

AUDITS: Transportation construction costs & modernizing Oregon's unemployment insurance system

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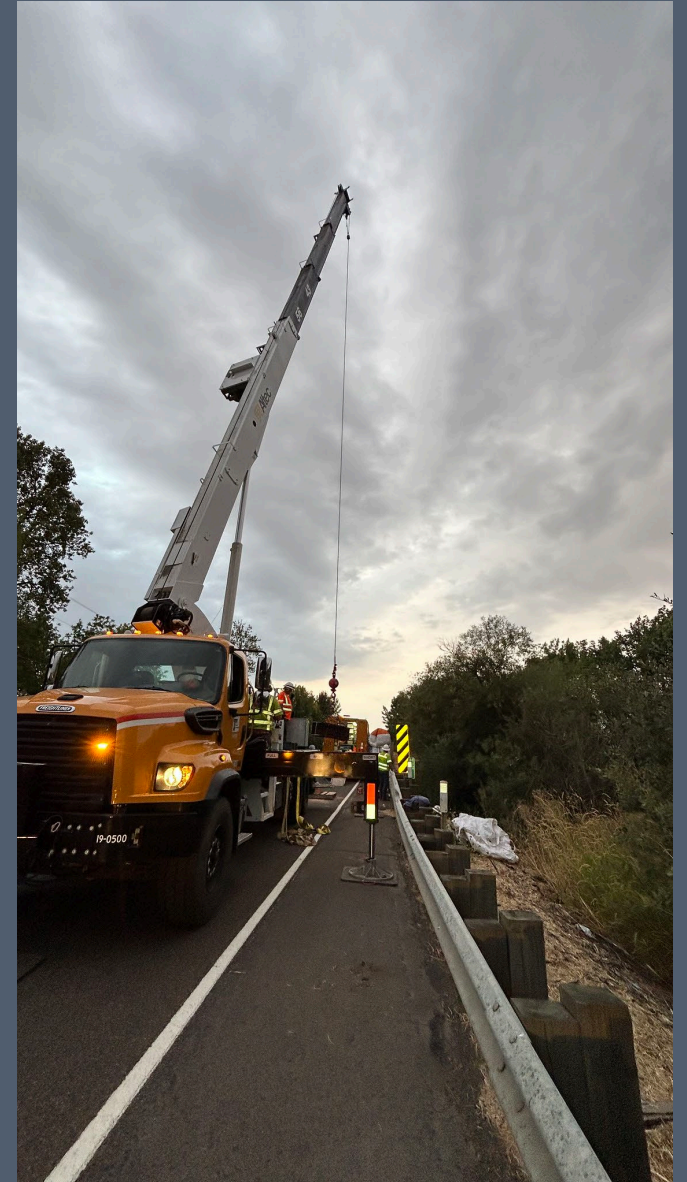
Ian Green, Performance Audit Manager

ODOT should better scrutinize construction costs and project changes by tracking line-item bids with abnormally high or low prices

Andrew Love, Performance Audit Manager

Why this audit matters

- At the time of the report in 2017, the Oregon Department of Transportation (ODOT) spent about **\$400 million a year on construction costs** for highway, bridge, and other infrastructure projects
- Generally, ODOT must award construction contracts to the lowest bidder. Contractors sometimes submit abnormally high or low prices on certain line items, **known as “unbalanced bidding.”**
- Incomplete data prevents ODOT from evaluating unbalanced bidding and can lead to project cost increases.



Objective & scope

- Determine whether ODOT is effectively monitoring project changes to prevent unwarranted costs.
- We focused on the agency's efforts to monitor project changes, particularly those related to unbalanced bidding.
- We reviewed **413 ODOT construction projects** completed from 2011 to 2015.

What we found

1

ODOT has established processes for managing construction project changes, **but some projects still exceeded estimated costs.**

2

ODOT can **better track unbalanced bid items** to determine whether they result in higher project costs.



Source: ODOT via Flickr

What we found

Despite established processes for managing construction project changes, some projects still exceeded estimated costs.

1

ODOT has a defined review process for project changes.

2

Projects we reviewed generally had appropriate approvals and explanations.

3

Two-thirds of ODOT construction projects exceeded their bid amounts.

What we found

ODOT can better track unbalanced bid items to determine whether they increase project costs.

Of the 413 projects we reviewed...

1

Over 90% had at least one unbalanced bid item, and 61% had one or more unbalanced bids that were at least double their estimated cost.

2

Total cost for projects was \$1.8 billion, slightly below estimated costs. **But 69% of projects exceeded their bid amount.**

3

ODOT doesn't track costs tied to unbalanced bid items. Unclear how many unbalanced bid items are tied to construction project changes.

Recommendations

1. Track unbalanced bid items, either within existing systems or separately
2. Include related bid item numbers in contract change orders, overruns, and increases and track them.
3. Conduct regular analyses of contract change orders, overruns, and increases related to unbalanced bid items and evaluate whether unbalanced bidding is negatively affecting project costs or bid competition.
4. Provide Project Managers with more guidance on how to manage unbalanced bid items.

The Pandemic's Effects on Oregonians Exposed Risks and Highlighted the Need to Modernize Oregon's Unemployment Insurance System

Ian Green, Performance Audit Manager

Why this audit matters

- Initial claims for Unemployment Insurance saw a historic spike in caseloads.
- Legacy IT system and existing processes could not handle the influx. Many Oregonians had months long delays to receive UI benefits.

Initial Claims for Unemployment Insurance (Weekly)

7,259
January 5, 2019

3,148
July 27, 2019

4,269
March 14, 2020

7,231
December 28, 2019

47,498
March 28, 2020

30,054
March 21, 2020

62,788
April 4, 2020

Objective & scope

- Determine how Oregon Employment Department Unemployment Insurance can improve its claims adjudication process to improve average processing times.
- Claims filed between January 2019 and December 2020.
- We focused on the adjudication process involving complex claims.

What we found

1

Antiquated IT

Contributed to claims taking months or years to process and adjudicate

2

Ombuds Opportunity

Ombuds office could help claimants navigate complex system, like Ombuds at many other state agencies

3

Low fraud rate

Due to inefficient claims process, Oregon was not targeted for UI fraud

What we found

Poor communication contributed to inefficiencies

1

OED website contained outdated information for claimants

2

OED employees had outdated and inconsistent guidance

3

Outdated and inefficient communication procedures with excessive wait times

Recommendations	Target Completion Date
<ol style="list-style-type: none"> 1. Implement formal policies and procedures for oversight of adjudicated and suspended claims and data systems; <ol style="list-style-type: none"> a. Monitor the suspended claims list and adjudication data reports that identify claim files that have not been reviewed within a set period 	<p>Implemented prior to July 2022 report release</p>
<ol style="list-style-type: none"> 2. Incorporate controls and functionality in the modernized IT system (Frances Online) to: <ol style="list-style-type: none"> a. Reduce data errors, such as illogical dates and manual entry errors; b. Automatically flag claims that have not been reviewed within a set period; c. Allow secure electronic communication methods and use claimants' preferred method of communication; d. Allow individuals to securely upload documents and track the progress of their claim; e. Continue to make communication available in languages other than English; f. Provide accurate guidance, explanations, and tips for filling out claim applications 	<p>June 30, 2024</p>
<ol style="list-style-type: none"> 3. Explore whether other state workforce agencies use texting to communicate with claimants and consider offering texting as an option for claimants who prefer that contact method; 	<p>December 31, 2022</p>

Recommendations	Target Completion Date
4. Consolidate UI information into one website with detailed, updated guidance and resources for current and prospective claimants;	December 31, 2022
5. Establish a central repository for adjudicator guidance and assign a manager or lead worker to regularly update that guidance;	June 30, 2023
6. Study the creation of an ombuds office to help claimants navigate the complexities of the UI system and address unresolved claim issues, in consultation with the Governor’s Office and other states; and	December 31, 2022
7. Continue gathering and analyzing OED data on inequities to identify and address the causes for any confirmed inequities.	July 2025

Questions?

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