

Highway Commission Review and Advisory Subcommittee
Final Report to the Arkansas Legislative Council
Guidehouse Efficiency Review Recommendations

Arkansas Department of Transportation
Response

October 12, 2020

Closing Statement

The Arkansas Department of Transportation (ARDOT) kicked off the Efficiency Review with Guidehouse in September 2019. ARDOT has logged over 4,000 hours of staff time since that date. This effort included information gathering and submission of 1,100 files, 64 interviews with 86 key subject matter experts, and extensive analysis of the Guidehouse recommendations, preparation of reports and responses.

ARDOT made this review and our responses a top priority and embraced it as an opportunity to find areas to improve and become more efficient. Some key takeaways that ARDOT identified from this extensive review are as follows:

- ✓ The majority (11 out of 13) of the recommendations are already in-flight at various levels of maturity. This gives us confidence that we are working in the right direction. Please refer to Attachment 1 for a detailed review of the status of the recommendations implementation.
- ✓ What the Efficiency Review did not find is also a source of confidence as well. No red flags or major deficiencies were identified after reviewing every aspect of the Department and comparing us with other State Departments of Transportation across the country.
- ✓ Funding and hiring consultants or additional employees will be necessary to fully implement some of ARDOT's responses to the recommendations in a timely fashion.
- ✓ ARDOT needs to incorporate performance reporting into our culture in all areas. When Guidehouse began presenting their recommendations in July, Erin Hutchins stated "What doesn't get measured – doesn't get done." But, ARDOT's main key takeaway from the Efficiency Review Recommendations is **"What doesn't get measured – you don't get credit for."**

- ✓ ARDOT needs to establish baseline measurements and goals and then report on how we have improved customer satisfaction, improved operations and the resulting cost savings, improved employee engagement, improved project delivery, etc.

One of many examples is "practical design". ARDOT has been practicing practical design since 1989. It is considered during the scoping phase of every project and has resulted in tremendous cost savings over the years. However, we have not tracked the savings. We have missed an opportunity to increase public trust. But, that can be easily remedied.

- ✓ Enhanced reporting that measures our progress on efficiency initiatives is necessary in order to increase our transparency and accountability to the public, which will in turn increase their trust in us. We want the public to know we are one of the best Departments of Transportation in the nation.
- ✓ We have many great employees that work hard and are dedicated to the public's best interest. They consistently approach their work with an attitude of good stewardship and public service. However, our management team is made up of primarily engineers. For engineers, measuring, tracking and reporting on a system or process that is working well and accomplishing its purpose is not intuitive. We tend to think that if we work hard and do what it is right, that will speak for itself and will be recognized. A culture shift is needed.
- ✓ It is important to the Highway Commission and to me, as Director of ARDOT, that the taxpayers and the legislature have confidence in the Department. We are proud of the work we do. Now, thanks to this review, the Highway Commission Review and Advisory Subcommittee (HCRAS) hopefully has a better understanding of the complexity of the issues and the magnitude of the work.
- ✓ As Director my ultimate goal is to make it clear to everyone what a great organization ARDOT is so that the HCRAS, the Legislature, the Governor and the public will have the same pride that I have in our agency. It is obvious that measuring and reporting is an important key.

Thank you all for allowing ARDOT to respond to the recommendations over the last few months. The Commission and I look forward to continuing the progress towards efficiency with the assistance of the HCRAS, the highway stakeholders and the public.

Response to Final Report

Recommendation 6

Reference is made to ARDOT's September 16 response to Guidehouse Recommendation 6 – Implement Construction Contractor Performance Measurement (see Attachment 2). Our response included a statement that ARDOT has implemented several practices over the years to expedite project delivery, ensure quality, and reward high-performing contractors and encourage low-performers to improve.

While much has been done, it is our understanding that the intent of Recommendation 6 is for continual improvement in construction project delivery.

To accomplish the intent of this recommendation, we propose development of a Construction Contract Close Out Report in lieu of a contractor rating or scoring system. This will allow tracking of objective criteria associated with each contractor at the end of each project.

In conjunction with this report, we will develop a collaborative process that will involve a Construction Contract Close Out Meeting between ARDOT and the Contractor. This meeting will provide a forum to discuss problems and possible future solutions, along with what was successful.

This proposal was vetted with the Arkansas General Contractor and Arkansas Asphalt Pavement Associations and they are in full agreement.

Based on this proposal, the following changes are respectfully requested for the following Final Report Recommendation 6 (red font signifies recommended additions to the text / blue font signifies recommended removal of text)

C. Procurement

6. Implement Construction Contractor Performance Management.

The Subcommittee recommends **implementation of** a construction contractor ~~performance score~~ **project close out process to enhance construction project delivery.** ~~ArDOT rigorously monitors contractor quality through inspections, but lacks a tool to screen for contractor quality during procurement. By implementing performance-based scoring, ArDOT may improve work quality, safety, and timeliness; reward high-performing contractors; and encourage low performers to improve.~~

a. ArDOT Implementation:

(1) Identify **quality** performance indicators (i.e., **default, liquidated damages, contract time, incentives,** ~~repeated disincentives, claims, change orders,~~ **citations, value engineering proposals**);

~~(2) Develop scoring system to quantify performance; and~~

(3) Track and monitor performance, using indicators and costs. In monitoring contractor performance, the recommendation of the Subcommittee is that the Department coordinate with county judges, mayors, and other municipal leaders to receive feedback regarding contractors performing work for the Department in the municipal leader's jurisdiction.

b. Considerations:

~~(1.) Consider impact for both small and large contractors;~~

2. Emphasize quantitative approach to minimize any appearance of subjectivity in **scoring** reporting;

3. Consider ~~an appeals~~ a project closeout process for contractors ~~to counter scores~~ and ARDOT to discuss areas that could be improved and develop a plan to implement solutions to any problems that are identified.; ~~and~~

~~4. Ensure contractors have a clear path to raise their scores.~~

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Recommendations

Overview

		Recommendation	In-Flight by ARDOT
Organizational Structure	1	Finalize KPIs and implement performance management	In-flight – some already developed and in use, some under development – will finalize
	2	Strengthen knowledge management in anticipation of increased retirement	In-flight – will continue our progress in implementing KM strategies
Portfolio Planning	3	Publish status of construction projects and maintenance activities	In-flight – construction included in our website re-design scheduled for the end of this year
	4	Implement a platform that tracks all stakeholder inquiries to resolution	Will begin development – may require purchase of software
Procurement	5	Implement efficiencies in procurement and purchasing	In-flight – new Accounting System implementation underway
	6	Implement construction contractor performance measurement	On-going discussions with the Subcommittee

Recommendations

Overview

		Recommendation	In-Flight by ARDOT
Expenditures	7	Implement project and portfolio management frameworks	Fully implemented and in-flight – Construction project management will be strengthened – Maintenance Management System underway
	8	Implement best practices in construction project design	Fully implemented and in-flight – will begin documenting cost savings on each project
Information Technology	9	Build an IT Governance Structure to guide the Department's IT investments	In-flight
	10	Implement mid-term IT initiatives that can optimize business operations	In-flight
	11	Develop critical pillars necessary to establish IT as an effective business partner	In-flight

Recommendations

Overview

		Recommendation	In-Flight by ARDOT
People Capabilities	12	Ensure staff can develop in their careers at ArDOT	In flight – will continue building on our progress – will include creating career ladders
	13	Improve staff capabilities to align with current / future organization needs	In flight – will continue building on our progress and strengthen our training opportunities

Guidehouse Efficiency Review Recommendations

ARDOT Response

September 16, 2020

Procurement

6. Implement construction contractor performance measurement.

ARDOT lacks a comprehensive tool to screen for contractor quality during procurement. By implementing performance-based prequalification, ARDOT may improve project delivery; reward high-performing contractors; and encourage low-performers to improve.

ARDOT Response:

E. ARDOT's Current Practice:

ARDOT's current practice for the traditional design/bid/build project delivery method ensures that qualified contractors are selected in an objective manner to perform quality work in a timely manner at the lowest cost to the taxpayer. These practices include:

- Administrative Prequalification of Contractors
- Bid and Performance Bond Requirement
 - Private sector bonding companies establish contractor standards and guarantee that the work will be done per ARDOT's specifications. With bonds, the burden of construction risk shifts from the owner (taxpayer) to the surety company, protecting the owner's investment.
- Contractor License Requirement

In addition, ARDOT has implemented several practices over the years to expedite project delivery, ensure quality, and reward high-performing contractors and encourage low-performers to improve. These practices are identified as follows:

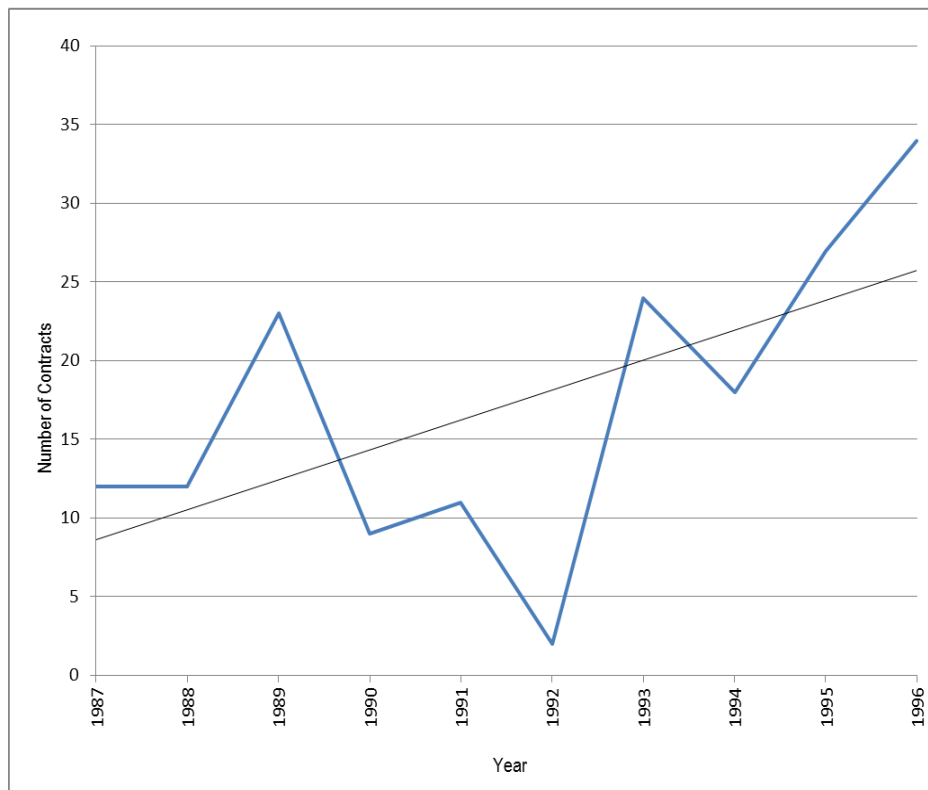
- Cost Plus Time Bidding
- Flexible Start Date
- Requirement of Critical Path Method Schedules on Major Projects
- Incentives and Disincentives on Overall Contract Time

- Industry Certifications Required for Certain Work Items
 - Steel Erection
 - Demolition with Explosives
 - Traffic Control
 - Nuclear Density Gauge Testing
- Extensive Material Testing
 - Contractors and our construction staff perform quality control testing in the field.
 - Material testing training and certification is required for ARDOT employees and contractor personnel.
 - An entire ARDOT Division is dedicated to quality assurance and validation of the field testing.
 - ARDOT's Qualified Products List
- Liquidated Damages
 - Contractors in Liquidated Damages are not allowed to purchase a for-bid proposal (see attached charts that show the improvement in on-time project delivery made since implementation).
- 2014 Standard Specifications for Highway Construction
 - All Work Item Specifications Ensure Quality
 - Adherence to the Specifications is strictly monitored by trained and dedicated project inspectors.
 - Mix Design Specification
 - Contractors develop specific mix designs based on the materials available to them in the area. The mix designs must meet the Specifications criteria and are evaluated for compliance throughout the construction of the project. Payment is contingent on the contractor meeting the Specifications.
 - Ride Quality Specification
 - Applies to Concrete and Asphalt

Number of Uncompleted Contracts

Before Implementation of
Limitation on Bidding if Contractor is in
Liquidated Damages

July 1987 – June 1996



After Implementation of
Limitation on Bidding if Contractor is in
Liquidated Damages

June 1996 – June 2005

