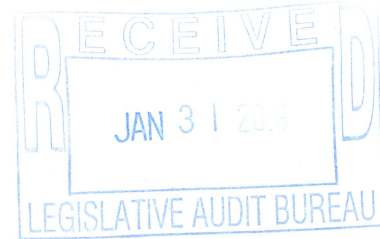


Wisconsin Department of Transportation
Office of the Secretary
4822 Madison Yards Way, S903
Madison, WI 53705

Governor Tony Evers
Secretary Craig Thompson
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January 31, 2019



Sen. Robert Cowles, and
Rep. Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State of Wisconsin
22 East Mifflin St., Suite 500
Madison, WI 53703

Dear Senator Cowles and Representative Kerkman,

The Department of Transportation has been asked to provide a report to you outlining the status of our efforts to implement the recommendations of the Legislative Audit Bureau (LAB) regarding the use of pay plan quantities (PPQ) on our projects. The specific recommendations and our response are as follows:

Create a plan to ensure its staff and engineering firms consistently adhere to its policies that prohibit undistributed quantities from being designated as part of pay plan quantity items.

The department has gone above the recommendations by suspending the use of PPQ as a form of payment starting with the December 11, 2018 bid letting. This was achieved by issuing an addendum for all projects in that letting that contained PPQ items. The addenda changed the PPQ items to a measured unit method of payment. PPQ items have been eliminated from all projects in subsequent lettings.

Provide regional office staff with training and guidance on adhering to this plan.

The department has updated the Facilities Development Manual (FDM) to eliminate Pay Plan Quantity as an acceptable way to detail quantities in our plans.

In addition to this policy update, each regional director was notified via memo dated November 26, 2018 with the requirement that they discuss the change with management and staff. It will also be a topic of discussion at each regions' construction conference this spring. Consultant and design staff participation in these meetings is strongly encouraged.

Require its central office staff to review all construction contracts for state highways to ensure that undistributed quantities are not designated as part of pay plan quantity items.

The regional and central office plan reviewers have been directed to review all plans and proposals to ensure there are no PPQ bid items in our bidding documents.

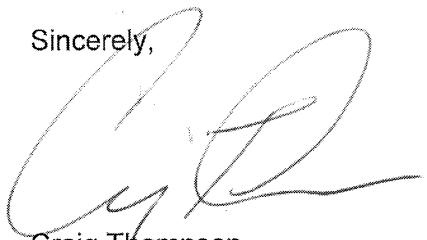
As part of their review of FY2018 projects, the LAB discovered undistributed quantities contained in PPQ items on let projects. The total value of these undistributed PPQ quantities was \$115,406. The department has and is addressing these errors in the following ways:

- Contract change orders were issued to remove the undistributed portion of PPQ items and the contractors were not paid for quantities totaling \$77,139.
- Where the work was complete, and the documentation substantiated the quantity paid, the items were changed from PPQ to a measured unit method of payment. The total value of undistributed quantity paid to the contractors was \$14,444.
- Where the projects final payments were made to the contractor and the use of undistributed quantity was not substantiated with documentation, the Department will seek reimbursement totaling \$23,823 for errors from the designer and construction oversight staff.

The department is very concerned about the errors on the plans containing undistributed PPQ and will send letters to the designers of these projects. These letters will indicate our concern with the error and may hold the designer financially responsible if we paid for work that can't be substantiated and can't be recovered. We will send similar letters to construction staff if they did not properly document payment for work.

Please contact Beth Cannestra, 608-266-3707, if you have additional questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Craig Thompson', written in a cursive style.

Craig Thompson
Secretary