



Office of the Chief Internal Auditor

Audit Report

*South Carolina Department of
Transportation Rights of Way Findings and Recommendations
A10-001*

January 12, 2010

Table of Contents

**Office of the Chief Internal Auditor
Audit of SCDOT Rights of Way Department**

January 12, 2010

TABLE OF CONTENTS

	<u>Page</u>
Transmittal Letter	i
Executive Summary	iii
Audit Findings and Recommendations	1
Department Response	11

Transmittal Letter



OFFICE OF THE CHIEF INTERNAL AUDITOR

May 20, 2010

Commission of the South Carolina Department of Transportation

The Honorable Lawrence K. Grooms, Chairman
South Carolina Senate Transportation Committee

The Honorable Hugh K. Leatherman, Sr., Chairman
South Carolina Senate Finance Committee

The Honorable Phillip D. Owens, Chairman
South Carolina House Education and Public Works Committee

The Honorable Daniel T. Cooper, Chairman
South Carolina House Ways and Means Committee

Dear Gentlemen:

The Office of the Chief Internal Auditor has completed our performance audit of the SCDOT Rights of Way Department as of January 12, 2010. In accordance with Section 57-1-360, we are transmitting to you this report on our performance audit.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Please don't hesitate to contact us if you have any questions or comments.

Respectfully submitted,

Robert W. Wilkes, Jr., CPA
Chief Internal Auditor

Executive Summary

EXECUTIVE SUMMARY

South Carolina Department of Transportation's (SCDOT) Rights of Way Department (ROW) is responsible for the acquisition of needed rights of way for highway and bridge construction projects on the State Highway System and is administered by the Director of Rights of Way. ROW is one of the seven sections in SCDOT's Preconstruction Division. It must ensure that all rights of way are obtained with appropriate title, in a timely fashion, and in compliance with all federal and state laws and regulations. The Rights of Way department is divided into three areas: the field operations, the administrative operations, and Utilities/Railroads. The field operations consist of appraisal, acquisition, and relocation. The administrative function operated out of headquarters is responsible for quality control, payments/claims, property management, appraisal administration, and relocation administration. A review of the Utilities/Railroads section was not included in the scope of our audit.

The Office of the Chief Internal Auditor (OCIA) reviewed ROW's operations to determine the department's efficiency and effectiveness and also to determine whether the department's practices are in compliance with applicable laws and regulations. We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We evaluated the processes, internal controls and efficiency of the appraisal, acquisition, relocation, quality control, payments/claims, and property management functions. Our objectives were as follows:

- ❖ Ensure that appraisers are properly selected based upon qualifications; determine the efficient use of external versus internal appraisers; and determine and evaluate the controls in place to monitor, review and accept appraisals
- ❖ Evaluate the controls in the acquisition process; evaluate the offer process; and determine the proximity of counteroffers to those fees paid during condemnation
- ❖ Evaluate the department's real estate inventory management system and its internal controls
- ❖ Evaluate the department's efficient and effective use of personnel and other resources to include vehicles
- ❖ Evaluate the controls in place for processing claims and issuing payments
- ❖ Evaluate controls related to the relocation process

We conducted reviews of the processes involved in each functional area, interviewed employees, selected samples, and performed tests of controls. We have developed eighteen recommendations related to process flows, efficiencies and controls within the department that are summarized in the broad categories below:

- More efficient use of both district and headquarters personnel
- More training for agents and appraisers
- More controls for improving the timeliness of condemnation proceedings
- More controls over personnel allowed to perform administrative adjustments, administrative reviews, and scoping of work.

- Greater adherence to procedures for procuring services and disposing of surplus property
- More efficient processing of claims and payments
- Greater controls over the completeness of information retained by property management
- Better use of current and available technology
- More efficient use of vehicles
- Implementation of performance metrics

The findings and recommendations will be discussed in greater detail in the Audit and Recommendation section of the report.

Audit Findings and Recommendations

AUDIT FINDINGS AND RECOMMENDATIONS

The ROW department has 101 positions that ultimately report to the Director of Rights of Way. There are 61 employees who work in the department's four ROW districts to include four ROW district Administrators who report directly to the Assistant ROW Field Administrator. These districts are currently aligned with the agency's four Regional Production Groups (RPGs). The remaining employees operate out of headquarters and provide more administrative functions. During the current fiscal year, the ROW department will undergo a major change in its operating environment due to the anticipated retirement of personnel in two key leadership positions, the Director of ROW and the Rights of Way Office Administrator. The ROW staff has appropriate access to technologies that enable them to be productive at their current jobs. We have however identified opportunities for improvement below that will increase the overall efficiency of the department through better use of its resources and improve the controls embedded in or absent from particular processes.

Finding 1

ROW, in its entirety, acquires title instruments for hundreds of properties a year. The number of acquisitions is not evenly spread across the four Rights of Way districts, which results in employee utilization inequities, because project activity in the regions ultimately determines the amount of tracts that need acquiring. Each district has between fourteen (14) and sixteen (16) employees and typically consists of a District Administrator, two team leaders, two administrative specialists, one quality control agent, and a mixture of ROW agents and appraisers. In some districts, the team leaders acquire very few tracts of property. In some instances, ROW consultants are utilized to assist with the workload.

While Rights of Way agents work from their homes, are assigned a vehicle and are equipped with the technology to produce information that is later relayed to the respective district office, OCIA found only one tract out of the 639 tracts acquired that had been acquired by an agent for a region for which he or she was not assigned. ROW departmental efficiency would increase if agents are frequently assigned to assist other ROW districts by acquiring properties when the workload warrants it.

Recommendation 1

We recommend that the department increases its efficiency and overall utilization of its district employees by first considering total departmental acquisitions and then assigning them to employees based upon their skills, knowledge, abilities, and experience and not solely upon the region to which they are assigned. We recommend that all team leaders become more engaged in the acquisition of property especially during peak workloads. This would improve the ROW department's overall ability to increase the utilization of its most valuable resources-its employees.

Finding 2

While some of the acquisitions are fairly simple and compensation can be agreed upon with very little negotiation, others are more complex and despite attempts to negotiate, condemnation results. We have tested information for numerous tracts and read the agents worksheets which

are designed to provide documented evidence of all transpired actions during the acquisition process. The notes should provide factual data and present a clear picture of what occurred and are very important when failed negotiation attempts result in condemnation. While some agents are very thorough in describing the interactions with the property owners and detail all steps followed to reach a settlement, some agent's notes are inadequate. In some instances, we are unable to determine why tracts were even condemned. In other instances, we were not able to determine the date and amount of counteroffers made by property owners which would be needed to justify condemnation. In some cases, the notes also indicated that the property owner was told that SCDOT would condemn the property if a settlement was not reached which is in complete contrast to the procedures and objectives listed in the acquisition manual.

Recommendation 2

We recommend that team leaders provide more on-the-job training in documentation for those agents who need to improve this essential skill. Also, we recommend that the agents take periodic courses in negotiation to improve their overall ability to acquire property. In addition to these two courses, management should identify best practices for obtaining right of way from its most productive agents and disseminate the knowledge to all agents.

Finding 3

While the ROW department has a very impressive condemnation rate that is determined by dividing the number of tracts condemned over the total number of tracts, there are dozens of condemnation cases that have been outstanding for more than three years. Congested court dockets and opposition from the property owner's attorneys contribute to the lengthy time to settle condemnation cases. These are factors that are outside of the department's control. However more proactive mechanisms should be implemented to ensure that the process does not include any unnecessary delays. While the Director of ROW is involved in significant condemnation cases, the other cases that have not been deemed as such are handled by district personnel. These employees are responsible for staying in touch with fee counsel and obtaining reports on the cases' progress. The Director of ROW gets annual updates on these cases. SCDOT's legal department has no defined role in these other cases aside from providing legal advice when requested.

Recommendation 3

Because of the financial, reputational, and political risks that may be associated with condemnation cases, we recommend that ROW implement greater controls in its process of getting these cases settled. We recommend a quarterly status report be submitted to headquarters for pending condemnation cases. After a case has been pending for a specific amount of time, which is to be determined by ROW management, we recommend the assignment of a SCDOT attorney to assist with the proceedings. In this role, they will maintain close contact with the fee counsel to ensure that they are meeting all established timelines and are working to gain timely admittance on the court roster. They can also review submitted attorney bills related to the assigned proceedings to ensure that the bills are both reasonable and accurate. The staff attorney should also be involved with discussions of other means of improving the speediness of settlements such as the legality of changing venues.

Finding 4

Initially, when an agent makes an offer from the cost estimate or appraisal, the property owner is given the opportunity to submit a counteroffer and express his rationale for arriving at the amount. If the agent determines that the counteroffer is valid and supported, he or she may, through negotiations arrive at an amount that was higher than the initial offer. When this happens, an administrative adjustment memo or letter must be included in the property files to substantiate the increase in compensation, and it must be signed by a team leader. These memos are usually prepared after the offer has been accepted by the landowner and the title transferred to SCDOT. While the experience of an agent may determine the amount of administrative adjustment authority to which he is entitled, we were unable to locate any written procedures or permissions that grant a specific amount of authority to each individual ROW agent.

Recommendation 4

We recommend that ROW team leaders or District Administrators evaluate the experience and knowledge of each ROW agent and document the level of administrative adjustment authority to be assigned to each of its ROW agents. All amounts above this limit should be approved prior to issuing the offer to the property owner. This simple procedure will strengthen the level of control within the acquisition process.

Finding 5

When a tract is acquired through the use of a ROW consultant, the consultant firm may be responsible for obtaining both the appraisal and the review of the appraisal. During these instances, an administrative review must be conducted by an SCDOT representative before an offer of just compensation can be provided to the property owner. We found no standards or written procedures that stipulates what constitutes an SCDOT representative. We found that in some instances an agent who is not a ROW appraiser or team leader signed the administrative reviews.

Recommendation 5

We recommend that SCDOT appraisers or a level of management equal to or exceeding that of a team leader performs administrative reviews. The reviewer authorizes the amount of the initial offer and only personnel with a true understanding and appreciation of the appraisal process should be responsible for this.

Finding 6

Before bids can be solicited from appraisers on the approved fee appraiser list, a scope of work must be defined and provided to the potential bidding appraiser. The scope of work is essential to ensuring that accurate bids are received from appraisers. According to Title 49 Part 24 of the Code of Federal Regulations, scope of work should be performed by someone who is competent to represent the Agency's needs and to respect valid appraisal practices. We found instances where the scope of work was completed by a ROW employee who was not an appraiser. Staff appraisers typically prepare cost estimates to request funding to acquire tracts for particular

projects which requires them to physically visit the areas to be acquired. It seems reasonable to expect that the scope of work also be prepared by an appraiser.

Recommendation 6

We recommend that because of the significance of the scope of work and the negative outcomes that could possibly be derived from an inaccurate scope, it be performed by either an SCDOT staff appraiser or by a level of management equal to or exceeding that of a team leader.

Finding 7

The ROW office maintains an on-call list of ROW consultants for which basic on-call agreements have been executed and approved by the SCDOT Commission. The department has formed a team of individuals who review the qualifications and bids of consultants before ultimate consultant selection. The agency's Chief Negotiator is not actively engaged in the negotiation of ROW Consultants. We were informed that no formal written cost estimates are prepared by ROW staff before bids are obtained from consultants. Before the basic agreements are executed, the Contract Assurance office performs a pre-award audit, which is standard practice for professional services contracts. However, the basic agreement and the initial pre-award audit are void of any actual rates or costs. Once ROW selects a consultant from the on-call list the actual per parcel rates are not audited by Contract Assurance.

Recommendation 7

We recommend that ROW implement similar controls and best practices of other departments that procure professional consultant services. These practices should at a minimum include written cost estimates of the work to be performed by an On-Call Consultant, utilizing the services performed by the agency's Chief Negotiator, and periodically having consultants' rates audited by Contract Assurance. This would ensure that the department is paying the most just and reasonable rates for services.

Finding 8

An appraisal must be done on each tract of property for which the initial cost estimate exceeds a set threshold. In these cases, the initial offer to the property owner can not be made until the appraisal has been performed and a review has been completed and signed by an appraiser with the appropriate level of licensure for the specific tract. Each level of licensure has set requirements that detail the value of property for which an appraiser may appraise and review. From our sample, we found two instances where the before value of the property exceeded the review appraisers approved level, as required by SC Appraisal Board. An offer was made after these improper reviews were completed.

Recommendation 8

We recommend that the staff appraisers attend annual training that discusses limits on licenses, new changes to regulations, and emerging appraisal issues. This training should either be provided by or coordinated through the department's Chief Appraiser. Serious consideration

should be given to conducting in-house training courses that allow staff licensed appraisers to increase their level of certification. This would require that serious consideration be given to requiring on-staff appraisers to increase the amount of appraisals that they actually perform for SCDOT. This would enable the department to increase its control over the number of Certified General Appraisers on-staff.

Finding 9

Most of the appraisals completed on behalf of SCDOT are performed by fee appraisers. Fee appraisers must complete an application and undergo an interview with the Chief Appraiser before they can be placed on the list. The application is designed to get information about the appraiser's education and qualifications, but it does not request information about disciplinary actions or censures by a licensing board. While there are approximately 39 fee appraisers on the approved fee appraiser list, nearly 20% of them have not bid on any projects in three years.

Recommendation 9

We recommend that the initial application for fee appraisers be amended to ask specific questions about past or current disciplinary actions. The actual contract needs to require the fee appraiser to notify SCDOT if he or she is later censured by a licensing board. We recommend that the current approved appraisers list be purged to remove the non-bidding appraisers so that the department can have a current and accurate listing of its potential bidders.

Finding 10

All just compensation settlements to be paid to property owners are processed by ROW Claims/Payments section in headquarters. Claims is also responsible for processing payments to fee counsel for their services as well as for paying for other legal expenses associated with obtaining title instruments. While the ultimate function of making the payment must go through the SCDOT Accounting office and the Office of the Comptroller General, ROWs payments to appraisers and to property owners for relocation are not processed by the claims section. Instead these payments are processed by the appraisal and relocation sections respectively. During the FY 2008-2009, there were approximately 309 payments made to appraisers and approximately 22 payments made to displaced property owners for relocation assistance. There are three employees and a manager in the claims section who have access to all ROW screens in the Preconstruction Project Management System (PPMS).

Recommendation 10

We recommend that the processing of all claims and payments be handled through ROW claims section. This will limit the number of people with access to initiating payments, and it will increase the accountability of the Claims/Payment section.

Finding 11

The Property Management section of ROW is responsible for maintaining a complete and accurate inventory of surplus property, for handling the disposal of surplus property, and for the handling of departmental lease agreements. The section readily admits that its inventory system is not complete because it excludes abandoned road beds. These parcels are only included in inventory when they have been sold because that's the only time they are identified. We found evidence that Property management has however made proactive strides to ensure that going forward changes to existing roads that will result in road abandonment will be inventoried once the new project is complete.

Recommendation 11

We recommend that the Property Management section not only identify and inventory abandoned ROW on a prospective basis, but that it also takes measures to improve the completeness and accuracy of its current inventory system. It will take a concerted effort on behalf of the Property Management, the ROW district administrators and agents, and the District Engineering Administrators to identify the abandoned ROW. Because of the workload variations in some districts and the mobility of the agents, they would need to take on the additional responsibility of identifying road beds and documenting their location. They would need the assistance of headquarters staff to research the title information for the identified parcels. While extra effort will be required, possibilities of extra revenue exist. The exact amount of revenue to be earned cannot be quantified because the population of abandonments is unknown.

Finding 12

Per SC Code of Laws Section 57-5-340, "The department shall vigorously attempt to sell property...". Property management currently maintains a listing of all parties who have expressed interest in purchasing economic remnants of land owned by SCDOT. When ROW decides to sell a particular parcel, information including a contract is mailed to all interested parties. Because of the cost associated with advertising in newspapers, the department maintained listing is the primary means of advertisement.

Recommendation 12

We recommend that Property Management utilize the SCDOT internet to advertise surplus property that's for sale. A general description and size of the property can be listed along with the minimum bid, bid method, and bid due date. By increasing the number of people who are aware of available property, the department can possibly increase the amount of revenue generated.

Finding 13

During our testing we found an instance in which SCDOT declared a tract of property as surplus and then obtained the Secretary of Transportation and the Commission's written approval to sell the property. The adjacent land owner of the property expressed interest in purchasing it.

During the course of discussions about the purchase, the interested parties stated that they did not have enough available funding to purchase the property outright. The department entered into an agreement with the interested party and assumed the role of a mortgage lender. ROW agreed to receive a specific sum of money over a stated number of years with interest. We found no written authorization in the file to show that the Secretary of Transportation approved the department assuming this type of role.

Recommendation 13

While there is no real financial risk associated with the department entering into the role of a lender, the department should be considerate of the possible political and reputational risks that can arise from doing such. Because of these risks, ROW should refrain from entering into these agreements without the expressed written consent of one management level above the Director of Rights of Way.

Finding 14

The Property Management section is responsible for handling lease agreements. However, if a lease began prior to new management of the Property Management section in 2007, there may only be evidence of it through the cash receipts received and processed by accounting. Also, if property is being leased related to the relocation function, Property Management may be unaware of it.

Recommendation 14

We recommend that a procedure be established to ensure that all ROW leases be communicated through the Property Management Section. The property management section needs to ensure that its current listing of lease agreements is both accurate and complete.

Finding 15

Each of the four ROW districts has its own quality control agent whose primary responsibility is to check all items before they are sent to headquarters. The quality control agents utilize a checklist and key information into PPMS. ROW's headquarters Quality Control section provides a variety of services for the department. Their services range from quality controlling all information received by headquarters to preparing exhibits and scanning title instruments into the SharePoint Portal. The headquarters Quality Control agents utilize the same checklist as the quality control agent in the district and verify documents and information to data that has been entered into PPMS. We however found several useful screens in PPMS that were not always utilized or completed. The four headquarters quality control agents as well as the condemnation coordinator are responsible for taking phone calls from the public one day a week. We were unable to determine the number of phone calls received each day or in a week because information concerning the calls is not recorded.

Recommendation 15

We recommend that Quality Control document the frequency and nature of its daily telephone calls. By monitoring this information the department may be able to determine the type of education or information that needs to be made available to the public, possibly even through the use of the internet. While a considerable amount of information is keyed into PPMS, we recommend that the agents fully utilize all screens and capabilities of the PPMS system. This would allow for quicker and more effective report generation and analysis.

Finding 16

The four Quality Control Agents in the districts are classified as ROW agents and according to their job descriptions a percentage of their time is to be devoted to acquiring property. However during the FY 2008-2009, only 10 of the 639 (1.56%) properties acquired by district agents were actually acquired by quality control personnel. While most of the quality control agent's work is done from home, they report to the district office during the week to turn in information that is later sent to headquarters. They are assigned cars and computers that allow them to perform their duties at home.

Recommendation 16

Given the nature of the work done by the Quality Control agents, we recommend that the four agents report daily to their respective district offices and allow that to be their duty station instead of their homes. Because only 1.56% of the acquisitions performed in the FY 2008-2009 were completed by the agents, we recommend that they no longer be assigned vehicles. If the workload requires them to acquire property, they should use pool cars assigned to the district office. Furthermore, vehicle assignment and utilization should be reviewed for all ROW vehicles in both headquarters and the districts to ensure that they are being used in the most efficient manner.

Finding 17

The organizational structure of the ROW department includes both a Right of Way Office Administrator and a Right of Way Field Administrator who both operate from headquarters and report directly to the Director of Right of Way. The ROW field administrator also has an assistant ROW field administrator who operates from headquarters and directly supervises the District ROW administrators in the four ROW districts. Therefore, there are two layers of management between the Director of Right of Way and the District ROW Administrators and a total of four layers of management between the Director and the field agents. While there are some distinctions in the job duties for both the ROW field Administrator and the Assistant ROW field Administrator, some of their duties are very similar and seem to overlap.

Recommendation 17

We recommend that ROW studies the duties of the ROW field administrator and Assistant ROW field Administrator to determine if there is any unnecessary duplication of job responsibilities.

Finding 18

We questioned members of management about its ability to monitor the performance of ROW agents and appraisers in the districts because they work from home. Status reports are prepared by staff on a bi-monthly basis to provide updates on all assigned projects. The team leaders are responsible for reviewing these reports and monitoring progress. We were informed that this control is effective because management is familiar with how long each phase should take in the various processes. We understand that timetables exist for completing projects and that the complexities of acquisitions impact the timetable. However, we were unable to find any written or definite performance metrics that are used to analyze agent performance at various stages in the process.

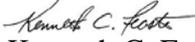
Recommendation 18

We recommend that specific performance metrics and standards be written and implemented for various stages in the acquisition process so that both management and the employees can compare and analyze their progress and performance. ROW management should also consider soliciting the service of the Quality Control section to perform periodic process reviews. While the department's acquisition manual states that this is currently a function of the Quality Control section, we were informed that no review has been performed in over four years.

Department Response

MEMORANDUM

TO: Office of Chief Internal Auditor

FROM: 
Kenneth C. Feaster
Director, Rights of Way

DATE: March 12, 2010

SUBJECT: Right of Way Audit

I have reviewed the audit report submitted and have several items which I believe are important to consider when reviewing this report.

- The time period reviewed was one of the slowest acquisition periods that the Department has experienced in recent years. The past three year period has averaged only 683 acquisitions per year, while the previous three year period averaged 1975 acquisition per year.
- This is further supported by the fact that during the past three years no consultant contracts for right of way services were entered into.
- Currently we have entered into two consultant contracts and are evaluating proposals for three additional contracts as our staff is approaching its capacity.

The following is a response to each of the eighteen recommendations included in the report:

Audit Recommendation 1

We recommend that the department increases its efficiency and overall utilization of its district employees by first considering total departmental acquisitions and then assigning them to employees based upon their knowledge, skills, abilities, and experience and not solely upon the region to which they are assigned. We recommend that all team leaders become more engaged in the acquisition of property especially during peak workloads. This would improve the ROW department's overall ability to increase the utilization of its most valuable resources-its employees.

Response:

There are four Right of Way field offices responsible for the acquisition of properties throughout the state. As a part of the re-organization of the Preconstruction Section, a commitment was made to coordinate the activities of the Regional Right of Way staffs to



insure that project delivery priorities established by the agency for each of the Regional Production Groups are met. While meeting the regional expectations has been maintained, we have utilized our staff in what we believe to be the most efficient manner, using staff across Regional lines to expedite projects while minimizing the travel costs associated with working outside of the Region. We are currently utilizing the agency's policies regarding the filling of vacancies. The existence and utilization of staff positions will continue to be monitored as compared to work loads and agency needs.

Audit Recommendation 2

We recommend that team leaders provide more on the job training in documentation for those agents who need to improve this essential skill. Also, we recommend that the agents take periodic courses in negotiation to improve their overall ability to acquire property. In addition to these two courses, management should identify best practices for obtaining right of way from its most productive agents and disseminate the knowledge to all agents.

Response:

We agree, documentation is extremely important in the negotiation of all right of way acquisitions. This is an item that requires continuous training and attention. Our Team Leaders need to continue to monitor and provide additional guidance to staff on documentation and negotiation practices.

Audit Recommendation 3

Because of the financial, reputational, and political risks that may be associated with condemnation cases, we recommend that ROW implement greater controls in its process of getting these cases settled. We recommend a quarterly status report be submitted to headquarters for pending condemnation cases. After a case has been pending for a specific amount of time, which is to be determined by ROW management, we recommend the assignment of a SCDOT attorney to assist with the proceedings. In this role, they will maintain close contact with the fee counsel to ensure that they are meeting all established timelines and are working to gain timely admittance on the court roster. They can also review submitted attorney bills related to the assigned proceedings to ensure that the bills are both reasonable and accurate. The staff attorney should also be involved with discussions of other means of improving the speediness of settlements such as the legality of changing venues.

Response:

The Right of Way Office and Legal Office have recently implemented a new process for the handling of significant cases which in essence is what is being recommended by the audit for all condemnation cases. What the audit team did not recognize is that in most cases much of the legal requirements can be and are met, (i.e. discovery, depositions, etc.) within an appropriate time frame. However, it is up to the court to allow these cases to proceed to trial if settlement can not be accomplished. There are many instances where the SCDOT has requested priority for condemnation cases, which the courts have not allowed. We do agree that additional periodic monitoring of the cases and their status by Headquarters may be beneficial and we plan to begin quarterly reporting of the cases to see if this helps improve number of cases that move through to trial.

Audit Recommendation 4

We recommend that ROW team leaders or District Administrators evaluate the experience and knowledge of each ROW agent and document the level of administrative adjustment authority to be assigned to each of its ROW agents. All amounts above this limit should be approved prior to issuing the offer to the property owner. This simple procedure will strengthen the level of control within the acquisition process.

Response:

District Right of Way Administrators are given the responsibility of evaluating their staff's experience as well as consultants working under their supervision and establishing the amount of administrative authority allowed as established in the Department Right of Way Manual, Chapter 7, Section XV. As stated in the Manual, we have required in addition to the agent's signature a signature by either the Team Leader or District Right of Way Administrator on all administrative adjustments. We will require that our District Right of Way Administrators to document in writing the administrative authority granted to their staff and consultants working in their area.

Audit Recommendation 5

We recommend that SCDOT appraisers or a level of management equal to or exceeding that of a team leader performs administrative reviews. This reviewer authorizes the amount of the initial offer and only personnel with a true understanding and appreciation of the appraisal process should be responsible for this.

Response:

Administrative review and approval authorizations are currently being performed by the Department's most experienced staff. The audit team suggested that this function be performed by either appraisal staff or someone at a Team Leader or higher level. We believe the highest and best use of that staff is currently properly focused, and that actions should be performed at the lowest possible level in the organization. Moving these approvals up to this level will create a problem in meeting the project schedules and create a significant backlog of work for our appraisal staff and managers.

Audit Recommendation 6

We recommend that because of the significance of the scope of work and the negative outcomes that could possibly be derived from an inaccurate scope, it be performed by either an SCDOT staff appraiser or by a level of management equal to or exceeding that of a team leader.

Response:

We agree, this process was recently revised to require the Chief Appraiser to review the scope and insure that scope is clear prior to submitting to the fee appraisers for proposals. We plan to continue having the District Right of Way Administrators and Team Leaders prepare the scopes. This new process will be incorporated into our updated Appraisal Manual.

Audit Recommendation 7

We recommend that ROW implement similar controls and best practices of other departments that procure professional consultant services. These practices should at a minimum include written cost estimates of the work to be performed by an On-Call Consultant, utilizing the services performed by the agency's Chief Negotiator, and periodically having consultants' rates audited by Contract Assurance. This would ensure that the department is paying the most just and reasonable rates for services.

Response:

We generally agree with the recommendation; however, unlike other Departments cost/value of work can be considered in the selection process. Currently we request proposals from all of the On-Call Consultants who are on the approved list, and cost/value of work is one of the elements used in the selection process. This selection method helps to ensure that the Department is receiving a fair and reasonable price for

the services requested. Although not included previously as a part of the consultant selection a cost estimate to include personnel services is generated internally for projects requiring a funding obligation. This cost estimate can become a component of the selection process.

Audit Recommendation 8

We recommend that the staff appraisers attend annual training that discusses limits on licenses, new changes to regulations, and emerging appraisal issues. This training should either be provided by or coordinated through the department's Chief Appraiser. Serious consideration should be given to conducting in-house training courses that allow staff licensed appraisers to increase their level of certification. This would require that serious consideration be given to requiring on-staff appraisers to increase the amount of appraisals that they actually perform for SCDOT. This would enable the department to increase its control over the number of Certified General Appraisers on-staff.

Response:

We agree. Training is provided annually to staff appraisers as required by the S. C. Appraisers Board to insure that they are current on state and federal requirements. The licensed appraisers on staff are encouraged to work toward attaining the Certified General status and as recently as December 2009 two staff appraisers have submitted the necessary documentation for upgrading their status, with one already having received approval at this time.

Audit Recommendation 9

We recommend that the initial application for fee appraisers be amended to ask specific questions about past or current disciplinary actions. The actual contract needs to require the fee appraiser to notify SCDOT if he or she is later censured by a licensing board. We recommend that the current approved appraisers list be purged to remove the non-bidding appraisers so that the department can have a current and accurate listing of its potential bidders.

Response:

We agree, we will revise our current application to include specific questions about past or current disciplinary actions, as well as insure the actual contract requires the fee appraiser notify SCDOT if he or she is later censured by a licensing board. We will have our appraisal section purge the current appraisal list of all those who have not performed any work or submitted a proposal to the Department in the last two years.

Audit Recommendation 10

We recommend that the processing of all claims and payments be handled through ROW claims section. This will limit the number of people with access to initiating payments, and it will increase the accountability of the Claims/Payment section.

Response:

Further review of the recommendation to consolidate the processing of claims and payments will be given. At this time, relocation claims are set up differently and are under a separate program from the acquisition program.

Audit Recommendation 11

We recommend that the Property Management section not only identify and inventory abandoned ROW on a prospective basis, but that it also takes measures to improve the completeness and accuracy of its current inventory system. It will take a concerted effort on behalf of the Property Management, the ROW district administrators and agents, and the District Engineering Administrators to identify the abandoned ROW. Because of the workload variations in some districts and the mobility of the agents, they would need to take on the additional responsibility of identifying road beds and documenting their location. They would need the assistance of headquarters staff to research the title information for the identified parcels. While extra effort will be required, possibilities of extra revenue exist. The exact amount of revenue to be earned cannot be quantified because the population of abandonments is unknown.

Response:

We agree the accuracy of the inventory is essential to the successful management and marketability of parcels considered surplus to the Department. Given potential economic constraints which may exist in the market we are concerned with focusing on these abandoned roadbeds as the size and locations may not have the potential to generate much revenue for the Department. We certainly will evaluate these areas further as field staff, not currently deployed on existing projects are available, to assist with this process.

Audit Recommendation 12

We recommend that Property Management utilize the SCDOT internet to advertise surplus property that's for sale. A general description and size of the property can be

listed along with the minimum bid, bid method, and bid due date. By increasing the number of people who are aware of available property, the department can possibly increase the amount of revenue generated.

Response:

We agree, advertising has varied depending upon the type and location of the property to be sold. Staff will look into doing a trial of advertising some properties over the internet and evaluate if there is increased interest and better prices are received to determine if this should be done on a larger scale.

Audit Recommendation 13

While there is no real financial risk associated with the department entering into the role of a lender, the department should be considerate of the possible political and reputational risks that can arise from doing such. Because of these risks, ROW should refrain from entering into these agreements without the expressed written consent of one management level above the Director of Rights of Way.

Response:

Since there is little financial risks and this office only considers taking a mortgage in unusual circumstances, this tool should be continued to be used as necessary to reduce the Department's inventory. Finance and Administration currently receives payments on existing mortgages. We agree the recommendation should be made to enter into a mortgage by the Director of Rights of Way and approved by the Director of Preconstruction.

Audit Recommendation 14

We recommend that a procedure be established to ensure that all ROW leases be communicated through the Property Management Section. The property management section needs to ensure that its current listing of lease agreements is both accurate and complete.

Response:

We agree, lease arrangements by the Department occur as both short term and long term situations. Property Management is responsible for the long term arrangements while our Relocation Section is responsible for the short term arrangements. Relocation maintains the short term arrangements based on their responsibility to move the occupant leasing

the property. We will have our Relocation section provide copies of any lease agreement to Property Management for informational and reporting purposes.

Audit Recommendation 15

We recommend that Quality Control document the frequency and nature of its daily telephone calls. By monitoring this information the department may be able to determine the type of education or information that needs to be made available to the public, possibly even through the use of the internet. While a considerable amount of information is keyed into PPMS, we recommend that the agents fully utilize all screens and capabilities of the PPMS system. This would allow for quicker and more effective report generation and analysis.

Response:

We agree that a log for all incoming phone requests which will include the time necessary to research and respond to the request will be beneficial. The log will be maintained for a sufficient amount of time to determine the type of request being received as well as the average time to research and respond and determine the opportunities that exist to provide information for recurring requests via the internet or other pre-packaged methods.

Audit Recommendation 16

Given the nature of the work done by the Quality Control agents, we recommend that the four agents report daily to their respective district offices and allow that to be their duty station instead of their homes. Because only 1.56% of the acquisitions performed in the FY 2008-2009 were completed by the agents, we recommend that they no longer be assigned vehicles. If the workload requires them to acquire property, they should use pool cars assigned to the district office. Furthermore, vehicle assignment and utilization should be reviewed for all ROW vehicles in both headquarters and the districts to ensure that they are being used in the most efficient manner.

Response:

We agree that evaluation of the recommendation that the four field QC Agents report to their District Office is needed. As stated in the opening remarks, the review period does not properly consider the Right of Way Office's work load. It is our intent to implement as the positions are vacated due to promotions or retirements.

Audit Recommendation 17

We recommend that ROW studies the duties of the ROW field administrator and Assistant ROW Field Administrator to determine if there is any unnecessary duplication of job responsibilities.

Response:

We agree with this recommendation.

Audit Recommendation 18

We recommend that specific performance metrics and standards be written and implemented for various stages in the process so that both management and the employees can compare and analyze their progress and performance. ROW management should also consider soliciting the service of the Quality Control section to perform periodic process reviews. While the department's acquisition manual states this is currently a function of the Quality Control section, we were informed that no review has been performed in over four years.

Response:

We agree, since our field agents and appraisers set their schedules based on the availability and convenience of landowners and characteristics of each acquisition is so unique, careful consideration is needed in developing and establishing performance metrics and standards. Project obligations and schedules establish the basis for performance in many cases. The monthly status meeting and bi-monthly status reports provide an indication of the productivity of each individual agent and appraiser. We do believe that additional metrics may be beneficial and will discuss this with the agents and right of way management. Also, we will identify areas within Right of Way that would benefit from process reviews and utilize QC staff for the reviews.