

Memorandum



CITY OF DALLAS

DATE February 18, 2022

TO Honorable Mayor and Members of the City Council

SUBJECT **Department of Public Works Response to, *Audit of Road Paving Improvements and Maintenance***

Background

The City of Dallas' Department of Public Works' responsibilities include the design, construction, and maintenance of the City's mobility infrastructure in the City's right-of-way. The department utilized two external contractors to perform various road pavement and improvement activities from 2019 through 2021 valued at nearly \$289M.

In February 2022, the Office of the City Auditor published, *Audit of Road Paving Improvements and Maintenance*, which identified deficiencies such as:

- Projects are not consistently monitored and inspected for quality and timely performance,
- Project information is not centralized or reliable,
- Project expenditures are not consistently verified, and cost overages occur without a documented explanation,
- While the Department of Public Works generally solicits road pavement and improvement activities in accordance with bid protocols, requirements of Administrative Directive 04-05, *Contracting Standards and Procedures (Interim)* were not followed, such as evaluation of contractor experience and financial capability.

Office of the City Auditor Recommendations

To address the findings of the February 2022, *Audit of Road Paving Improvements and Maintenance*, the Office of the City Auditor recommended that the Department of Public Works implement the following:

- Improve quality control and monitoring for timely completion of all road pavement activities.
- Develop a centralized method of tracking all road pavement activities and storing project documentation.
- Ensure consistent verification of project costs.
- Monitor and evaluate root causes for cost overages.
- Ensure compliance with Administrative Directive 4-05, *Contracting Standards and Procedures (Interim)* for attestation requirements and evaluation of bidders.

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Purpose of Memorandum

Given the findings and recommendations found in the, *Audit of Road Paving Improvements and Maintenance*, as well as the commentary in subsequent articles posted by the *Dallas Morning News* and the *Dallas Observer*, the purpose of the memorandum is to address the audit findings and recommendations.

Department of Public Works Responses to Audit Findings and Recommendations

Finding: Projects are not consistently monitored and inspected for quality and timely performance.

Auditor Recommendation: Improve quality control and monitoring for timely completion of all road pavement activities.

Public Works Response: The Department of Public Works completes more than 1,000 road paving and maintenance projects per year monitored by a team of 12 Inspectors. During peak construction periods, on a daily basis, the 12 Inspectors can be monitoring an average of 75 active projects. While the volume of projects, the duration of some projects (preservation projects can last 1-2 days while resurfacing projects can last up to 6-8 weeks), and the number of personnel does not allow our Inspections team to be on each project site at all times, Public Works does have a process for inspection. While documentation may not support inspections activities of all projects, each project is inspected at various milestones and a final inspection is conducted at the project's completion. Furthermore, all projects have one-year warranty and if defects occur during the warranty period, the contractor is required to repair the deficiency.

Understanding the inspections process, the team monitoring projects, and the warranty of contractual street maintenance, Public Works is in the process of completing position reconfigurations to add three Inspectors and a Contracts Compliance position to the Inspections team. Two auditing positions will also be added to the Department of Public Works to help implement existing audit recommendations and ensure regular monitoring of the financial and operational processes of the Contractual Street Maintenance Program and other programs within the department. The additional Inspections, Contracts Compliance, and Auditing staff will improve project quality control and help increase timely completion of road pavement activities, to include proper documentation of inspections.

Finding: Project information is not centralized or reliable.

Auditor Recommendation: Develop a centralized method of tracking all road pavement activities and storing project documentation.

Public Works Response: While the Department of Public Works uses multiple platforms for tracking the data, each platform is a reliable source that provides different information. However, Public Works is actively working with the City's Department of Information Technology Services to consolidate these different systems and centralize these efforts.

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Finding: Project expenditures are not consistently verified, and cost overages occur without a documented explanation.

Auditor Recommendations: 1) Ensure consistent verification of project costs. 2) Monitor and evaluate root causes for cost overages.

Public Works Response: As the Department of Public Works completes over 1,000 paving and maintenance projects annually, it is not feasible to create a detailed project estimate for each street maintenance project. Instead, Public Works creates cost estimates at a program level based upon a lane mile cost of the treatment type for each street being improved. While visual inspections support the treatment type and cost programmed for each street, the visual inspections do not account for cost-adding, site-specific variables such as abandoned rail tracks or pipes under the street or larger areas of base failures in need of repair that are not visible until existing pavement or concrete is first removed. While not programmed in each project budget, not addressing all of the site-specific variables will result in continued issues such as ponding water and inevitably lead to premature failures of the street.

Given the site-specific variables of each project and taking into account the audit's small sample size of 16 projects completed in 2019 and 2020, it should be noted that the Department of Public Works completed the, *Street Treatment Selection Manual* in 2021 that included updated lane mile costs of street improvements treatment types. To address programming of additional funding needed to complete greater amounts of flatwork (curb and gutter, driveway approaches, or sidewalk) to correct drainage corrections, Resurfacing Plus is one example of a treatment type added to more accurately estimate a project's budget.

Finding: While the Department of Public Works generally solicits road pavement and improvement activities in accordance with bid protocols, requirements of Administrative Directive 04-05, *Contracting Standards and Procedures (Interim)* were not followed, such as evaluation of contractor experience and financial capability.

Auditor Recommendation: Ensure compliance with Administrative Directive 4-05, *Contracting Standards and Procedures (Interim)* for attestation requirements and evaluation of bidders.

Public Works Response: The Department of Public Works recognizes that this was a missed opportunity and in response, an annual training presentation will be developed and presented to Public Works staff involved with construction procurement and the additional Contracts Compliance and Auditor positions will ensure adherence to all administrative directives.

Conclusion

While the, *Audit of Road Paving Improvements and Maintenance* did identify deficiencies to include a lack of documentation of inspections and cost overages compared to general project estimates based upon an average cost of treatment per lane mile, from enhanced project estimates to creating new inspections and compliance positions, the Department of Public Works has already implemented and will continue implementing measures to address the identified deficiencies.

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Aside from the measures that Public Works has taken and will take to address the audit's, identified deficiencies, most importantly, it must be noted that all project expenditures are justified and monitored and all projects are completed and inspected in a manner to ensure the quality and longevity of not only the streets but of all the City's infrastructure.

Should you have any questions, please contact me or Ali Hatefi, PE, Interim Director of Public Works.



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