

# Audit



## Highlights

Highlights of Legislative Auditor report on the Department of Transportation, Highway Planning and Real Property Management, issued on December 11, 2002. Report # LA02-31.

### Purpose of Audit

The purpose of this audit was to assess the Department of Transportation's (NDOT's) procedures for developing short- and long-term plans for capacity projects and pavement preservation projects, including the selection, prioritization, and funding of projects. We also assessed the Department's procedures for acquiring, managing, and disposing of real property. Our audit included a review of planning and real property activities for calendar years 1999 through 2001.

### Audit Recommendations

This audit report contained 11 recommendations. To improve the development of short- and long-term plans for project selection, prioritization, and funding, the Department should evaluate all capacity projects in accordance with Department procedures. In addition, it needs a written process for determining how capacity projects are placed in short-term plans and should prepare and make available to decision-makers and stakeholders a summary of the Department's prioritization analysis. Further, its process for allocating funds among categories needs to be documented. Moreover, the Department's long-term plan needs to include projected revenues, expenditures for major categories, and alternatives for addressing any funding shortfalls. In addition, debt management policies and procedures should be developed.

To improve the management and disposition of real property, the Department needs to continue developing its real property inventory system, document its excess property determinations, and establish criteria for what to do with its excess property. In addition, it needs to process all requests for surplus property through the Surplus Property Committee and track requests. Finally, records need to be maintained and monitoring processes developed for leasing activities.

The Department accepted all 11 audit recommendations.

### Status of Recommendations

The Department's 60-day plan for corrective action is due on March 11, 2003. In addition, the six-month report on the status of audit recommendations is due September 11, 2003.

# Highway Planning and Real Property Management

## Department of Transportation

### Results in Brief

The Department's short- and long-term transportation planning efforts need to be improved. Important aspects of the process are unclear, and poorly documented. For instance, capacity projects included in NDOT's short-term plans were not fully evaluated for need in accordance with Department procedures. Also, decisions about project prioritization were made without explicitly using criteria or data. Furthermore, NDOT has performed little long-term financial planning concerning its needs and resources. As a result, decision-makers do not have complete information to make informed decisions about the state's transportation system and stakeholders do not have the information to fully participate in the process.

NDOT acquires, manages, and disposes of millions of dollars of real property each year. However, NDOT does not have an efficient way to identify the property it owns and determine whether the property is no longer needed by the Department. In addition, NDOT did not have documentation that it performed all aspects of its processes for acquiring, managing, and disposing of properties.

### Principal Findings

None of the 30 capacity projects we selected from the last 3 years' plans were fully evaluated in accordance with Department procedures. The estimated cost for these 30 projects is nearly \$1.7 billion. Documenting its evaluations of capacity projects would help provide assurance the Department selects the most beneficial projects.

The Department lacked documentation on how it prioritized capacity projects. Therefore, the Department could not demonstrate the extent to which it considered specific criteria or data, such as safety, user benefits, and congestion relief to prioritize projects. In addition, based on our interviews, NDOT's process for prioritizing projects is unclear to metropolitan planning organization (MPO) officials. Moreover, our written survey of officials in the 15 rural counties expressed similar concerns.

NDOT does not have documentation, including written policies and procedures for deciding how to allocate federal and state funds among categories and the issuance of bonds to fund highway projects. In addition, NDOT's long-term planning documents project revenues and expenditures over a limited time and do not discuss strategies for addressing potential funding shortfalls.

NDOT does not have an inventory of land it owns and the status of those properties. NDOT estimates it currently owns over \$350 million of right-of-way, including easements. NDOT also did not have evidence that excess property determinations were made for the 15 completed projects totaling \$85.1 million we reviewed.

Although policies and procedures provide rules for disposing of surplus property, some requirements were not followed. First, 28 surplus property requests required to be submitted to the Surplus Property Committee were not reviewed by the Committee. Second, we found four instances where NDOT lacked appraisals supporting that properties were exchanged for reasonably close values.

NDOT has not established effective lease monitoring and collection processes. We found 18 leases had expired before lease renewal notices were sent. Also, we identified about \$48,000 in lease payments that went uncollected.

NDOT did not have evidence it always complied with property management laws and Department procedures. Many of the 30 leases we examined did not have records to support that one or more of the property management requirements were completed. Further, the Department's inventories of properties it leases are not accurate. We found the inventories had duplications and expired agreements, and did not include all leased properties.