1) process and execute federal-aid highway contracts expeditiously; (2) ensure that the necessary expertise and resources are available to plan, design, and construct highway projects; and (3) make administrative and programmatic reforms required by the Secretary of Transportation. In June 1996, we issued an interim report, and in agreement with each congressional requester's office, we continued to monitor the District's efforts to implement the act's requirements. Specifically, we agreed to examine (1) the extent to which the District took advantage of the opportunity for the federal government to pay 100 percent of the eligible projects' cost during the waiver period, (2) whether the District's efforts to streamline its contract award process have reduced the time frames to process and execute federal-aid highway contracts, and (3) the status of the District's efforts to implement the Federal Highway Administration's (FHWA) recommendations for improving the District of Columbia Department of Public Work's (DC DPW) capabilities to carry out its federal-aid highway program.

To determine the extent to which the District took advantage of the act's waiver provision, we reviewed reports prepared by DC DPW to identify the projects designated as eligible for the waiver and to determine the amount of the District's expenditures related to these projects during the waiver period. We also interviewed FHWA and DC DPW officials on the eligible projects that were not funded during the waiver period to identify the factors that limited DC DPW's ability to expend funds and take fuller advantage of the act's waiver.

To determine the time required to execute federal-aid highway contracts, we focused our work on the construction contracts processed since enactment of the August 1995 act. We excluded construction contracts processed and executed before the act's signing because they include time when processing was suspended because of a lack of matching funds. We did not review individual design and engineering agreements. We reviewed individual construction contract files to document the number of days taken to process them through the various contract award review and approval stages. We reviewed documents and interviewed FHWA and DC DPW officials to identify any measures taken by DC DPW to streamline its

internal contract award procedures and by the District to eliminate or reduce external contract reviews and approvals.

We reviewed FHWA's April 1996 report assessing DC DPW's expertise and resources to plan, design, and construct federal-aid highway projects. Through the review of documents and interviews with DC DPW and FHWA officials, we attempted to identify the District's actions taken or planned to implement the report's recommendations or other actions to improve its capability to carry out its federal-aid highway program. We discussed with DC DPW and FHWA officials their reasons for not yet taking action on many of the recommendations.

We performed our work primarily at FHWA's District of Columbia Division Office and DC DPW's headquarters in Washington, D.C., from August 1996 through June 1997 in accordance with generally accepted government auditing standards.

Comments From the District of Columbia Department of Public Works Dated June 6, 1997

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF PUBLIC WORKS
2000 14TH STREET, N.W.
6TH FLOOR
WASHINGTON, D.C. 20009



OFFICE OF THE DIRECTOR
(202) 939-8000

Mr. John H. Anderson, Jr.
Director, Transportation Issues
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

June 6, 1997

Dear Mr. Anderson:

I am troubled by the draft report entitled Impact of the District of Columbia Emergency Highway Relief Act, dated May 16, 1997. The report provides facts with the worst possible interpretation, and is factually in error in a couple of cases. The report consistently presents the "glass being half empty" rather than half full. The Results in Brief section, which no doubt will be the most read section of the report, misrepresents those actions the District of Columbia government and the Department of Public Works have taken to improve transportation planning, design and construction in the District. I would suggest that the tone of the report would more accurately reflect the present condition if it accurately described those actions the District has taken, and what actions need to be taken to fully implement the Emergency Highway Relief Act.

My main criticisms are outlined below.

1. The report should clearly state that the District requested technical assistance from the Federal Highway Administration and that the Department of Public Works participated in a team effort with FHWA to produce the document that is now being used as a basis for criticizing our efforts. I was personally on the team and helped shape many of the recommendations, fully aware of our capacity to implement them.

Initially, the Department requested specific technical assistance, training, personnel and equipment to improve our transportation planning and implementation capabilities. We were advised early in the process that this would not be possible, however, FHWA agreed to conduct a study of our current transportation planning and implementation processes and capabilities, and prepare a report recommending areas for improvement. While we welcomed this assistance, and endorsed most of the recommendations (many of which confirmed what we

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1997

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already knew), we knew that it would take additional resources and a number of years to implement them.

We also knew that improvement of the transportation program needed District-wide concurrence and support, and had to take place within the context of the Department's overall capacity rebuilding and transformation efforts. As a result, we have not yet committed to specific milestones for implementation. Therefore, we feel that the GAO report's criticism of our failure to implement the recommendations of the FHWA technical assistance report within some unspecified schedule is both unfair and unwarranted. The technical assistance report was developed to help provide direction for future improvements. It was not intended as a report card to be used to criticize the District government.

2. The report does not adequately distinguish between those tasks which are implementable by the Department of Public Works unilaterally, and which tasks require approval from other District government units. The report should be modified to reflect which tasks are within the control of DPW, and which tasks require approval from other District agencies or independent, congressionally imposed units.

Most of the seven priority recommendation areas (which the District government supports) require budget approval from the Office of the Chief Financial Officer or approval from the D.C. Financial Responsibility and Management Assistance Authority, the Council of the District of Columbia, the Office of the Corporation Counsel or the Department of Administrative Services. While these organizations have been supportive of changes to our procurement process, we cannot control CFO budget review policies and other program review requirements which impact our ability to manage the District's transportation capital program.

3. The report states that the District has not made any progress in reducing the amount of time required to process and award construction contracts. The Department of Public Works has reduced its time to process contracts from approximately 168 days in 1996 to an average of 100 days as of the end of May 1997. DPW has experienced a steady decrease in the number of days required to process contract award, and we expect this trend will continue. However, considerable delay still occurs in establishing the project budget, which is the responsibility of the CFO. As of the end of May 1997, establishing the financing required an average of 41 days, over one-third of the contract award time.
4. The report is wrong in its assessment that we have not provided training to DPW staff, and misunderstands the nature and purpose of the Performance Pilot. There is no choice to

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Comments From the District of Columbia
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1997**

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be made between implementing the FHWA Study Team recommendations and performance based operation. The operation of all of DPW's programs, including transportation, will be improved by systematically measuring performance, linking resources directly to results, and other aspects of our transformation effort.

With the assistance of the D.C. Financial Responsibility and Management Assistance Authority, the Department has contracted with Managing Total Performance, Inc. to provide training in performance measurement, activity-based costing, performance contracts, customer surveys, performance budgeting, etc. to DPW staff. MTP, Inc. was created by the persons responsible for making the Oregon DOT a national model.

Due to early retirements, reductions in force and key staff seeking jobs in more stable and lucrative organizations, the Department's capacity to manage the transportation capital program was severely damaged in the early 1990's. Given our ongoing budgetary constraints and imposed personnel ceilings, DPW will require some time to recruit and properly train staff to improve transportation facility planning and implementation.

In addition, we are in the process of realigning our transportation planning, design and construction into a unified Division of Transportation and are developing performance measures and activity based budgets to guide transportation program implementation. I strongly believe these efforts were essential to create a platform for the type of training recommended by FHWA.

5. The District government as a whole is plagued by antiquated computers and information management systems. We recognize that upgrading our computer capabilities is essential. However, merely purchasing new computers or billing projects for their proportional share of computer costs will not address our fundamental data management needs. The District is restructuring its computer systems and data management capabilities. The Department has to replace its entire computer platform before any meaningful improvement can be realized.
6. The report should mention the budgetary and personnel ceiling constraints have been placed upon the District by governmental units imposed upon the city by Congress. The District's inability to create new positions or seek adequate funding limit our ability to implement legislative requirements and FHWA recommended improvements to our transportation capital program in a timely manner. We remain committed to improve our financial and procurement capabilities to provide the best transportation system possible. Unfortunately, given our

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Comments From the District of Columbia
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1997

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current budgetary constraints, these critical improvements may require several years to be fully implemented.

7. Finally, we believe that the report overstates the extent to which non-value added, external reviews and approvals have been eliminated. The CFO continues to review each procurement to verify cost data and establish the project budget. This process, which should require only one to three days, currently takes approximately 41 days. I met with the CFO on May 27, 1997 and he committed to working with us to reduce contract processing time.


DPW certainly accepts responsibility for streamlining the contracting process steps that occur within DPW. As I have indicated, our ability to do so is at least in part a function of resource limitations and the impacts of disinvestment. Nevertheless, we have a task force at work specifically on this problem and have already realized some improvements.

I do not understand the process that takes place or the time it takes within the CFO's office and would suggest that a complete understanding of the District's handling of Federal aid transportation contracts would require you to have your auditors review the steps, (e.g.- for value added) and the time frame of the CFO's role in this process.

Enclosed for your review are recommended editorial changes to the final report which we feel update the information presented in the report, and place the report's findings in the proper context. Thank you again for the opportunity to comment on the report.

Please include this letter and attachments in full, in your final report.

Sincerely,


Cell Bernardino
Acting Director

Enclosure

CC: Eleanor Holmes Norton
Migo Miconi
Marion Barry, Jr.
Michael Rogers

Comments From the District of Columbia Department of Public Works Dated June 10, 1997

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF PUBLIC WORKS
2000 14TH STREET, N.W.
6TH FLOOR
WASHINGTON, D.C. 20009



OFFICE OF THE DIRECTOR
(202) 939-8000

June 10, 1997

Mr. John H. Anderson, Jr.
Director, Transportation Issues
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Anderson:

I received the recently revised draft of the report entitled Impact of the District of Columbia Emergency Highway Relief Act, on June 9, 1997. While it would appear that the General Accounting Office did incorporate some of the changes requested by the Department in May, 1997 (and formally transmitted on June 6), I take exception to several misleading statements which remain in the report.

1. Pages 3, 27 and 28 indicate that DPW must improve its procurement processes to speed contract award. While I agree that DPW does need to improve contract award procedures, the language on pages 3, 27 and 28 should be revised to indicate that in addition to improvements by DPW, the Office of the Chief Financial Officer and FHWA also need to improve their contract award procedures. In addition, the text on pages 3, 27 and 28 should include a sentence indicating that DPW has created a task force including representatives from capital budgeting, procurement and design, engineering and construction administrations to review and further streamline DPW procurement procedures.
2. The statement on page 4 that the District's DPW has not taken actions to modify its budget implementation process, increase operating and maintenance spending, increase staffing levels, develop and implement staff training programs or procure additional computer software support, ignores many of the comments provided by DPW to GAO on June 6, 1997. Again, DPW operates within the financial constraints of the District government, and does not have the ability to increase budgets or staffing.

The Department is following the same procedures to implement its transportation capital budget as other states use to plan transportation capital spending; the process is consistent with FHWA requirements. Each year, the DPW Office of Policy and Planning prepares a Transportation Improvement Plan, which

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is coordinated with other regional transportation plans. OPP, in conjunction with the Design, Engineering and Construction Administration assembles a capital spending plan, based upon the District's approved Transportation Improvement Plan. Page 21 of the GAO report indicates that DPW believes its planning and budgeting procedures are consistent with FHWA's recommendations. Therefore we believe the reference on page 4 should be modified accordingly.

The failure of the Department to implement the remaining recommendations of the FHWA Technical Assistance Report is directly linked with the severe budget constraints and personnel restrictions placed upon the Department by the District government, the D.C. Financial Responsibility and Management Assistance Authority, the Office of the Chief Financial Officer and the U.S. Congress. We would dearly love to increase operating and maintenance spending, increase staffing levels, develop and implement staff training programs or procure additional computer software support, but are unable to given our ongoing fiscal problems.

4. Also on page 4, it would appear that GAO ignored our comments that realignment of functions and developing the systems and capacity to manage performance using proven, national models methods and techniques (i.e. Oregon DOT) was a necessary first step in improving our transportation program. Instead, the report suggests that the Department engaged in "other priorities that would impact on their transportation organization and program." As stated in our previous comments, "There is no choice to be made between implementing the FHWA Study Team recommendations and performance-based operation." We view the performance management training as both a necessary precursor to the FHWA recommended training and a major contributor to improvement of our transportation program.
5. The statement on page 18, that CFO funding certification occurs concurrent with other DPW contract processing is incorrect. Until the Department receives certification of funding availability from the CFO, the Department cannot process a purchase requisition, obtain approval from the DC Financial Responsibility and Management Assistance Authority, or prepare a contract advisement. Delays in CFO financing approval directly affect contract award time. As we indicated, it has taken an average of 41 days to obtain budget certification from the CFO.
6. The text on pages 21 through 25 indicate that the Department has failed to implement many of the technical assistance report recommendations. Again we would direct the GAO's attention to the Department's comments of June 6, 1997 to place the FHWA recommendations in their proper context.

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Comments From the District of Columbia
Department of Public Works Dated June 10,
1997**

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7. Comments on page 27 indicate that FHWA technical assistance has been largely ineffectual. The GAO language should indicate that the report was merely recommendations, and not a consent order to carry out specific reforms by specific dates, or face sanctions. The Department knew at the outset that it would take additional resources and a number of years to implement the FHWA technical recommendations. We do not believe that the Department should be criticized when external forces limit our ability to implement FHWA recommendations. The report should also note that, to date, FHWA has not provided DPW with any technical assistance. FHWA led and coordinated a study. We are in discussions now with FHWA about actual technical assistance.
8. Finally, I do not concur with GAO's language on page 30, which questions FHWA's view of their responsibilities for monitoring the District's implementation of the Technical Assistance Report recommendations. Again, I believe that GAO has misread the intent of the FHWA Technical Assistance Report, and has under reported the accomplishments the District has achieved in improving its transportation planning and implementation program since the D.C. Emergency Highway Relief Act was passed and implemented. Given the relatively short time-frame, the severe structural barriers which had to be overcome, and the severe budgetary and personnel restrictions under which the District must operate, we believe the resuscitation of the District's transportation capital program has been significant and is worthy of praise.

I respectfully request that this letter, as well as the comments and enclosures formally sent to FHWA on June 6, 1997 be incorporated in total into the final report transmitted to Congress.

Sincerely,


Cell Bernardino
Acting Director

CC: Eleanor Holmes Norton
Migo Miconi
Marion Barry, Jr.
Michael Rogers
Jane Garvey

Major Contributors to This Report

Thomas E. Collis
Helen T. Desaulniers
Ralph W. Lamoreaux
Phyllis F. Scheinberg
Laurie S. Zeitlin

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