



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

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**TENNESSEE DEPARTMENT OF  
TRANSPORTATION AND  
REGIONAL TRANSPORTATION  
AUTHORITY OF MIDDLE TENNESSEE**

**Performance Audit Report**

October 2015

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**Justin P. Wilson, Comptroller**



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The Honorable John Schroer, Commissioner  
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and  
Stephen G. Bland  
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Regional Transportation Authority of  
Middle Tennessee  
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Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Tennessee Department of Transportation and the Regional Transportation Authority of Middle Tennessee. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, *Tennessee Code Annotated*.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the Tennessee Department of Transportation and/or the Regional Transportation Authority of Middle Tennessee should be continued, restructured, or terminated.

Sincerely,

Deborah V. Loveless, CPA  
Director

Cc: Kim McMillan, Board Chair, Regional Transportation Authority of Middle Tennessee

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15/016

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit

## **Tennessee Department of Transportation and Regional Transportation Authority of Middle Tennessee**

October 2015

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### **AUDIT OBJECTIVES**

We audited the Tennessee Department of Transportation and Regional Transportation Authority of Middle Tennessee for the period July 1, 2011, to August 30, 2015. Our audit scope included a review of internal controls and compliance with laws, regulations, and provisions of contracts or grant agreements that are significant within the context of the audit objectives.

Our audit objectives were to

- understand the status and implications of the Class 1 railroads' current lawsuit against the Tennessee Department of Revenue concerning the Transportation Equity Trust Fund;
- evaluate whether the department administers the Transportation Equity Trust Fund in a manner consistent with policy, state law, and best practices;
- determine whether the Bureau of Administration awarded and monitored maintenance contracts for all regions in a manner consistent with policy, state laws, best practices, and each other;
- determine whether Internal Audit's organizational placement is consistent with best practices and professional standards;
- understand and evaluate department plans to operate within potential future Federal Highway Trust Fund funding scenarios;
- determine whether the department properly manages project cost changes, project cost overruns, and over-limit transactions in a manner consistent with policy, federal guidelines, state laws, and best practices;
- determine whether the Bid Analysis and Estimating Office in the Bureau of Engineering properly managed project cost changes and project cost overruns consistent with policy, federal guidelines, state laws, and best practices;

- evaluate the Bridge Program to determine whether bridge inspections are performed in a manner consistent with policy, federal guidelines, state laws, and best practices;
- determine whether the Regional Transportation Authority of Middle Tennessee acts efficiently and effectively consistent with its enabling statutes and applicable state laws, policies, and best practices; and
- determine whether the department resolved previous audit findings from the April 2011 performance audit.

We provide detailed information about our methodologies in the individual report sections.

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.

## **AUDIT FINDINGS**

### **The department needs to update Transportation Equity Trust Fund grant contract language**

The department's contract language does not match department practice. Specifically, the contract defines the grant as cost-reimbursement, meaning that the recipient must spend money first and then be reimbursed by the department through the grant. However, the department does not always require money to be spent in advance of fund payment. The department also allows grantees to provide their local match with in-kind services that were provided outside of the grant period. The department should work with the Central Procurement Office of the Department of General Services to modify the contract language for grants from the Transportation Equity Trust Fund to reflect practices regarding cost-reimbursement and in-kind services (page 7).

### **The department does not adequately analyze and report all required railroad authority performance measures**

The key goal of the railroad portion of the Transportation Equity Trust Fund is to provide economic development and benefit to local communities served by recipient railroad authorities. Although the department reviews some data, such as the amount of track that meets the 286,000-pound industry requirement, the department is not reporting on the employment, accessibility and effectiveness data required by policy. The department's failure to analyze and report such performance information submitted by shortline railroad operators prevents meaningful evaluation of the shortline railroad program's economic impact and of the effectiveness of grants awarded through the Transportation Equity Trust Fund (page 9).

### **The department lacks written policies or procedures for some critical functions**

During the course of this audit, we noted some key departmental functions that lack written policies and procedures. While the lack of a particular policy or procedure may not be a major concern in and of itself, the lack of policies and procedures across some audited programs caused us to conclude that the department needs to review its major functions. Critical functions that need to be addressed include the following:

- the Transportation Equity Trust Fund has no written policies and procedures approving fund grants and authorizing cost-reimbursement requests for payment; and
- the department developed unwritten policy to identify construction projects with nine months of inactivity to avoid the loss of authorized funding.

Written guidelines will help the department ensure that all processes are consistently implemented (page 11).

### **The department's organization potentially compromises internal audit independence**

The department's Internal Audit unit is not organizationally placed to ensure its independence within the department. Specifically, the Internal Audit Director reports to the Deputy Commissioner and Chief Financial Officer in the Bureau of Administration, a division likely to be the subject of an internal audit. To ensure independence and to comply with professional standards, the department should have its Internal Audit Director report to the Commissioner or a Deputy Commissioner outside of potentially audited responsibilities (page 13).

### **Department managers cannot easily access original project estimates to compare to final project costs**

The department has not implemented a way for managers to readily access initial project estimates, which impedes their ability to compare initial estimates to final project costs and to determine whether projects are over or under initial estimates. The department should retain the original and all subsequent project cost estimates and make them accessible to departmental managers and officials for comparison and analysis (page 17).

## **OBSERVATIONS**

The audit report also discusses the following issues: status of the Class 1 railroad lawsuit against the Tennessee Department of Revenue (page 8); the department focused on maintaining current infrastructure because of decreased federal funding (page 15); the department reduced the amounts that project costs exceed projects' original estimated costs (page 16); the department is taking steps to avoid losing access to federal funds (page 16); the department substantially complied with federal bridge inspection requirements (page 19); and the authority is actively addressing crucial issues (page 22).

**Performance Audit**  
**Tennessee Department of Transportation and**  
**Regional Transportation Authority of Middle Tennessee**

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# **Performance Audit Tennessee Department of Transportation and Regional Transportation Authority of Middle Tennessee**

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## **INTRODUCTION**

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### **PURPOSE AND AUTHORITY FOR THE AUDIT**

This performance audit of the Tennessee Department of Transportation and the Regional Transportation Authority of Middle Tennessee was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-237, the department and authority are scheduled to terminate June 30, 2016. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agencies and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the department and the authority should be continued, restructured, or terminated.

### **ORGANIZATION AND STATUTORY RESPONSIBILITIES**

The Tennessee Department of Transportation was established in 1972 under the provisions of *Tennessee Code Annotated*, Title 4, Chapter 3, Part 23. Created to plan, design, construct, and maintain the state's highway network, the department also has planning and/or regulatory responsibilities for other modes of transportation such as aeronautics, public transit, railroads, and waterways.

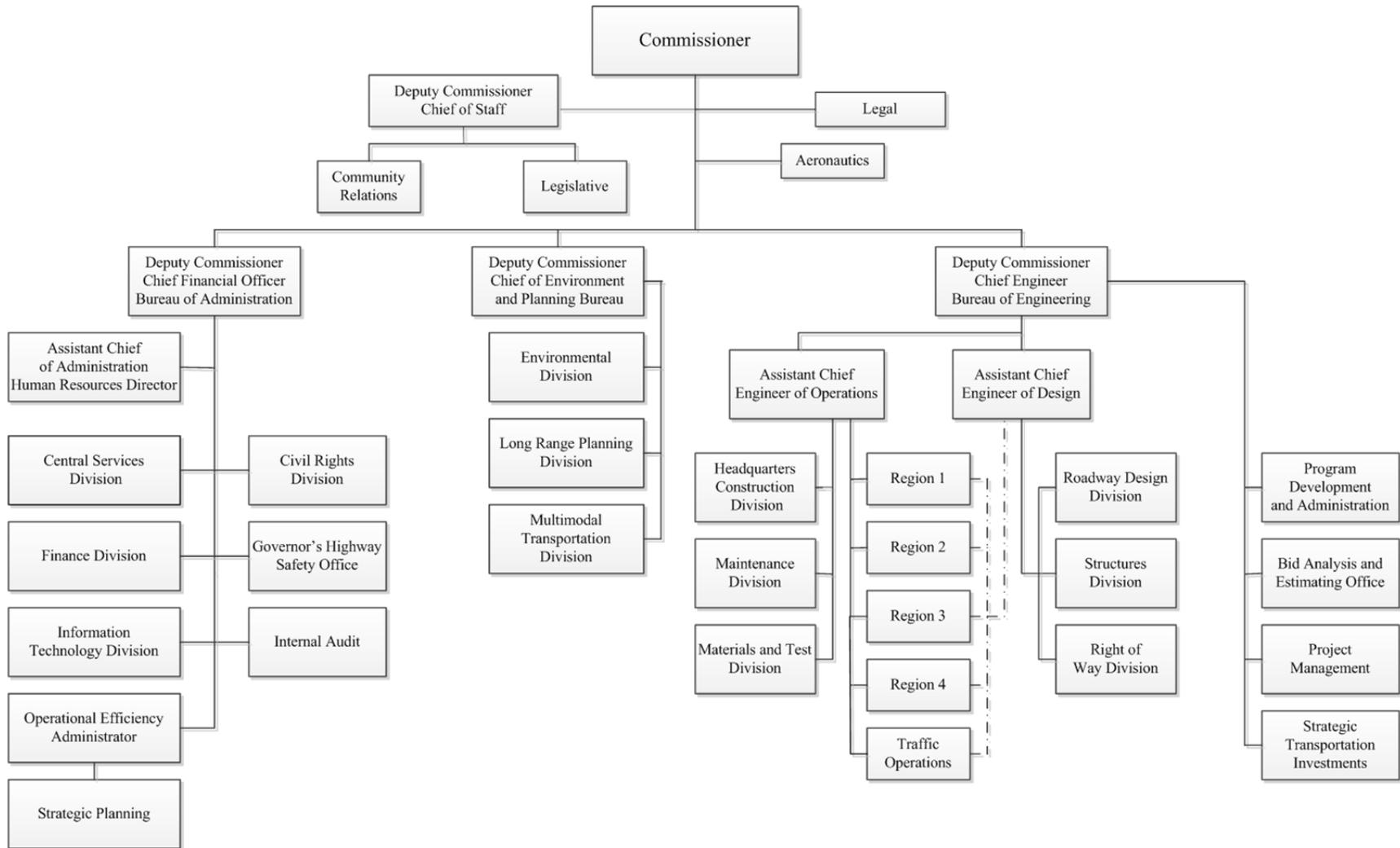
As of September 2015, the department had 3,178 employees statewide.

#### Commissioner's Office

As illustrated in the organizational chart on the next page, three bureaus report to the Commissioner:

- Administration, as described on page 10;
- Environment and Planning, as described on page 4; and
- Engineering, as described on page 17.

**Tennessee Department of Transportation**  
 Organizational Chart  
 As of May 5, 2015



Source: Tennessee Department of Transportation

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## AUDIT SCOPE

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We audited activities of the Tennessee Department of Transportation and the Regional Transportation Authority of Middle Tennessee for the period July 1, 2011, to August 30, 2015. Our audit scope included a review of internal controls and compliance with laws, regulations, and provisions of contracts or grant agreements that are significant within the context of the audit objectives. Management of the Tennessee Department of Transportation is responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, and provisions of contracts and grant agreements. Likewise, management of the Regional Transportation Authority of Middle Tennessee is responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

We conducted this performance 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.

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## PRIOR AUDIT FINDINGS

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement audit recommendations. We conducted a follow-up of findings issued in the most recently issued performance audit (April 2011). The April 2011 audit report found that

- the department lacked a fully functional and readily accessible right-of-way property inventory;
- the prequalification process in place at the time needed to be improved to more effectively determine contractor qualifications and better document the assessment process;
- there was a potential for inconsistent and unsupported decisions in portions of the bid authorization process because of a lack of written policies and procedures; and
- the department needed to identify the approved work classifications on its prequalified contractors list to provide adequate information about contractor qualifications to other users of the listing.

As a part of this current audit, auditors found the Tennessee Department of Transportation resolved all 2011 audit findings by

- creating functional and readily accessible right-of-way property inventory by developing the Integrated Right-of-way Information System (IRIS);
- developing written policies and procedures about the contractor prequalification process;
- developing written policies and procedures about the bid authorization process; and
- adding work classifications for both general and limited prequalification contractors to the prequalified listing available on the department's website.

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## OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

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### ENVIRONMENT AND PLANNING BUREAU

The Environment and Planning Bureau administers the planning, environmental, and multimodal activities of the Tennessee Department of Transportation. Functions include environmental compliance, environmental planning and technical studies, environmental policy, long-range and project transportation planning, travel data collection and analysis, GIS mapping, conceptual project design, safety planning, and highway beautification.

### Multimodal Transportation Resources Division

The Division of Multimodal Transportation Resources in the Tennessee Department of Transportation includes Public Transportation, Rail and Waterways, Rail Inspection and Safety, and the Bicycle and Pedestrian Program. The division administers state and federal grant programs for public transportation, inspects railroads and rail crossings, and works with other divisions to include appropriate treatments for bicycles and pedestrians. The department provides funding to the Regional Transportation Authority of Middle Tennessee through this division. Although it is a separate entity from the department, its sunset audit was conducted in conjunction with this audit, and the results are presented beginning on page 20.

As a part of these responsibilities, the division administers two of the three portions of the Transportation Equity Trust Fund. The fund, established by Section 9-4-207, *Tennessee Code Annotated*, benefits the operation of waterways programs, railroads, aeronautics, and related activities. Since July 1, 1988, the fund receives revenue from taxes on the sale, use, consumption, distribution, or storage of fuels used for aviation, railways, or water carriers.

### Waterways Portion of the Transportation Equity Trust Fund

The waterways portion of the fund is used to pay for Tennessee membership in the following:

- Tennessee Tombigbee Waterway Development Council, which governs a four-state compact composed of the states of Alabama, Mississippi, Tennessee, and Kentucky to promote the development of the Tenn-Tom Waterway and its economic and trade potential.
- National Waterways Conference, whose mission is to effect policies and programs recognizing the public value of our nation’s water resources and their contribution to public safety, a competitive economy, national security, environmental quality, and energy conservation.
- Inland Rivers Ports and Terminals, Incorporated, whose mission is to serve as a resource for inland river ports, terminals, and river-borne transportation services and to promote the value of the inland river transportation system to users and policymakers.

The fund’s waterways revenues and expenses for fiscal years 2012 to 2014 are presented in Table 1.

**Table 1**  
**Transportation Equity Trust Fund, Waterways Portion**  
**Revenues and Expenses**  
**Fiscal Years 2012 to 2014**

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenses</u>
2012	\$73,023	\$40,000
2013	\$72,260	\$80,300
2014	\$83,360	\$1,805

Source: Department of Finance and Administration – Edison ERP.

Railroads Portion of the Transportation Equity Trust Fund

Revenue for the railroad portion of the fund comes from a sales and use tax on railroad diesel fuel. Expenses are grants to public railroad authorities to preserve and maintain essential rail service to communities that are threatened with abandonment or loss of freight rail service. Public rail authorities are the only recipients eligible to receive these grants.

The fund’s railroad revenues and expenses for fiscal years 2012 to 2014 are presented in Table 2.

**Table 2**  
**Transportation Equity Trust Fund, Railroad Portion**  
**Revenues and Expenses**  
**Fiscal Years 2012 to 2014**

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenses</u>
2012	\$15,569,638	\$12,683,915
2013	\$13,780,611	\$13,494,260
2014*	\$5,127,556	\$5,848,938

Source: Department of Finance and Administration – Edison ERP.

\* The Tennessee Department of Transportation Commissioner froze grants to railroad authorities in September 2013 due to a lawsuit by Class 1 railroads.

Aeronautics Portion of the Transportation Equity Trust Fund

The third portion of the Transportation Equity Trust Fund (Aeronautics) is administered by the Aeronautics Division, which reports directly to the Department of Transportation Commissioner.<sup>1</sup> The grants are awarded to Tennessee air carrier and general aviation airports. Grantees can use funds to test, maintain, replace, and/or repair airport buildings, systems (such as radio systems), signage, and other items. The fund’s aeronautic revenues and expenses for fiscal years 2012 to 2014 are presented in Table 3.

**Table 3**  
**Transportation Equity Trust Fund, Aeronautics Portion**  
**Revenues and Expenses**  
**Fiscal Years 2012 to 2014**

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenses</u>
2012	\$48,931,345	\$35,368,649
2013	\$47,049,949	\$39,583,962
2014	\$48,586,656	\$35,470,214

Source: Department of Finance and Administration – Edison ERP.

The objectives of our review of the Multimodal Transportation Equity Trust Fund were to

- understand the status and implications of the current lawsuit by Class 1 railroads against the Tennessee Department of Revenue concerning the fund; and
- evaluate whether the Department of Revenue administers the fund in a manner consistent with policy, state law, and best practices.

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<sup>1</sup> Although the aeronautics portion of the fund is not administered by the Multimodal Division, this information is presented within the Multimodal Transportation Resources Division section to allow the reader to analyze the fund as a whole.

We tracked the status of the Class 1 railroad lawsuit against the Department of Revenue by viewing legislative hearings, reviewing court documents, and interviewing Department of Revenue staff. To evaluate how the Tennessee Department of Transportation oversees the fund, we reviewed state statute, department policy, department grant monitoring reports, and grant contract language. We also interviewed Tennessee Department of Transportation staff and representatives of six railroad authorities.

We provide the current status and implications of the lawsuit and two findings on the department's administration of the fund below. One finding applies to all three portions of the fund (aeronautics, waterways, and railroads), and the other finding relates only to the railroad portion of the fund.

## **Finding**

### **1. The department needs to update Transportation Equity Trust Fund grant contract language**

The Tennessee Department of Transportation's Transportation Equity Trust Fund contract language does not match department practice. Specifically, the contract defines the grant as cost-reimbursement, meaning that the recipient must spend money first and then be reimbursed by the department through the grant. However, the department does not always require money to be spent in advance of fund payment. The department also allowed railroad authorities to use in-kind services to satisfy the grant matching requirement even though the in-kind work was performed outside of the grant contract period which conflicts with the grant contract language.

The department's contracts with grantees are cost-reimbursement contracts requiring reimbursement from the fund for expenses already paid and for payments to be made only within the grant period. Historically, however, small railroad and airport authorities communicated to the department that for most payments the authorities do not have the financial resources to pay prior to receiving payment from the state, and that contractor activity cannot always be scheduled within the grant period. Department management made the decision to allow grantees to receive payment from the fund prior to paying the vendor. The department also allowed grantees to use in-kind services to satisfy the grant matching requirement even though the work was performed outside of the grant contract period which conflicts with the grant contract language, though both activities are explicitly disallowed by the contract language.

We consulted both contract management staff of the Office of the Comptroller of the Treasury and general counsel of the Division of State Audit to determine the best way to resolve this discrepancy between the contract and the practice. Considering the intent of the use of the fund and the status of the authorities, both parties recommended that the department work with the Central Procurement Office of the Department of General Services and modify the contract language to accommodate this particular situation and maintain the relationship between the department, the state, and the authorities.

## **Recommendation**

The department should work with the Central Procurement Office of the Department of General Services to modify the contract language for grants from the Transportation Equity Trust Fund to reflect practices regarding cost-reimbursement and acceptance of in-kind services provided outside of the contract period.

## **Management's Comments**

The Multimodal Division concurs with the finding. The department will approach the Central Procurement Office of the Department of General Services and seek approval for contract language that is in alignment with actual practice. Additionally, if the shortline grant program is resumed in the future, Multimodal intends to require cash match rather than allowing in-kind contributions as matching funds. This would resolve any issues related the timing of in-kind contributions in relation to the contract period. If in-kind contributions are permitted, Multimodal will ensure that contributions took place within the contract period.

## **Observation**

### **1. Status of the Class 1 railroad lawsuit against the Tennessee Department of Revenue**

In February 2010, Illinois Central Railroad Company (ICRR) filed a lawsuit against the Tennessee Department of Revenue (which collects tax revenue to be allocated to The Transportation Equity Trust Fund). This action was brought under Section 306(1)(d) of the federal Railroad Revitalization and Regulatory Reform Act of 1976, Title 49, *United States Code*, Section 11501(b)(4), which prohibits state and local governments from discriminating against railroads with respect to taxation. The plaintiff contends that the state sales and use tax assessments are discriminatory because motor carriers are exempt from the tax, but rail carriers are not exempt.

The United States District Court, Middle District of Tennessee, Nashville Division, initially ruled in June 2012 in favor of the plaintiff. Subsequently, a federal court in October 2013 barred the State of Tennessee from charging CSX Transportation, Inc., sales tax on the purchase of diesel fuel. However, the Middle District court of Tennessee issued an injunction pending the outcome of the state's appeal on the original ICRR case. The Commissioner of the Tennessee Department of Transportation froze railroad authority funds in September 2013 because of the lawsuit. As of September 2015, the lawsuit remains in the court system.

The following finding related to the fund's railroad portion would apply if the lawsuit is settled, the funds are unfrozen, and the program continues in the same or similar form.

## **Finding**

### **2. The department does not adequately analyze and report all required railroad authority performance measures**

The key goal of the railroad portion of the Transportation Equity Trust Fund is to provide economic development and benefit to local communities served by recipient railroad authorities. Multimodal policy requires the Office of Rail and Water to review the performance of each shortline receiving grants in order to assess contributions to local and state economic development. According to policy, performance measures used will include, but not be limited to, employment and accessibility (defined by the number of jobs/employees from industries who are rail customers served by the shortline by mile of shortline track) and effectiveness (reviewed on the basis of railroad per dollars of state expenditure on the shortline).

However, the Tennessee Department of Transportation does not evaluate all of the available data to determine whether railroad grants are meeting this purpose. Specifically, the Office of Rail and Water staff is required to annually prepare a report that presents the following data on the Shortline Program in order to assess the effectiveness of the program:

- tons of cargo per dollars of department rehabilitation expenditure;
- tons/miles of cargo per dollars of department rehabilitation expenditure; and
- number of employees in rail customer base per dollar of department rehabilitation expenditure.

Although the department reviews some data, such as the amount of track that meets the 286,000-pound industry requirement, the department is not reporting on the employment, accessibility, and effectiveness data. Without this analysis, the department has no basis to know whether it is awarding grants in accordance with the purpose of the program.

The department's failure to analyze and report the performance information submitted by shortline railroad operators prevents evaluation of the shortline railroad program's economic impact and the effectiveness of grants awarded through the transportation equity fund.

When discussing this finding, department management expressed an interest in reviewing and potentially updating the information collected, analyzed, and reported by the department under department policy and state law to provide more meaningful impact evaluation for these funds.

## **Recommendation**

The department should collect, analyze, and report shortline railroad related Transportation Equity Trust Fund performance measurement information in compliance with departmental policy and state law, to provide a meaningful evaluation of the grant program's effectiveness. The department may wish to review and update those performance measures and related department policy to ensure the measures provide meaningful information.

## **Management's Comments**

The Multimodal Division concurs with the finding in part. The division does track certain performance indicators, including the amount of track at 286K pound capacity, the number of carloads hauled, and the industries serviced by each shortline. However, the data has not been consistently collected and analyzed. Additionally, Multimodal has not calculated the specific ratios identified in the 2006 "Policies and Procedures for the Shortline Railroad Track and Bridge Rehabilitation Grant Program." It is important, however, to note that the measures identified in the policy manual would not have provided a meaningful measure of the impact of the rail program with regard to employment, accessibility, or effectiveness. The measures specified in the policy guide lack utility for the following reasons:

- The measures are based on the level of spending in any given year. In fact, the level of spending year to year by any given Railroad Authority will vary widely because Authorities may save for a project for several years.
- The benefits of the funded railroad improvements may manifest over an extended period.
- The measures do not capture the benefit of retention of employment or retention of freight volumes.
- Numerous other factors impact freight volumes and employment levels (market conditions for a given industry, labor costs, regulations, interest rates, etc.) other than the condition of the railroad. A true measure of effectiveness would need to take such factors into consideration.

If the grant program is resumed, Multimodal will revise the policies and procedures for the program to replace the 2006 document. The revised policies and procedures for the railroad grant program will identify meaningful quantitative and/or qualitative measures of the impact of the grant program. Multimodal will consider whether a periodic evaluation of the impact of the program by qualified economists would provide valuable insight into the grant program's effectiveness. An evaluation of the economic impact of the program was underway prior to the current administration and the research project was cut short for reasons that are unclear.

## **BUREAU OF ADMINISTRATION**

The Bureau of Administration oversees the Tennessee Department of Transportation's business and related activities. Functions administrated by the bureau include Central Services, Civil Rights, Finance, the Governor's Highway Safety Office, Internal Audit, Human Resources, Operational Efficiency, Strategic Planning, and Information Technology.

### Maintenance

The objective of our review of this division also included determining whether maintenance contracts were awarded and monitored by all regions in a manner consistent with policy, state laws, best practices, and each other.

To accomplish this objective, we interviewed department staff located in the central office as well as in each of the department's regions; reviewed maintenance budgets for each of the regions; reviewed the department's Maintenance Management System (MMS) training manual, using an auditor identified project; reviewed the process used to enter and track information in the MMS and Site Manager systems; and reviewed statute.

### **Finding**

#### **3. The department lacks written policies or procedures for some critical functions**

During the course of this audit, we noted some key functions in the Tennessee Department of Transportation without written policies and procedures. While the lack of a particular policy or procedure may not be a major concern in and of itself, the lack of policies and procedures across audited programs caused us to conclude that the department needs to review its major functions to update and/or institute policies and procedures as needed.

We noted particular areas of the department that lacked written policies and procedures:

- The Transportation Equity Trust Fund has no written policies and procedures regarding approving shortline railroad fund grants or cost-reimbursement requests for payment. The department identified this lack of procedures in its Enterprise Risk Management report for fiscal year 2014, yet the procedures had not been developed as of August 2015.
- There are certain steps to identify when a Bureau of Engineering construction project's federal funds are in danger of no longer being accessible because of a lack of activity. As discussed further in the observation on page 16, federal highway funds that have not had expenditure activity within a 12-month timeframe are subject to no longer being accessible. In an attempt to minimize this threat, the department developed an unwritten policy to identify these projects with nine months of inactivity and take steps to avoid losing access to the funds. While developing unwritten policies is an important proactive step, developing written policies increases the assurance that the expected practices will be consistently and reliably applied to minimize the risk of the department losing access to federal funds.

Written guidelines help the department ensure that a process is consistently applied. The potential impact of not having written policies is exacerbated by the physical decentralization of the department.

### **Recommendation**

The department should develop written policies and procedures for processes as needed, including the areas of

- approving shortline Transportation Equity Trust Fund grants and authorizing cost-reimbursement requests for payment; and
- identifying Bureau of Engineering construction projects where the department is in danger of losing access to federal funds because of lack of activity.

### **Management's Comments**

#### Management's Comments to Finding #3.1:

The Multimodal Division concurs with the finding pertaining to approval of railroad authority contract requests and approval of invoice payments. When the policies and procedures document for the shortline grant program is revised, Multimodal intends to add specificity about how Railroad Authorities request contacts, the documentation that must be submitted with reimbursement requests, and the criteria for staff approval of invoices.

#### Management's Comments to Finding #3.2:

Management does not concur. The department diligently reviews reports made available to us by the Federal Highway Administration (FHWA) looking for funds that would be subject to lapse or reversion at the end of a particular federal fiscal year. It is of highest priority to identify and obligate these funds to other projects.

The department sometimes receives an "Earmark" or a "Grant" from FHWA with a specific purpose or improvement attached to the funds. The funds are usually set at a specific amount and cannot be exceeded. Sometimes a project is delivered under budget which results in a remaining balance of funds, but because of the specific restrictions placed on the funds by FHWA, the department is not able to deobligate the remaining funds and obligate them on another project. The only option open to the department is to let the remaining funds revert back to FHWA. When receiving this type of funding, we research the guidelines thoroughly and interact with appropriate FHWA personnel to make sure we have a clear understanding of the options available to the department. However, in an effort to enhance further internal processes, the department will create a desk guide or checklist that will be followed to ensure the department uses every federal dollar available to the state in a responsible manner to improve our transportation network.

### **Internal Audit**

The Internal Audit unit provides audit and assurance, consulting and advisory, education, and integrity services for the Tennessee Department of Transportation. The unit's primary focus is conducting performance audits regarding the efficiency, effectiveness, and economy of the department's various operational and financial programs, processes, and activities.

Our audit objective with regard to the Internal Audit unit was to determine whether Internal Audit's organizational placement is consistent with best practices and professional standards.

We reviewed the department's organization chart (as of July 25, 2014); interviewed Internal Audit staff; and reviewed professional standards and best practices. We determined the current departmental organization potentially compromises Internal Audit unit independence.

### **Finding**

#### **4. The department's organization potentially compromises internal audit independence**

The Tennessee Department of Transportation's Internal Audit unit is not organizationally placed in a position to ensure its independence within the department. Specifically, the Internal Audit Director reports to the Deputy Commissioner, Chief Financial Officer, in the Bureau of Administration, a division likely to be the subject of an internal audit. Because of the sensitive nature of the internal audit function, internal auditors need to be positioned outside staff or line department functions to ensure freedom to conduct audits and report conclusions objectively and without fear of retaliation.

The department's internal auditor is required to adhere to Generally Accepted Government Auditing Standards (GAGAS). The department is in compliance with GAGAS Standard 3.31(a), which requires the Internal Audit Director to report directly to the head or deputy head of the government entity or to those charged with governance. The department is not in compliance with Paragraph 3.31(c), which requires the head of the audit organization be located organizationally outside the staff or line-management function of the unit under audit. Even though the head of the audit organization reports to a Deputy Commissioner, as mentioned above and indicated on the organizational chart, the head of audit is a part of the staff or line-management function of the units that would be subject to internal audits. Thus, the Internal Audit Division does not meet all of the required criteria to maintain independence.

We did not identify any issues, but the department's organization creates a potential compromise and/or appearance of a potential compromise of internal audit independence.

### **Recommendation**

To ensure independence and to comply with professional standards, the department should have its Internal Audit Director report to the Commissioner.

### **Management's Comments**

Management does not concur with the auditors' subjective assertions that the department's current organizational structure compromises the independence of the internal audit function. The Internal Audit Division is an independent division positioned outside staff or line functions. Contrary to the auditors' assertion, the Deputy Commissioner of the Bureau of Administration is positioned outside staff or line function within the department but is

responsible for administratively overseeing numerous divisions within the bureau. Currently, the internal audit function has functional accountability and reporting responsibilities to the Commissioner and all audit results are reported to the Commissioner.

Second, management disagrees with the auditors' logic and assumptions as it pertains to the overall organizational structure. If the auditors assert that the staff and line function exists throughout all levels of hierarchy within the organization, then having the Internal Audit function report directly to the Commissioner will not enhance auditor independence, since the Commissioner has the ultimate staff or line responsibility over the entire department.

Third, we disagree with the auditors' assertion that "professional standards call for the Internal Audit Director to report directly to the Commissioner." GAGAS Standard 3.31 specifically states that the head of the audit organization is independent for the purposes of reporting internally when the head of audit "is accountable to the head or deputy head of the government entity or to those charged with governance." Internal Audit's current reporting structure clearly complies with GAGAS Standard 3.31. The department's Internal Audit structure is not different from other state departments, 18 of which have Internal Audit functions that report to an executive director or a deputy commissioner.

Finally, we disagree with the auditors' findings that "current organizational structure potentially compromises Internal Audit independence" because safeguards to Internal Audit independence are in place. The Internal Audit function has an internal audit charter that formally defines the purpose, authority, and responsibility of the internal audit function. The internal audit charter also establishes the position of the internal audit function within the organization's structure; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Additionally, the department's Policy 140-01 supports the internal audit charter further by outlining the role and responsibilities of the internal audit function as it pertains to matters that involve fraud, waste, and abuse of departmental assets and funds.

### **Auditor's Comment**

GAGAS Standard 3.31 requires that five criteria be met to ensure that an internal auditor is considered independent. One of these five criteria, part a, is that the internal auditor "is accountable to the head or deputy head of the government entity or those charged with governance." The department's Internal Audit Director reports directly to an upper manager, who carries the title of Deputy Commissioner. However, the deputy commissioner is also responsible for financial management; hence, the internal auditor reports to a manager who is also responsible for a staff or line-management function that is likely to be audited. This violates another of the five criteria that must be met to provide internal auditor independence. Specifically, part c of GAGAS Standard 3.31 states that the internal auditor should be "located organizationally outside the staff or line-management function of the unit under audit" to be considered independent.

## Finance Division

The Finance Division is responsible for the Tennessee Department of Transportation's accounting system, including billing and receipts, payroll, consultant auditing, accounts payable, and the department's budget.

Our audit objectives with regard to the Finance Division were to

- understand and evaluate department plans to operate within potential future funding scenarios; and
- determine whether the department properly manages project cost changes, project cost overruns, and over limit transactions in a manner consistent with policy, federal guidelines, state laws, and best practices.

We interviewed the Commissioner, reviewed departmental documentation, and read a report from the Comptroller of the Treasury's Offices of Research and Education Accountability to understand and evaluate the department's future funding plans.

To accomplish the second objective and gain an understanding of over limit transactions, we interviewed department staff in the Finance, Program Operations, and Bid Analysis and Estimating offices. We also requested information from department staff regarding project estimates, adjustments, and final project costs, to determine whether projects generally ran over, under, or on budget, and to identify which phases of projects allow for the most adjustments.

### Observation

#### **2. The department focused on maintaining current infrastructure because of decreased federal funding**

As described by the Commissioner in an address to the members of the Tennessee General Assembly in October 2014, federal funding for transportation in the form of Highway Trust Fund revenues has fallen significantly short of expenditures authorized by Congress in recent years. Consequently, the Tennessee Department of Transportation has required increased state appropriations to support Tennessee's transportation program.

In response to the funding decreases in 2014, the department scaled back future contracts and reprioritized which projects were let to contract starting in December 2014. Projects that provided safety improvements, bridge rehabilitation and replacement, and pavement preservation were prioritized over new construction. Additionally, the department postponed planned projects to future fiscal years. For example, the department's fiscal year 2016 building program consists of only two new projects, in addition to projects delayed from 2015.<sup>2</sup>

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<sup>2</sup> This work also addresses our objective to determine how the department identifies road maintenance projects and whether those projects are prioritized in a manner consistent with policy, state law, and best practices.

## Observation

### **3. The department reduced the amounts that project costs exceed projects' reported estimated costs**

At the direction of its Commissioner, the Tennessee Department of Transportation dramatically decreased its "Over Limit Transaction" (OLT) amount from \$143 million in fiscal year 2011, \$180 million in fiscal year 2012, and \$145 million in fiscal year 2013, to only \$22 million in fiscal year 2014. The department accomplished this by paying for ongoing and completed projects prior to starting new projects. OLTs are the amounts a project's cost overruns the project's reported estimate. These amounts may change from day to day over the life of a project. The Federal Highway Administration can agree to pay OLTs, but it is not legally obligated to do so. Therefore, it is in the state and local governments' best interests to minimize OLTs. In light of reductions in federal funding, the Commissioner decided to keep OLTs under \$30 million, which is comparable to other states.

## Observation

### **4. The department is taking steps to avoid losing authority to access federal funds**

The Tennessee Department of Transportation annually receives funds for transportation projects from the Federal Highway Administration. However, because of a number of factors, the department sometimes loses the authority to access these funds. Funds are unspent for a variety of reasons:

- Local government projects cost less than originally estimated. The department periodically acts as a third party between local governments and the federal government. Local governments identify federal grants for local projects and estimate the cost. The department submits the grant request to the federal government and, if the grant is awarded, the department draws down the funds from the federal government. If the project comes in under estimate, the excess funds are never drawn down, but remain with the federal government. For example, the Delta Region Transportation Development Program completed a project in fiscal year 2014 under estimate by \$130,185, resulting in the department losing access to these funds.
- Projects periodically are canceled by the state or local government after federal funds have been awarded. When this occurs, the department loses the authority to access the federal funds. The only projects in this category for the audit period were canceled by local governments. For example, a scenic byway project was canceled in fiscal year 2014, resulting in the department losing the authority to access \$80,000.
- Failure to access a project's federal funds over a period of 12 months may result in the department losing access to these funds. This is sometimes referred to as "aging out" funds. In fiscal year 2013, the federal government identified eight department projects that fell into this category, resulting in the department no longer being able to access approximately \$4 million. This is the only occurrence during the audit period

when the department's actions potentially caused it to no longer have access to federal funds. The department has identified this as a risk and now assesses projects at the nine-month mark to identify projects where it is at risk of losing access to federal funds.

## **BUREAU OF ENGINEERING**

The Bureau of Engineering's responsibilities are to develop, preserve, and maintain the state highway system and to provide assistance to local governments in the development of their highway systems. This bureau also provides technical and development support to other divisions of the Tennessee Department of Transportation. Specific responsibilities include highway data collection, program development and scheduling, design, right-of-way acquisition, estimates, aerial surveying, construction, maintenance, traffic engineering, and materials and geological testing.

### **Bid Analysis and Estimating Office**

The Bid Analysis and Estimating Office is responsible for producing preliminary estimates, the "Engineer's Estimate of Cost," and the "Notice to Contractors" for all construction and maintenance projects let by the Tennessee Department of Transportation. The office reviews estimates and bids on locally managed projects to ensure that department policies and guidelines are followed in the bid letting and contract award processes. The office maintains records of estimates and bids on the department's projects according to statutory requirements and reports cost trend analysis annually and on request.

Our audit objective with regard to the Bid Analysis and Estimating Office, similar to our objective for the Finance Office, was to determine whether the department properly managed project cost changes and project cost overruns in a manner consistent with policy, federal guidelines, state laws, and best practices.

To accomplish this objective and to gain an understanding of project estimates, we interviewed department staff in the Bid Analysis and Estimating Office and requested information regarding original project estimates, adjustments throughout the phases of projects, and final project costs.

### **Finding**

#### **5. Department managers cannot easily access original project estimates to compare to final project costs**

The Tennessee Department of Transportation has not implemented a way for managers to readily access original project estimates. The lack of this mechanism impedes their ability to compare original estimates to final project costs and determine whether projects are over or under original estimates.

The two primary computer systems used by the department to manage projects, Edison and Site Manager, do not retain original project estimates. Rather, the systems override previous project estimates when a new estimate is developed and entered into the systems. Additionally, department officials were uncertain whether or how original estimates could even be obtained from another source. As a result, we were unable to obtain original project estimates needed to determine the extent to which projects exceeded their original estimates, and use that difference as a measure of the quality of the estimation process. Similarly, without such information, project managers were unable to complete such analysis on their own projects, minimizing their ability to manage the department's cost estimate process.

### **Recommendation**

The department should retain original and all subsequent project cost estimates and make them accessible for use by department managers and officials for comparison and analysis.

### **Management's Comments**

Management does not concur with the auditors' findings. For projects under development by the department, the Bid Analysis and Estimating Office prepare the estimated cost for projects at various phases of project development. Since most projects take multiple years to deliver, a current cost estimate is desired and these estimates are updated such that project cost estimates are not less than one year old.

The estimate is kept up to date in the PPRM computer system managed by the Program Development and Administration Division. The PPRM system does retain the old cost estimates when updated estimates become available, allowing department staff to examine changes in cost estimates on individual projects over time.

These estimates will differ as the project development process generates more specific information regarding the details of the project components. The estimates of probable costs are used to develop program budgets and to provide fiscal constraint in the State Transportation Improvement Program (STIP).

Prior to a project being delivered for the construction phase, the project estimate is further refined into the "Engineer's Estimate of Cost." This final estimate is the primary piece of information used to make a determination to reject or award a contract. After a project is awarded to contract, the awarded bid amount is retained in the PPRM system and compared with the final cost per the Edison Enterprise system at project close-out.

For projects identified in the Legislative Program, the awarded bid amount and the final project cost are compared and if significantly different, the department provides a written explanation regarding the cause of the increased cost. This information is reported to the State Building Commission quarterly.

In our opinion, the quality of the estimation process performed by the Bid Analysis and Estimating Office should be based on the aggregate estimates of many projects relative to their corresponding bids for various categories of work. The department monitors the aggregate difference between the Engineer's Estimate of Cost and the contractors bid for every letting. The department maintains historical data on bid tabulations as they are used extensively throughout the department for various reasons including estimating the cost of new projects.

### **Auditor's Comment**

During the course of conducting the audit, department staff stated that the PPRM computer system may contain original project estimate information. However, despite numerous conversations with and requests to department staff, the department never provided documentation or proof that original project estimates existed here or elsewhere.

### **Bridge Program**

The Federal Highway Administration's National Bridge Inspection Program (NBIP) establishes bridge safety standards for states to follow. States must comply with the NBIP to receive federal funding for their inspection programs. To ensure the Tennessee Department of Transportation complies with federal standards, the department adopted NBIP standards in 2014 as part of its *Bridge Inspection Program Procedures Manual*. For example, the department's bridge inspection frequency (a 24-month cycle for bridges on public roads and a 60-month cycle for underwater bridges) complies with NBIP requirements.

Our objective related to the bridge program was to evaluate whether bridge inspections are performed in a manner consistent with policy, federal guidelines, state laws, and best practices. Our methods included interviews with department staff and representatives from the Federal Highway Administration, review of federal standards and procedures, review of the department's bridge inspection reports and summary data, and validation of bridge inspection data. Our conclusion is in agreement with the observation below.

### **Observation**

#### **5. The department substantially complied with federal bridge inspection requirements**

In the November 2014 NBIP report, the Federal Highway Administration found that the Tennessee Department of Transportation was in full compliance with 22 of 23 metrics it uses to assess state bridge inspection performance. For example, five NBIP assessment metrics specifically address how often the department must inspect specific types of bridges: lower-risk bridges, higher-risk bridges, underwater lower-risk bridges, underwater higher-risk bridges, and fracture critical bridges. The 2014 NBIP report assessment found that

- 99.7% of lower-risk bridges were inspected within the 24-month cycle while the others were inspected within the following month;
- 99.8% of higher-risk bridges were inspected within the 24-month cycle while the others were inspected within the following month;
- 100% of underwater lower-risk bridges were inspected within the 60-month cycle;
- 100% of underwater higher-risk bridges were inspected within the 60-month cycle; and
- all but one fracture critical bridge were inspected within the 24-month cycle, and the one not inspected was being replaced.

As a result, the federal government found that the department was in full compliance with federal bridge inspection requirements.

## **REGIONAL TRANSPORTATION AUTHORITY OF MIDDLE TENNESSEE**

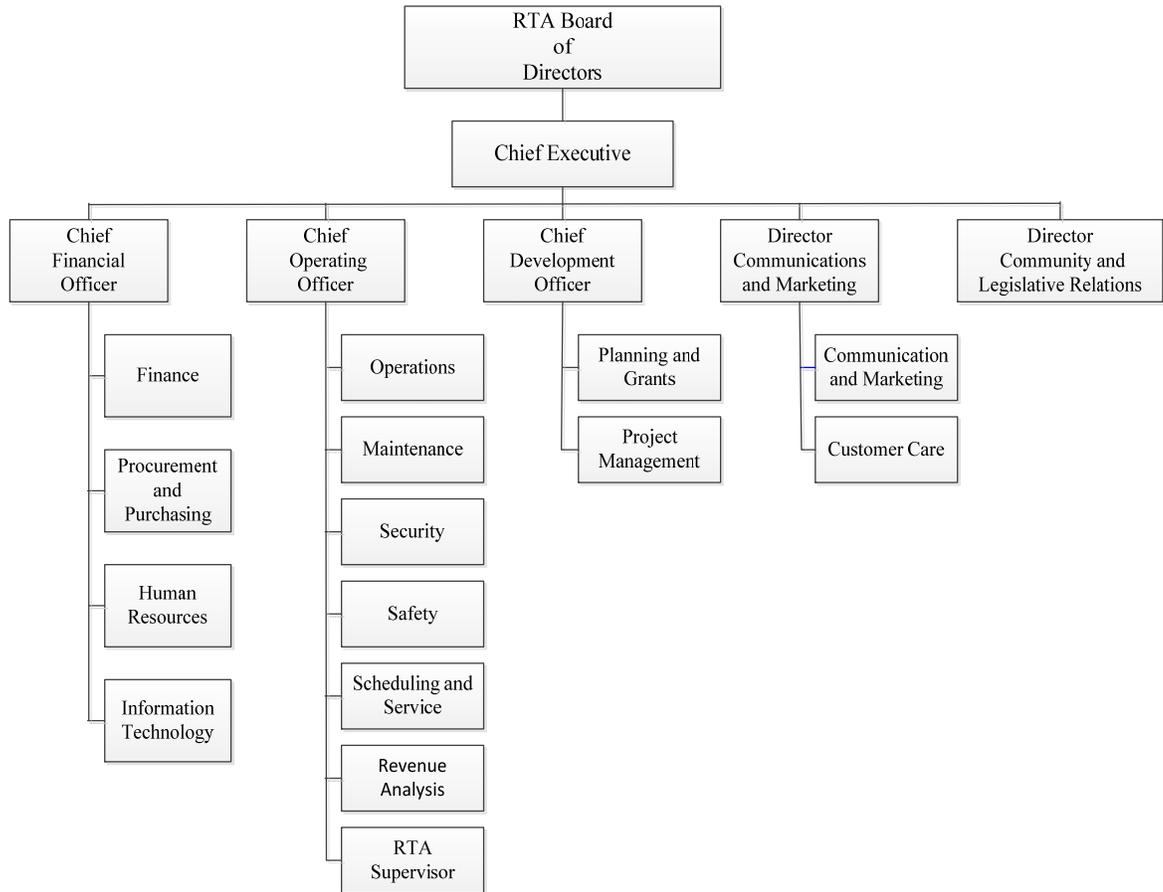
The Regional Transportation Authority of Middle Tennessee (RTA) was established in 1988 pursuant to Section 64-8-101, *Tennessee Code Annotated*, for the counties of Davidson, Sumner, Williamson, Wilson, Robertson, Cheatham, Maury, Dickson, and Rutherford. The authority was created to plan, finance, construct, operate, maintain, and manage mass transit systems in response to the growing need for regional solutions to traffic congestion and to develop multimodal transportation necessary for economic growth and environmental sustainability. In 2009, enabling legislation was passed, allowing the authority to expand and include adjacent counties and municipalities with a majority vote of acceptance by the board. In March 2012, the board voted to accept Montgomery County into the Regional Transportation Authority of Middle Tennessee.

The authority is governed by a board consisting of mayors from all member counties and cities; the Commissioner's designee from the Tennessee Department of Transportation; and one resident from each of the member counties, appointed by the Governor. The RTA board has 37 elected or appointed members, 3 of whom are officers: a Chair, a Vice Chair, and a Secretary. The board has three committees—Finance and Audit, Marketing, and Operations—which meet to discuss issues prior to every monthly RTA board meeting.

RTA services its member counties with ten regional bus routes and the Music City Star regional rail. Additionally, RTA's rideshare program organizes vanpools and carpools for commuters throughout Middle Tennessee.

The objective of our review of RTA was to determine whether the RTA acts in a reasonably efficient and effective manner consistent with its enabling statutes and applicable state laws, policies, and best practices. To accomplish this objective and gain an understanding of RTA, we interviewed RTA staff and board members and attended RTA board meetings, committee meetings, and public hearings. We also requested information from RTA staff regarding a decrease in federal funding, funding alternatives, and problems with current service contracts.

Regional Transportation Authority of Middle Tennessee  
 Organizational Chart  
 As of April 24, 2015



Source: Regional Transportation Authority

## Observation

### 6. The authority is actively addressing crucial issues

We found that the Regional Transportation Authority of Middle Tennessee (RTA) is actively addressing two critical issues: funding and contract monitoring.

#### Funding

After three years of receiving federal Congestion Mitigation and Air Quality Improvement Program funds, RTA will lose approximately \$800,000 over the next two years as the grants expire. The loss of these funds will substantially increase the amount of money participating cities and counties have to pay to keep RTA operational. Although a significant fare increase went into effect in late September 2015, RTA board members have expressed concern that a significant increase in fees could result in some riders opting to no longer participate, thereby jeopardizing RTA's continued viability.

The RTA board's Finance and Audit Committee developed several alternative funding options to address this issue:

- Effective September 2015, raising fares approximately 5% for paying riders. This excludes riders whose use is paid via RTA contracts with the State of Tennessee, Metro Nashville and Davidson County, and Vanderbilt University, which are subject to fixed contracted prices. The fare increase is expected to raise approximately \$50,000 in revenue.
- Shifting capital improvement funds to address operating expense. This is estimated to only address revenue shortfalls for a year or two before equipment and machinery need repairs or replacement.
- Applying for additional short-term federal funding. Even if successful, RTA would re-encounter the same funding problems once these funds expire.

RTA is aware that it will ultimately need to pursue long-term changes to its funding mechanism in order to continue to provide services.

#### Contract Monitoring

RTA provides all of its bus service via contracts with the Nashville Metropolitan Transit Authority and a private contractor. However, it has experienced recent service issues with its private contractor. Problems include rider complaints about buses not running on time or not showing up at all. In response to these issues, RTA has requested the contractor develop an action plan to improve its service. In June 2015, RTA hired a chief operating officer with contract monitoring experience to enforce the terms of its contract with its private vendor or any other vendor it may use in the future.

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## APPENDICES – TENNESSEE DEPARTMENT OF TRANSPORTATION

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### APPENDIX 1 Tennessee Department of Transportation Title VI and Other Information

The Tennessee Human Rights Commission (THRC) issues a report, *Tennessee Title VI Compliance Program*, that details agencies' federal dollars received, Title VI and other human rights related complaints received, whether the agency Title VI implementation plans were filed timely, and whether THRC findings were taken on agencies. Below are staff and board member demographics, as well as a summary of the information in the latest THRC report for the Tennessee Department of Transportation.

The *Tennessee Title VI Compliance Report* for fiscal year 2013 to fiscal year 2014 stated that the department's Title VI implementation plan was filed on time and did not have any complaints or findings reported by THRC or the department.

The department received \$778,925,310 in federal funds, which was 6% of the total amount of federal funding received by all state agencies for fiscal year 2014.

**Tennessee Department of Transportation Staff Ethnicity and Gender  
By Job Position  
April 2015**

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
ACCOUNT CLERK	0	8	0	3	0	0	5	0
ACCOUNTANT 1*	0	1	0	1	0	0	0	0
ACCOUNTANT 2*	4	6	1	3	0	0	6	0
ACCOUNTANT 3	2	5	1	2	0	1	3	0
ACCOUNTING MANAGER	4	2	0	1	0	0	5	0
ACCOUNTING TECHNICIAN 1	0	4	0	2	0	0	2	0
ACCOUNTING TECHNICIAN 2	1	2	0	1	0	0	2	0
ADMINISTRATIVE ASSISTANT 1	0	5	0	1	0	0	4	0
ADMINISTRATIVE ASSISTANT 2	0	4	0	1	0	0	3	0
ADMINISTRATIVE ASSISTANT 3	0	3	0	1	0	0	2	0
ADMINISTRATIVE SECRETARY	0	23	0	3	0	0	20	0
ADMINISTRATIVE SERVICES ASSISTANT 1*	1	14	0	4	0	0	11	0
ADMINISTRATIVE SERVICES ASSISTANT 2*	24	125	0	12	0	1	136	0
ADMINISTRATIVE SERVICES ASSISTANT 3	1	17	0	2	0	0	16	0
ADMINISTRATIVE SERVICES ASSISTANT 4	5	9	0	1	0	0	13	0
ADMINISTRATIVE SERVICES ASSISTANT 5	0	2	0	0	0	0	2	0
ADMINISTRATIVE SERVICES MANAGER	1	0	0	0	0	0	1	0
AERIAL PHOTO LAB TECHNICIAN 2*	2	0	1	0	0	0	1	0
AERIAL PHOTOGRAPHER 2*	2	0	0	0	0	0	2	0
AERIAL PHOTOGRAPHER 3	0	1	0	0	0	0	1	0
AFFIRMATIVE ACTION DIRECTOR	0	1	0	1	0	0	0	0
AFFIRMATIVE ACTION OFFICER 2	0	4	0	4	0	0	0	0
AGENCY CIO	1	0	0	0	0	0	1	0
AIRCRAFT CHIEF PILOT	1	0	0	0	0	0	1	0
AIRCRAFT LEAD PILOT	5	0	0	0	0	0	5	0
AIRCRAFT MECHANIC 2	2	0	0	0	0	0	2	0
AIRCRAFT SCHEDULER	1	0	0	1	0	0	0	0
APPLICATION ARCHITECT	1	0	0	0	0	0	1	0
ARCHAEOLOGIST 2	2	1	0	0	0	0	3	0
ARCHAEOLOGIST SUPERVISOR	1	0	0	0	0	0	1	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
ASSISTANT CHIEF ENGINEER	4	0	0	0	0	0	4	0
ATTORNEY 3	0	4	0	0	0	0	4	0
ATTORNEY 4	2	0	0	0	0	0	2	0
AUDIT DIRECTOR 2	1	0	1	0	0	0	0	0
AUDITOR 1*	1	1	0	0	0	0	2	0
AUDITOR 2*	0	4	0	0	0	0	4	0
AUDITOR 3	3	2	0	1	0	0	3	1
AUDITOR 4	3	0	0	1	0	0	2	0
AUTOMOTIVE MASTER MECHANIC	2	0	0	0	0	0	2	0
BIOLOGIST 4	0	1	0	0	0	0	1	0
BOARD MEMBER	3	1	1	0	0	0	3	0
BUILDING MAINTENANCE WORKER 1	1	0	0	1	0	0	0	0
BUILDING MAINTENANCE WORKER 2	3	0	0	0	0	0	3	0
BUILDING MAINTENANCE WORKER 3	3	1	0	0	0	0	4	0
BUSINESS SOLUTIONS ARCHITECT	1	0	0	0	0	0	1	0
CADD SUPERVISOR 1	3	2	1	0	0	0	4	0
CADD SUPERVISOR 2	1	1	0	0	0	0	2	0
CADD SUPERVISOR 3	1	0	0	0	0	0	1	0
CADD TECHNICIAN 3*	23	5	1	9	1	1	16	0
CADD TECHNICIAN 4	6	3	0	0	0	0	9	0
CIVIL ENGINEERING ADMINISTRATOR	2	0	0	0	0	0	2	0
CIVIL ENGINEERING DIRECTOR	6	1	0	0	0	0	7	0
CIVIL ENGINEERING MANAGER 1	21	6	1	0	0	0	26	0
CIVIL ENGINEERING MANAGER 2	26	3	2	0	0	0	26	1
CLERK 2	2	1	0	1	0	0	2	0
CLERK 3	3	13	1	7	0	0	8	0
COMMISSIONER 2	1	0	0	0	0	0	1	0
COMMUNICATIONS DISPATCHER 2*	6	8	0	5	0	0	9	0
COMMUNICATIONS SYSTEMS ANALYST 2*	1	0	0	0	0	0	1	0
COMMUNICATIONS SYSTEMS ANALYST 3	1	0	0	1	0	0	0	0
COMMUNICATIONS SYSTEMS ANALYST 4	1	0	0	0	0	0	1	0
CONTRACT COMPLIANCE OFFICER 2	1	2	0	2	0	0	1	0
CONTRACT COMPLIANCE OFFICER 3	2	1	0	2	0	0	1	0
CUSTODIAL WORKER 1	2	0	0	0	0	0	2	0
CUSTODIAL WORKER 2	2	0	0	2	0	0	0	0
DATA ARCHITECT	1	2	1	0	0	0	2	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
DATA PROCESSING OPERATOR 2	0	1	0	1	0	0	0	0
DATA PROCESSING OPERATOR 3	0	1	0	1	0	0	0	0
DATABASE ADMINISTRATOR 3	0	1	0	0	0	0	1	0
DEPUTY COMMISSIONER 1	1	1	0	1	0	0	1	0
DEPUTY COMMISSIONER 2	2	0	0	0	0	0	2	0
DRAFTING TECHNICIAN	0	1	0	0	0	0	1	0
ENVIRONMENTAL COORDINATOR TRANSPORTATION PROJECTS	3	1	0	0	0	0	4	0
ENVIRONMENTAL PROGRAM MANAGER 1	1	0	0	0	0	0	1	0
ENVIRONMENTAL SPECIALIST 4	2	1	0	0	0	0	3	0
ENVIRONMENTAL SPECIALIST 6	1	0	0	0	0	0	1	0
EQUIPMENT MAINTENANCE SUPERVISOR 1	5	0	0	1	0	0	4	0
EQUIPMENT MAINTENANCE SUPERVISOR 2	4	0	0	1	0	0	3	0
EQUIPMENT MANAGEMENT DIRECTOR	1	0	0	0	0	0	1	0
EQUIPMENT MECHANIC 1	107	0	0	9	0	0	98	0
EQUIPMENT MECHANIC 2	23	0	0	2	0	0	21	0
EQUIPMENT SERVICE WORKER	28	3	0	12	0	0	19	0
EXECUTIVE ADMINISTRATIVE ASSISTANT 1	1	0	0	0	0	0	1	0
EXECUTIVE ADMINISTRATIVE ASSISTANT 2	1	0	0	0	0	0	1	0
EXECUTIVE ADMINISTRATIVE ASSISTANT 3	0	3	0	1	0	0	2	0
EXECUTIVE IT DIRECTOR	1	0	0	1	0	0	0	0
FACILITIES MANAGER 2	2	0	0	0	0	0	2	0
FACILITIES MANAGER 3	1	0	0	0	0	0	1	0
FISCAL DIRECTOR 1	3	1	0	0	0	0	3	1
FISCAL DIRECTOR 2	1	2	0	1	0	0	2	0
FISCAL DIRECTOR 3	1	1	0	0	0	0	2	0
FLEET SUPERVISOR 2	1	0	0	0	0	0	1	0
GENERAL COUNSEL 3	1	0	0	0	0	0	1	0
GEOLOGIST 2*	2	0	0	0	0	0	2	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
GEOLOGIST 3	2	0	0	0	0	0	2	0
GEOLOGIST 4	0	1	0	1	0	0	0	0
GEOGRAPHIC INFORMATION SYSTEM ANALYST 2*	0	1	0	0	0	0	1	0
GEOGRAPHIC INFORMATION SYSTEM TECHNICIAN 2*	9	1	0	4	0	0	6	0
GEOGRAPHIC INFORMATION SYSTEM TECHNICIAN MANAGER 1	2	0	0	0	0	0	2	0
GEOGRAPHIC INFORMATION SYSTEM TECHNICIAN MANAGER 2	1	0	0	0	0	0	1	0
GEOGRAPHIC INFORMATION SYSTEM TECHNICIAN SUPERVISOR 1	2	2	0	0	0	0	4	0
GEOGRAPHIC INFORMATION SYSTEM TECHNICIAN SUPERVISOR 2	1	0	0	1	0	0	0	0
GRADUATE TRANSPORTATION ASSOCIATE	14	1	0	0	0	0	15	0
GRANTS ANALYST 3	0	1	0	0	0	0	1	0
GRANTS PROGRAM MANAGER	0	1	0	0	0	0	1	0
GROUNDWORKER 2	4	0	0	2	0	0	2	0
GROUNDWORKER 3	1	0	0	1	0	0	0	0
HISTORIC PRESERVATION SPECIALIST SUPERVISOR	0	1	0	0	0	0	1	0
HORTICULTURIST	2	0	0	0	0	0	2	0
HUMAN RESOURCE ANALYST 1*	0	2	0	1	0	0	1	0
HUMAN RESOURCE ANALYST 2*	2	5	0	0	0	0	7	0
HUMAN RESOURCE ANALYST 3	0	2	0	0	0	0	2	0
HUMAN RESOURCE MANAGER 1	0	1	0	0	0	0	1	0
HUMAN RESOURCE MANAGER 2	2	1	0	0	0	0	3	0
HIGHWAY MAINTENANCE ASSISTANT COUNTY SUPERVISOR	9	0	0	1	0	0	8	0
HIGHWAY MAINTENANCE COUNTY SUPERVISOR	2	0	0	1	0	0	1	0
HIGHWAY MAINTENANCE FLOATING CREW SUPERVISOR 1	5	1	0	1	0	0	5	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
HIGHWAY MAINTENANCE SUPERINTENDENT 1	4	1	0	0	0	0	5	0
HIGHWAY MAINTENANCE WORKER 1	70	7	0	23	0	0	54	0
HIGHWAY MAINTENANCE WORKER 2	57	4	0	13	0	0	48	0
HIGHWAY MAINTENANCE WORKER 3	12	0	0	5	0	0	7	0
HIGHWAY RESPONSE OPERATOR 1*	8	1	0	1	2	0	6	0
HIGHWAY RESPONSE OPERATOR 2*	40	3	0	8	0	0	35	0
HIGHWAY RESPONSE OPERATOR SUPERVISOR 1	12	0	0	3	0	0	9	0
HIGHWAY RESPONSE OPERATOR SUPERVISOR 2	4	0	0	1	0	0	3	0
INFORMATION RESOURCE SUPPORT SPECIALIST 2*	5	2	0	3	0	0	4	0
INFORMATION RESOURCE SUPPORT SPECIALIST 3	6	2	0	2	0	0	6	0
INFORMATION RESOURCE SUPPORT SPECIALIST 4	11	1	0	4	0	0	8	0
INFORMATION RESOURCE SUPPORT SPECIALIST 5	2	3	0	1	0	0	4	0
INFORMATION REPRESENTATIVE	1	0	0	0	0	0	1	0
INFORMATION SYSTEMS ANALYST 2*	0	1	0	0	0	0	1	0
INFORMATION SYSTEMS ANALYST 3	1	0	0	0	0	0	1	0
INFORMATION SYSTEMS MANAGER 1	1	0	0	0	0	0	1	0
INFORMATION SYSTEMS MANAGER 2	2	1	0	1	0	0	2	0
INFORMATION SYSTEMS MANAGER 3	1	1	0	0	0	0	2	0
IT DIRECTOR	2	0	0	0	0	0	2	0
IT MANAGER-SENIOR	3	1	0	0	0	0	4	0
LEGAL ASSISTANT	2	1	0	0	0	0	3	0
MAINTENANCE CARPENTER 1	1	0	0	0	0	0	1	0
MAINTENANCE CARPENTER 2	6	0	0	0	0	0	6	0
MAINTENANCE ELECTRICIAN 1	1	0	0	0	0	0	1	0
MATERIALS ASSISTANT 2*	1	1	0	0	0	0	2	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
MATERIALS ASSISTANT 3	11	3	0	2	0	1	11	0
MATERIALS ASSISTANT 4	9	2	0	1	0	0	10	0
MATERIALS ASSOCIATE 1	1	0	0	0	0	0	1	0
MATERIALS ASSOCIATE 2	5	1	0	1	0	0	5	0
MATERIALS MANAGER	1	0	0	0	0	0	1	0
MOTOR VEHICLE MANAGEMENT ASSISTANT DIRECTOR	1	0	0	0	0	0	1	0
MOTOR VEHICLE MANAGEMENT DIRECTOR	1	0	0	0	0	0	1	0
NETWORK ARCHITECT-ADVANCED	1	0	0	0	0	0	1	0
OFFSET PRESS OPERATOR 1	1	2	0	0	0	0	3	0
OFFSET PRESS OPERATOR 2	2	0	0	2	0	0	0	0
OPERATIONS SPECIALIST 2*	7	0	0	0	0	0	7	0
OPERATIONS SPECIALIST 3	1	0	0	0	0	0	1	0
PHOTOGRAMMETRIST 2*	2	1	0	0	0	0	3	0
PHOTOGRAMMETRIST SUPERVISOR 1	0	1	0	0	0	0	1	0
PRINTING SERVICES SUPERVISOR 2	2	0	0	2	0	0	0	0
PROCUREMENT OFFICER 1	0	2	0	1	0	0	1	0
PROCUREMENT OFFICER 2	2	1	0	0	0	0	3	0
PROGRAM MONITOR 2	1	1	0	0	0	0	1	1
PROGRAMMER/ANALYST 3	2	0	0	0	0	0	2	0
PROGRAMMER/ANALYST 4	3	1	1	0	0	0	3	0
PROJECT MANAGER-INTERMEDIATE	1	1	0	0	0	0	1	1
PROJECT MANAGER-SENIOR	3	2	0	0	0	0	5	0
PROPERTY UTILIZATION MANAGER 3	1	0	0	0	0	0	1	0
RADIO COMMUNICATIONS TECHNICIAN 2	1	0	0	0	0	0	1	0
RADIO COMMUNICATIONS TECHNICIAN 3	5	0	0	0	0	0	5	0
RADIO COMMUNICATIONS TECHNICIAN SUPERVISOR	1	0	0	0	0	0	1	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
RADIO SYSTEMS ANALYST	1	0	0	0	0	0	1	0
RAILROAD SAFETY INSPECTOR	3	0	0	1	0	0	2	0
RAILROAD SAFETY SPECIALIST	2	0	0	0	0	0	2	0
RIGHT-OF-WAY AGENT 3	15	7	0	2	0	1	19	0
RIGHT-OF-WAY AGENT 4	1	2	0	0	0	0	3	0
RIGHT-OF-WAY APPRAISER 3	9	1	0	0	0	0	10	0
RIGHT-OF-WAY APPRAISER 4	3	1	0	0	0	0	4	0
SECRETARY	0	24	0	2	0	1	21	0
SMALL BUSINESS DEVELOPMENT DIRECTOR	0	1	0	1	0	0	0	0
SOFTWARE DEVELOPER-ADVANCED	2	0	0	0	0	0	2	0
SOFTWARE DEVELOPER-LEAD	3	0	0	1	0	0	2	0
STOREKEEPER 1	18	8	0	3	0	0	23	0
STOREKEEPER 2	3	1	0	1	0	0	3	0
STORES CLERK	8	4	0	1	0	0	11	0
SYSTEMS PROGRAMMER 2*	2	0	0	0	0	0	2	0
SYSTEMS PROGRAMMER 3	2	0	0	0	0	0	2	0
TDOT OPERATIONS DISTRICT ASSISTANT	109	5	0	6	0	1	107	0
TDOT OPERATIONS DISTRICT ENGINEER	6	1	0	0	0	0	7	0
TDOT OPERATIONS DISTRICT MANAGER	11	1	0	1	0	0	11	0
TDOT OPERATIONS DISTRICT SPECIALIST	72	11	1	10	1	0	69	2
TDOT OPERATIONS DISTRICT SUPERVISOR	45	5	0	2	1	0	46	1
TDOT OPERATIONS REGIONAL ENGINEER	2	1	0	0	0	0	3	0
TDOT OPERATIONS TECHNICIAN 1	266	37	0	48	1	2	252	0
TDOT OPERATIONS TECHNICIAN 2	477	39	1	101	1	0	412	1
TDOT OPERATIONS TECHNICIAN 3	168	11	0	22	0	1	156	0
TDOT TECHNICIAN 3	47	2	0	4	0	1	43	1
TDOT TECHNICIAN SENIOR	23	6	0	3	0	0	26	0
TITLE VI DIRECTOR	0	1	0	1	0	0	0	0
TRAFFIC TECHNICIAN 2	1	0	0	0	0	0	1	0
TRAFFIC TECHNICIAN SUPERVISOR	2	2	0	1	0	0	3	0
TRAINING OFFICER 2	1	0	0	0	0	0	1	0
TRAINING SPECIALIST 2*	1	0	0	0	0	0	1	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
TRANSPORTATION DIRECTOR PROJECT DELIVERY	2	2	0	0	0	0	4	0
TRANSPORTATION DIRECTOR OF OPERATIONS	3	1	0	0	0	0	4	0
TRANSPORTATION PROGRAM MONITOR 2*	6	2	0	4	0	0	4	0
TRANSPORTATION PROGRAM SUPERVISOR	4	4	0	2	0	0	6	0
TRANSPORTATION PROJECT SPECIALIST – SENIOR	42	10	6	4	0	1	40	1
TRANSPORTATION PROJECT SPECIALIST SUPERVISOR 1	24	6	2	3	0	0	25	0
TRANSPORTATION PROJECT SPECIALIST SUPERVISOR 2	29	3	2	1	1	0	28	0
TRANSPORTATION PROJECT SPECIALIST	129	37	5	10	1	1	146	3
TRANSPORTATION ADMINISTRATOR	1	0	0	0	0	0	1	0
TRANSPORTATION AIDE 2	6	1	0	1	0	0	6	0
TRANSPORTATION ASSISTANT 1	16	8	0	6	0	0	18	0
TRANSPORTATION ASSISTANT 2	18	7	0	2	0	0	23	0
TRANSPORTATION ASSOCIATE-ROADWAY	2	0	0	0	0	0	2	0
TRANSPORTATION ASSOCIATE-STRUCTURE	0	1	0	0	0	0	1	0
TRANSPORTATION ASSISTANT BUREAU CHIEF	0	1	0	0	0	0	1	0
TRANSPORTATION COORDINATOR 1	3	5	0	0	0	0	8	0
TRANSPORTATION COORDINATOR 2	7	6	1	3	0	0	9	0
TRANSPORTATION COORDINATOR 3	2	5	0	1	0	0	6	0
TRANSPORTATION DIRECTOR	8	6	0	2	0	0	12	0
TRANSPORTATION INVESTIGATOR	1	0	0	0	0	0	1	0
TRANSPORTATION MANAGER 1	36	6	0	3	0	0	39	0
TRANSPORTATION MANAGER 2	19	6	0	1	0	0	24	0
TRANSPORTATION MANAGEMENT CENTER OPERATOR	14	11	0	6	0	0	19	0
TRANSPORTATION MANAGEMENT CENTER SUPERVISOR 1	10	3	0	3	0	0	10	0

Title	Gender		Ethnicity					
	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
TRANSPORTATION MANAGEMENT CENTER SUPERVISOR 2	2	1	0	0	1	0	2	0
TRANSPORTATION PLANNER 2*	0	1	0	0	0	0	1	0
TRANSPORTATION PLANNER 3*	13	11	1	3	0	0	20	0
TRANSPORTATION PLANNER 4	4	7	0	4	0	0	7	0
TRANSPORTATION PROJECT MANAGER 1	0	1	0	0	0	0	1	0
TRANSPORTATION PROJECT MANAGER 2	11	2	1	3	0	0	8	1
TRANSPORTATION REGION ASSISTANT DIRECTOR	1	0	0	0	0	0	1	0
TRANSPORTATION SAFETY MANAGER	0	1	0	0	0	0	1	0
TRANSPORTATION SPECIALIST 1	17	7	0	4	0	0	20	0
TRANSPORTATION SPECIALIST 2	7	3	0	1	0	0	9	0
TRANSPORTATION SURVEYS SUPERVISOR 1	3	1	0	0	0	0	4	0
TRANSPORTATION SURVEYS SUPERVISOR 2	1	0	0	0	0	0	1	0
TRANSPORTATION TECHNICIAN 1	42	8	0	4	0	1	45	0
TRANSPORTATION TECHNICIAN 2	2	1	0	0	0	0	3	0
TRANSPORTATION TECHNICIAN 3	21	3	0	2	0	0	22	0
WEBSITE DEVELOPER 2	2	0	0	0	0	0	2	0
WORD PROCESSING OPERATOR 1	0	1	0	0	0	0	1	0
<b>Total</b>	<b>2580</b>	<b>735</b>	<b>33</b>	<b>478</b>	<b>10</b>	<b>14</b>	<b>2765</b>	<b>15</b>
<b>Percentages</b>	<b>78%</b>	<b>22%</b>	<b>1.00%</b>	<b>14.42%</b>	<b>0.30%</b>	<b>0.42%</b>	<b>83.41%</b>	<b>0.45%</b>

**APPENDIX 2**  
**Tennessee Department of Transportation**  
**Performance Measures Information**

As stated in the Tennessee Governmental Accountability Act, “accountability in program performance is vital to effective and efficient delivery of government services, and to maintain public confidence and trust in government.” In accordance with this act, all executive-branch state agencies are required to submit annually to the Department of Finance and Administration a strategic plan and program performance measures. The Tennessee Department of Transportation’s priority goals, as reported for the second quarter, March 2015, on the Governor’s Customer Focused Government Monthly Results website are as follows:

**Performance Standards and Measures**

Performance Standard 1: Expand mobility to maximize access.

Purpose of the Goal: Increasing transportation options can help to improve system efficiency and reduce congestion. It is important to serve those customers who may not have access to a car, such as older adults, children, tourists, people with disabilities and lower income individuals. TDOT’s Customer Survey results indicate that expanding public transportation options is a priority.

Measuring the Goal:

	<b><u>Baseline</u></b>	<b><u>Current</u></b>	<b><u>Target</u></b>
Miles of state routes that accommodate bicycles and pedestrians by having a paved shoulder at least four feet wide or a designated bike lane.	4,534	4,591	4,639
Annual percent change in total statewide transit passenger trips.	1.3%	3.1%	2%

Performance Standard 2: Operate and manage Tennessee’s transportation system to provide a high level of safety and service to our customers and workers.

Purpose of the Goal: Maximizing the capacity and reliability of the system through traffic and incident management techniques minimizes delays, promotes safety, and supports on-time delivery of goods and services.

Measuring the Goal:

	<b><u>Baseline</u></b>	<b><u>Current</u></b>	<b><u>Target</u></b>
Number of traffic fatalities (Calendar Year-to-Date)	995	128	975
Percent of highway lane blockage incidents in urban HELP service areas cleared within 90 minutes.	94%	93%	94%
Number of motor vehicle crashes in work zones.	3,064	3,865	3,110

Performance Standard 3: Maintain the state transportation system to protect the long-term investment in our infrastructure assets.

Purpose of Goal: Keeping the system in a state of good repair supports safe and reliable travel for our customers. Preservation of the system is essential to support the state’s economy through the efficient movement of people and goods. Helps reduce overall long-term cost of infrastructure through the application of asset management techniques that generate the maximum long-term value of our bridges, pavements, and other transportation assets at the lowest possible cost.

Measuring the Goal:

	<b>Baseline</b>	<b>Current</b>	<b>Target</b>
Percent of bridge deck area on all bridges maintained by TDOT that is not structurally deficient.	96%	96%	96%
Percent of interstate mileage with an International Roughness Index (IRI) pavement rating of good or very good.	93%	92%	93%

Performance Standard 4: Deliver transportation projects on schedule and within budget.

Purpose of goal: Projects delivered on schedule help to minimize costs, reduce daily travel detours and delays, and lessen the impact of the users of the system and the businesses along the route under construction. Staying within budget allows for a broader range of transportation projects and improvements to move forward and helps maximize dollars available.

Measuring the Goal:

	<b>Baseline</b>	<b>Current</b>	<b>Target</b>
Average percent difference in final project construction costs verses the contract award amount.	11%	1%	10%
Percent of construction projects completed by original contract completion date.	73%	69%	75%

**APPENDIX 3**  
**Tennessee Department of Transportation**  
**Budget Information**

**Estimated Budget**  
**For Fiscal Year 2015**  
**Revenue Sources**

	<u>STATE</u>	<u>%</u>	<u>FEDERAL</u>	<u>%</u>	<u>OTHER</u>	<u>%</u>	<u>TOTAL</u>
HEADQUARTERS	75,467,700	9.18%	15,502,000	1.59%	2,564,800	6.11%	93,534,500
BUREAU OF ADMINISTRATION	60,149,000	7.32%	14,982,500	1.54%	489,900	1.17%	75,621,400
BUREAU OF ENGINEERING	76,122,800	9.26%	97,666,100	10.01%	4,904,400	11.68%	178,693,300
BUREAU OF OPERATIONS	534,499,200	65.01%	699,948,000	71.74%	33,242,100	79.17%	1,267,689,300
BUREAU OF ENVIRONMENT & PLANNING	<u>75,937,300</u>	9.24%	<u>147,623,200</u>	15.13%	<u>786,800</u>	1.87%	<u>224,347,300</u>
<b>TOTAL</b>	<b><u>822,176,000</u></b>		<b><u>975,721,800</u></b>		<b><u>41,988,000</u></b>		<b><u>1,839,885,800</u></b>

**Expenditures**

	<u>PAYROLL</u>	<u>%</u>	<u>OPERATIONAL</u>	<u>%</u>	<u>OTHER</u>	<u>%</u>	<u>TOTAL</u>
HEADQUARTERS	9,842,700	3.40%	83,691,800	5.40%	0		93,534,500
BUREAU OF ADMINISTRATION	24,085,300	8.33%	51,536,100	3.32%	0		75,621,400
BUREAU OF ENGINEERING	41,403,600	14.32%	137,289,700	8.85%	0		178,693,300
BUREAU OF OPERATIONS	195,839,700	67.71%	1,071,849,600	69.12%	0		1,267,689,300
BUREAU OF ENVIRONMENT & PLANNING	<u>18,041,300</u>	6.24%	<u>206,306,000</u>	13.30%	0		<u>224,347,300</u>
<b>TOTAL</b>	<b><u>289,212,600</u></b>		<b><u>1,550,673,200</u></b>		<b>0</b>		<b><u>1,839,885,800</u></b>

**APPENDIX 4**  
**State of Tennessee Single Audit Findings Related to the Department of Transportation**  
**For Fiscal Year 2014**

**(Report is available at:**

**[http://www.comptroller.tn.gov/repository/SA/2014 TN Single Audit.pdf](http://www.comptroller.tn.gov/repository/SA/2014_TN_Single_Audit.pdf)**)

<b><u>Finding #</u></b>	<b><u>Audit Finding Title</u></b>
2014-002	The Department of Transportation materially understated the Schedule of Expenditures of Federal Awards
2014-054	The Department of Transportation did not implement the internal controls designed to prevent or detect noncompliance with federal allowable activity and allowable cost requirements
2014-055	The Department of Transportation did not implement the internal controls designed to prevent or detect noncompliance with federal allowable activity and allowable cost requirements
2014-056	The Department of Transportation overcharged the Federal Highway Administration when it used an incorrect matching percentage
2014-057	The Department of Transportation did not develop specific policies and procedures or maintain adequate support to document compliance with Buy America(n) requirements
2014-058	The department's Utility and Finance Offices continued to pay utility relocation expenditures that were not adequately supported at the time of payment, and the offices did not properly oversee utility relocation contracts
2014-059	For the second consecutive year, the Department of Transportation did not provide adequate internal controls in one specific area
2014-060	The department did not establish adequate internal controls over contract revenue to ensure compliance with allowable cost requirements
2014-061	The status of a prior audit finding on the summary schedule of prior audit findings was misstated
2014-064	(Multiple State Agencies) Six departments did not comply with Federal Funding Accountability and Transparency Act reporting requirements
2014-065	(Multiple State Agencies) Grant funds were used for unallowable real property acquisition, resulting in federal questioned costs of \$78,564

**APPENDICES – REGIONAL TRANSPORTATION AUTHORITY  
OF MIDDLE TENNESSEE**

**APPENDIX 5  
Regional Transportation Authority of Middle Tennessee  
Board Members by Gender and Ethnicity  
April 2015**

**Gender**

**Ethnicity**

DESCRIPTION	MALE	FEMALE	ASIAN	BLACK	HISPANIC	AMERICAN INDIAN	WHITE	OTHER ETHNICITY
<b>Officers</b>								
Chair*		1					1	
Vice Chair**	1						1	
Secretary***	1						1	
<b>County Representatives</b>								
Cheatham County	2						2	
Davidson County	3						3	
Dickson County	2						2	
Montgomery County	1	1					2	
Robertson County	2						2	
Rutherford County	3	1					4	
Sumner County	5	1					6	
Williamson County	3	1					4	
Wilson County	3						3	
Tennessee Department of Transportation	1						1	
Governor's Appointees	6	1					7	
<b>Total</b>	<b>31</b>	<b>5</b>					<b>36</b>	
<b>Percentage</b>	<b>86%</b>	<b>14%</b>					<b>100%</b>	
* Included in Montgomery County								
** Included in Wilson County								
*** Included in Rutherford County								

Source: Regional Transportation Authority of Middle Tennessee.

The chief executive officer of the RTA is employed by the Metropolitan Transit Authority, and RTA does not have any employees. All of the MTA employees are employed by the Davidson Transit Organization.

**APPENDIX 6**  
**Regional Transportation Authority of Middle Tennessee**  
**Budget Information**

**Revenues by Source**  
**For Fiscal Year 2014**

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<i>Source</i>	<i>Amount</i>	<i>% of Total</i>
Federal Grant Revenue	\$3,911,774	40.2
State Grant Revenue	996,702	10.3
Other Local Revenue	4,068,628	41.9
Miscellaneous Revenue	742,109	7.6
<b>Total Revenue</b>	<b>\$9,719,213</b>	<b>100.0</b>

Source: RTA 2014 Annual Financial Report.

**Expenditures by Account**  
**For Fiscal Year 2014**

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<i>Source</i>	<i>Amount</i>	<i>% of Total</i>
Payroll	\$ 409,500	4.9
Operational	7,954,952	95.1
<b>Total Expenditures</b>	<b>\$8,364,452</b>	<b>100.0</b>

Source: RTA 2014 Annual Financial Report.