

Background on Act 114

- In 2005 and 2006, the Legislative Audit Council undertook a management review of SCDOT, with a focus on how the agency managed its resources.
- The final report was issued in November 2006, with findings that several improvements needed to be made in programmatic, contractual, and financial management. The report also identified several areas where the agency could recognize cost savings.
- During the 2007 legislative session, a major effort was undertaken by members of the General Assembly to restructure the agency and address some of the findings of the 2006 LAC report.
- SCDOT supported the General Assembly in those efforts and has worked diligently to meet the intent of Act 114 over the past 7 years. Our efforts to embrace the opportunity for continuous improvement were confirmed in 2010 with the publication of a follow up review commissioned by the LAC.

- The major changes implemented through Act 114 were:
 - The selection of the Secretary by the Governor instead of the Commission
 - The establishment of a Joint Transportation Review Committee to thoroughly vet and screen candidates for the Commission
 - Term limits for Commissioners
 - The shifting of several day-to-day functions of the agency's administration to the Commission and monthly reporting of action on those items
 - Monthly reporting of the decisions of the Secretary on items of routine maintenance
 - A prioritization requirement to objectively rank and select projects for both the state and federal programs
 - The establishment of the Office of the Chief Internal Auditor that reports directly to the Commission
 - Two hours of ethics training every other year for all staff and Commissioners

- Agency management feels that Act 114 has made positive impacts in the agency, Bringing greater transparency to the prioritization of projects and accountability of resource utilization.

- As part of establishing a Secretary of Transportation appointed by the Governor, Act 114 defined and clarified the roles and responsibilities of both the Secretary of Transportation and the Commission. We are here today to talk about how some of our day to day operations have changed since Act 114.

Planning:

The Commission role with regard to planning did not change a great deal with Act 114. The Commission still has the responsibility of producing and approving the Long Range Plan and the STIP. What did change was the project prioritization process. Act 114 requires the Commission to select projects from priority lists that have been established using legislatively prescribed criteria.

Prior to Act 114 SCDOT utilized objective and quantifiable criteria when ranking projects. Priority lists were maintained by SCDOT staff and projects were incorporated into the STIP as funding was available. The Commission would approve the projects as part of the STIP approval. Act 114 brought about a greater degree of transparency to the process and introduced criteria, such as the potential for economic development that had previously not been utilized.

Now before a project can be included in the STIP, it must first be approved as part of a Commission approved priority list. The lists are produced using Commission established criteria and put out for public comment prior to their final approval. As projects are pulled from the list and incorporated into the STIP, they are again put out for public comment as a new addition to the STIP.

Moving on to Contractual Responsibilities:

Under Act 114, all **contracts in excess of \$500K** must be approved by the Commission as well as any contract to an entity which has already received \$500K in a fiscal year. Prior to Act 114, these actions were approved by the Secretary (Executive Director). The \$500k threshold often calls for the Commission to approve material & supply procurements for our maintenance operations, routine maintenance contracts (reflective sign sheeting, mowing, precast bridges, on-call concrete repair, etc) utility and railroad agreements and other incidental items required for delivery of our annual program. On the construction side, SCDOT typically has over \$1Billion in open construction contracts for road and bridge work. Each of these new start-up contracts that have gone through a letting, regardless of amount, is approved by the Commission.

Under Act 114, the Commission must also approve advertising for **consultant services**. Once a selection is made and the negotiation is complete, the Commission must also approve the selection and the execution of the contract. Prior to Act 114, these actions were approved by the Executive Director. SCDOT has developed a rigorous process for consultant selection and negotiation in response to the LAC Audit from 2006 and to ensure proper internal controls are in place for these complex solicitations, selections and negotiations.

All relinquishment **of surplus property** must now be approved by the Commission. Prior to Act 114, these were actions approved by the Executive Director. SCDOT staff requests approval to relinquishment all property from the Commission and then returns to the Commission to report the final relinquishment transaction details.

Approval of Resurfacing, new traffic signals, curb cuts on primary roads, construction projects under \$10M. Referred to as Section 370. Prior to ACT 114, resurfacing projects were identified and programmed by agency staff with the Commission approving the award of the construction projects. ACT 114 revised this practice by formally identifying objective and quantifiable factors that the agency should consider when ranking or evaluating resurfacing projects. The Commission has approved the weighted ranking criteria from the ACT 114 required factors that SCDOT staff uses to rank resurfacing projects. The Commission approves the resurfacing project list and approves the award of the contracts once the projects are bid.

With regards to traffic signals and curb cuts, SCDOT staff conducts engineering reviews of these requests in accordance with published guidance (either signal warrants or SCDOT's Access & Roadside Management guide). While ACT 114 did not modify the technical review of these items, it did require SCDOT to report the disposition of these items to the Commission and enables the Commission to override staff's technical assessment.

Secretary approval of routine maintenance activities and report to Commission

Prior to ACT 114, routine maintenance activities were managed by the administration of the agency, with performance standards established for many items. Although ACT 114 continues to give the Secretary of SCDOT the authority to evaluate and approve routine operation and maintenance requests or emergency repairs (such as signage of routes, pavement marking, replacement and installation of guard rails, repair, and installation of signals, or enhancement projects [Section-460 projects]), the law also requires the Secretary to provide a detailed written report to the Commission of all such requests for these items and for any items covered by Section-370 to document his/her decision, and a status report on approved and pending requests. The law requires that the text of the written report and findings must be included in the Commission meeting minutes.

2010 Follow up Management Review and ACT 114 Implementation Compliance Review by MGT of America

In 2009, MGT of America, Inc. was hired by the LAC to conduct a performance audit of SCDOT in accordance with Act 114 of 2007. The MGT audit team reviewed SCDOT's implementation of the prior LAC audit recommendations and found that SCDOT has generally made significant efforts to address the LAC's findings and recommendations and had fully implemented the requirements of ACT 114 in project selection and prioritization as well as complying with policies and procedures relating to letting of contracts. In addition to simple compliance, the audit found that SCDOT was working to make the process more effective and adjusting internal processes for greater efficiencies and cost effectiveness.

The MGT review also commented on the amount of time needed by SCDOT staff to prepare the 370 and 460 monthly reports for the Commission's review and approval, appeared to be of low value relative to the amount of time invested. MGT suggested concentration on the higher-risk or higher-dollar items rather than on items that are low risk, low dollar, or items already completed. For the period July 1, 2013 to June 30, 2014, SCDOT staff recorded, analyzed and reported on 497 section 370 requests and 3060 section 460 requests.

Wrap-Up

Again, agency management feels that Act 114 has made positive impacts to the operations and management of SCDOT. It has brought greater transparency to the prioritization of projects and accountability of resource utilization. SCDOT management also embraces continuous improvement and we look forward to working with the Committee to provide any operational or procedural information the Committee needs as you continue your efforts over the next several weeks.

