



**ARIZONA DEPARTMENT OF TRANSPORTATION
LOCAL PUBLIC AGENCY SECTION
OVERSIGHT AND MONITORING
OPERATIONAL PLAN**

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III. ABBREVIATIONS

ADOT	Arizona Department of Transportation
BECO	Business Engagement Compliance Office
CA	Certification Acceptance
CFR	Code of Federal Regulation
DOT	Department of Transportation
FAHP	Federal Aid Highway Program
FHWA	Federal Highway Administration
FIRE	Financial Integrity Review and Evaluation
IGA	Intergovernmental Agreement
LPA	Local Public Agency
MUTAC	Manual Update Technical Advisory Committee
NCAP	Narrative Cost Allocation Plan
O&M	Oversight and Monitoring
OIG	Office of Inspector General
QA	Quality Assurance
SA	Self-Administration
USC	United States Code

1. INTRODUCTION

The ADOT Local Public Agency Section was established to improve project delivery of federally funded local agency transportation projects. Within the ADOT LPA Process Section, the Oversight and Monitoring (O&M) Section has been established to coordinate and manage the oversight and monitoring activities of all local public agency (LPA) projects and programs to ensure compliance with federal regulations, laws, and policies. O&M is responsible for developing an oversight and monitoring operational plan to provide adequate support and coordination for delivery of the LPA Federal-Aid Highway Program (FAHP).

The Oversight & Monitoring Operational Plan describes how ADOT will ensure that Federal-aid projects are developed and delivered by local agencies, administered with financial integrity, comply with federal and state requirements, and follow the guidelines outlined in ADOT's Local Public Agency Projects Manual, in accordance with the Certificate Acceptance Agreement. This operational plan is intended to serve as a comprehensive monitoring and reporting document, identifying the work activities, budget, schedule, and resources for the ADOT LPA Section's O&M program. The work activities and budget are developed to reflect ADOT LPA Section's mission and objectives of delivering a successful LPA Program.

ADOT LPA Section is committed to providing the necessary leadership and technical support to improve quality and ensure LPAs meet state and federal requirements, while maintaining a successful program to adequately meet the existing and future transportation needs.

2. BACKGROUND

The Federal Highway Administration (FHWA) is responsible for assuring that all Federal-aid projects comply with required contract provisions and follow specific advertisement, award, and quality control/quality assurance procedures. In addition, FHWA is required to support transportation agencies by providing technical assistance and sharing best practices.

Title 23 United States Code (USC) does not recognize local entities as direct recipients of federal funds; therefore,

- Per 23 CFR § 635.105 *Supervising agency*. (a) The State DOT has responsibility for the construction of all Federal-aid projects, and is not relieved of such responsibility by authorizing performance of the work by a local public agency or other Federal agency. The State DOT shall be responsible for ensuring that such projects receive adequate supervision and inspection to insure that projects are completed in conformance with approved plans and specifications.
- ADOT serves as the prime recipient of federal transportation funds and is the supervising agency in accordance with 23 Code of Federal Regulation (CFR) Part 635.105. As such, ADOT is responsible for the delivery of all Federal-aid projects, and is not relieved of such responsibility by authorizing performance of the work by a local agency.
- ADOT is responsible for ensuring LPA projects receive adequate supervision and inspection so projects are completed in conformance with approved plans and specifications and federal requirements.
- ADOT will review and take actions necessary to assure local compliance with all requirements of state and federal laws, regulations, and policies. Title 23 USC Section 106 specifically charges States with the responsibility of determining that sub-recipients of federal funds (including local public agencies) have adequate project delivery systems for projects and sufficient controls to properly manage federal funds.

In order to achieve its oversight responsibilities, ADOT LPA Section does the following:

- Certifies or approves LPAs to participate in FAHP programs, such as the Certification Acceptance (CA) and Self Administration (SA) programs;
- Reviews and monitors LPA projects and programs for conformance with state and federal requirements.

The following goals are intended to assist ADOT in carrying out oversight responsibilities for LPA Federally funded projects by providing a consistent approach to monitoring projects through the project life cycle:

- Development of an integrated and flexible process for regulatory oversight;
- Formation of a framework for O&M that uses existing ADOT oversight processes to the maximum extent possible; and,
- Compliance with FHWA requirements.

3. PURPOSE

ADOT LPA Section is responsible for conducting oversight and monitoring activities with respect to local public agency programs and projects, per *The FHWA and ADOT Stewardship and Oversight Agreement for Arizona*. The program and project level oversight and monitoring activities described herein will guide ADOT toward achieving quality assurance with delivery of the LPA program.

Stewardship: The efficient and effective management of the public funds that have been entrusted to the FHWA.

Oversight: The act of ensuring that the Federal-Aid Highway Program is delivered in accordance with applicable laws, regulations and policies.

Monitoring: To check project and program activities at regular intervals in order to find out how these facets are progressing to ensure proper conduct.

Compliance: Planned and systematic actions necessary to provide confidence that delegated approvals comply with federal and state requirements and standards.

The identified O&M activities of the ADOT LPA Section include, but are not limited to:

- LPA Program O&M – Compliance Reviews consisting of Regulatory Compliance Reviews for Construction and Contract Compliance Reviews
- Sub-recipient Monitoring – Delegated LPA Authority , CA Peer Group, Single Audits, etc.
- Corrective Action – Unsatisfactory Performance, Probation and Suspension
- Training – LPA Projects Manual, CA Manual, LPA Training Series, CA Training Series, Project Delivery Academy, SA Workshop, LPA Inspector Training

Each of these program responsibilities is discussed in further detail in subsequent chapters.

4. LPA OVERSIGHT & MONITORING COMPLIANCE PROCESS

LPA Oversight & Monitoring roles and responsibilities consist of specific activities performed by FHWA and ADOT. The ADOT LPA Section O&M staff is responsible for determining the adequacy of LPA program level activities performed for the purpose of achieving the goals of the FAHP and ensuring compliance with federal regulations. Program level activities are generally high-level processes put in place to assist with the primary areas of FAHP project delivery phases: planning and programming, development, construction, and final acceptance. These high-level processes are reviewed by examining project level outcomes, specifically in the areas of compliance, reporting, training, financial elements, accountability measures, standards, and corrective actions. ADOT LPA Section O&M staff will work in cooperation with ADOT technical areas, as needed, to conduct compliance reviews consisting of Regulatory Compliance Reviews for Construction and LPA contract activities.

LPA O&M activities will encompass the review of specific elements and tasks on local public agency projects. Project level oversight serves to provide a common understanding of the various roles and responsibilities within each management discipline, such as project management, risk management and cost management. Oversight at the project level is required to ensure that these interactions are being managed successfully, and that the project will satisfy the needs for which it was intended.

The project life cycle has four distinct phases: Planning and Programming, Development, Construction, and Final Acceptance. Each phase may exhibit different potential risks; thus, the types of monitoring activities that will be undertaken may vary by phase. Through project monitoring, staff will track the project progress through the design and construction phases to determine if the project is on time, within budget and scope, compliant with federal requirements, and consistent with approved plans. The frequency of performing various monitoring and oversight activities will be determined by the O&M Team and targeted monitoring plans will be developed on a case-by-case basis for each specific project.

Compliance reviews will consist of a thorough analysis of key program components and the process employed by ADOT, or an LPA, in managing the delivery of the LPA FAHP. Compliance reviews will be conducted to ensure compliance with federal requirements and to identify opportunities for greater efficiencies and improvements to the LPA FAHP.

The ADOT LPA Section O&M staff will provide a summary of their annual reviews and assessments of local project delivery to FHWA as evidence of ADOT's effective and efficient management of Federal-aid program oversight responsibilities. The annual goal is to conduct a minimum of eight reviews in accordance with the Project Monitoring and Oversight Process to assess if the projects are being adequately managed, administered, and maintained.

ADOT will prioritize oversight and stewardship activities for the federal fiscal year by evaluating performance indicators, reviewing prior FHWA Compliance Assessment Program (CAP) reviews and conducting annual LPA program risk assessments to establish focus areas and risk response strategies. These assessments can range from simple updates to in-depth process reviews, as deemed appropriate, to adequately determine the performance of the LPA FAHP.

The Compliance Review, consisting of Regulatory Compliance Reviews for construction and LPA contract activities, are conducted to:

- Assess compliance with federal requirements
- Monitor the LPA's suitability to self-administer FAHP projects
- Identify opportunities for greater efficiencies and improvements to the program
- Identify exemplary best practices

4.1 LPA Compliance Review Process

The LPA Compliance Review process begins with the ADOT LPA Section O&M staff identifying the program specific elements and appropriate checklists to be used during the review process. With the checklists identified, the ADOT LPA Section O&M staff will take the lead on coordinating and implementing the compliance reviews, including scheduling activities. The findings, recommendations, and corrective actions to be taken will be compiled into a final report and disseminated to the appropriate parties.

The LPA Compliance Review process consists of document analysis as well as a construction site visit. Documents are reviewed for completeness, reasonableness, accuracy and indicators of patterns or practices that warrant further analysis. Construction site visits are conducted to visually monitor the project and ensure that items observed comply with the appropriate federal, state and local laws and regulations.

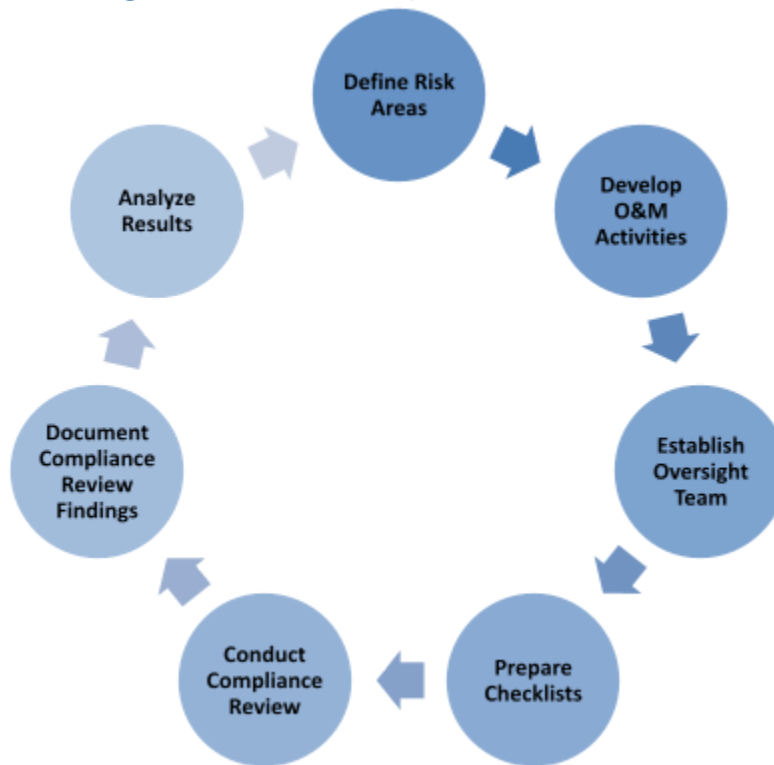
ADOT will assess program goals annually, including the LPA administrative activities to be monitored, specific areas for concentrated review, and a schedule of activities. ADOT LPA O&M staff will select the method of oversight and monitoring reviews based on identified criteria, such as risk-based assessments, geographic assessments, financial integrity, historical data, or other criteria to determine process, performance, verification, and compliance. Focus areas and assessment criteria will align with the established oversight and monitoring goals.

The LPA Compliance Review process is graphically depicted in Figure 1. The process is intended to be one that repeats, applying lessons learned at each interval. The LPA Compliance Review process uses project level oversight, driven in part by the areas of greatest risk. By understanding the risk areas of highest concern to FHWA, ADOT LPA Section O&M staff will define the project level goals for the year.

Depending upon the type of oversight and monitoring to be performed, the ADOT LPA Section O&M staff will identify and work with the appropriate ADOT technical sections, creating the Compliance Oversight Team. The formal monitoring responsibilities will be assigned to each team member.

Once a local public agency is selected for review, an engagement letter will be sent notifying the agency that it has 14 calendar days to submit the documentation required for review. Reasonable time extensions may be granted if formally requested in writing. ADOT LPA Section O&M staff will track the findings and corrective actions to note any prevailing trends that may indicate training needs or require additional attention or modification to the LPA Compliance Reviews. The review process will be updated and revised as necessary.

4.1.1 Figure 1: LPA Compliance Review Process



4.2 Define Risk Areas

A mixture of different performance types and compliance measurements will be used to monitor and track trends of the effectiveness (outcome) and efficiency (outputs) of the functional program areas and of the LPA's Federal-aid Highway Program. ADOT will work to define and prioritize the programmatic and project-specific risk areas in need of review each year.

On February 13, 2012, FHWA issued an internal memorandum regarding LPA Stewardship Issues, wherein the Office of Inspector General (OIG) recommended FHWA develop division-based plans to increase state oversight of seven project activities where the OIG found a high level of noncompliance with federal requirements. The items cited by the OIG included change orders and claims, project bidding/contractor selection/unbalanced bid analysis, utility agreements/reimbursements, consultant selection and billings, construction pay quantities and progress payments, project reporting and tracking, and quality assurance procedures.

One of the highest risk areas is the delegation of administration authority to CAs. ADOT's monitoring of CAs will include continual re-evaluations, suggestions for improvement, and training. ADOT will assess the continuing ability of the CAs and their experience to deliver federally funded projects pursuant to federal and state laws, and the ADOT LPA Projects Manual.

Program evaluations will employ a variety of techniques, such as joint risk assessments, self-assessments, and program evaluations, to identify strengths, weaknesses, opportunities, and best practices aimed at continuous improvement of the program.

Project level risk areas are expected to directly relate to project specific issues, revealing program-level compliance concerns that will require oversight efforts. Additionally, ADOT's review of prior audits and project performance may uncover project-level issues of concern. ADOT LPA Section will also define additional risk areas as trends in need of corrective action are identified.

4.3 Develop O&M Activities

With the areas of risk defined, the O&M team will develop a tailored plan to address the specific areas of concern. Staff will determine the techniques to be used, which may include:

- Program Monitoring
- Program Assessments
- Regulatory Compliance Reviews
- LPA Contract Reviews
- Quality Improvement Reviews
- Peer Reviews/Innovation Sharing
- Financial Integrity Review and Evaluation (FIRE)

4.4 Establish Oversight Team

An Oversight Team will be established for the purpose of carrying out the monitoring activities and documenting the findings. Members of the Oversight Team may include, but are not limited to:

- Oversight & Monitoring Manager
- Regulatory Compliance Reviewer(s)
- District Engineer and/or Resident Engineer
- Representatives from technical groups (e.g. Bridge, Right-of-Way, Environmental Planning, etc.), as appropriate
- Compliance Subject-matter Experts (e.g. ADOT Procurement staff, ADOT BECO staff, ADOT Civil Rights Office staff, etc.)

The ADOT LPA Section O&M staff will work closely with each technical group to identify the appropriate personnel to perform O&M duties, based on knowledge and experience, and will invite those individuals to participate on the Oversight Team. ADOT LPA Section will also outline the roles and responsibilities of each team member and provide guidance on how to perform the O&M activities, focusing on what issues to be aware of and how to properly document the results.

4.5 Prepare Checklists

ADOT LPA Section O&M staff will collect and prepare review checklists and questionnaires to address the review focus. This will form the Core Checklist for the Compliance Reviews. It is anticipated that the Core Checklist will encompass eight elements: compliance, reporting, finance, training, accountability, corrective action and standards. The Oversight Team will determine which elements apply to a particular work activity. Checklist questions pertaining to the seven project activities, identified by the OIG (see Section 4.2) are based upon the following manuals, policies, processes, standards, and procedures:

- USC, CFRs
- ADOT/FHWA Stewardship and Oversight Agreement
- Construction Manual, LPA Projects Manual, Right-of-Way Manual
- Certification Acceptance Agreements
- IGA/Supplemental Project Agreements
- Title VI Plan or Non-Discrimination Agreement
- LPA's local code, policies and procedures, manuals
- Standards and Specifications
- Clearances and environmental commitments
- Other related documents, as needed

4.6 Conduct Compliance Reviews

ADOT LPA Section O&M staff will lead the review sessions, serving as a liaison between the ADOT technical sections and the LPA to communicate the desired milestones and schedule of activities. ADOT LPA Section will coordinate the meetings to ensure the appropriate stakeholders are present.

The Oversight Team will assess the performance of the LPA program with respect to the program elements of concern. Each review will begin with an entrance conference to discuss the objectives, the prior year's findings, and a discussion of the project currently under review, providing an opportunity for any initial questions or concerns. Additional documentation from LPA records will be obtained and examined during the review. Prior to the entrance conference, each LPA will be notified of the necessary documentation to have available, LPA staff to be interviewed, and the estimated time allotment needed for both the entrance conference and the compliance review.

A Regulatory Compliance Review for Construction may include a review of project documentation from authorization through close-out, as well as a visit to the project's construction site to determine if work is compliant with FHWA rules and regulations. These construction site activities capture the field components and complement the project documentation section of the Regulatory Compliance Review, and may include the following: project bulletin board, flagger certification(s), apprentice certification(s), and execution of the scope of work. A regulatory compliance review checklist is created based on management experience, prior review results, the CA Agreement, and federal and state laws and regulations.

An LPA Contract Activities Review is an ad hoc review that begins with an ADOT LPA section program process to determine its compliance with federal, state, and local rules and regulations. This review will be identified and assigned by ADOT LPA section management and guided by a thorough risk assessment.

4.7 Document Compliance Findings

Upon completion of the review activities, the ADOT LPA Section O&M staff will prepare a Draft O&M Report to compile the findings and recommendations of all the technical sections. The Draft O&M Report will be submitted to the LPA for review and response. The LPA will be provided a one-time opportunity to respond to each finding in writing for incorporation into the report. The ADOT LPA Section will schedule an Exit Conference to discuss the draft report and the implementation of mitigation measures and best practices into the LPA's program delivery process. Upon agreement by the LPA, the follow-up action plan for improvements will be documented in the Final Compliance Report and a follow-up engagement (remote, in person or via email) will be scheduled to ensure the completion of the follow-up action plans.

4.8 Analyze O&M Results

On an annual basis, the ADOT LPA Section will summarize the findings of all final O&M Compliance Review Reports conducted during the year. These results will be analyzed to identify common trends among the findings, recurring follow-up action plans, best practices to share with other LPAs, areas where LPAs need additional training and focus areas for the next round of Programmatic O&M activities. Predominant trends in non-compliance issues may also become topics for discussion at the Fed-Aid Project Delivery Stakeholder Meeting and CA Peer Group meetings as methods of disseminating corrective measures to LPAs.

The ADOT LPA Section O&M staff will also hold periodic debriefing sessions with members of the Oversight Team to gain their perspective on the entire O&M process. The team will be asked to reflect on what went well and what areas may need improvement. Information provided throughout the process will be used to modify steps accordingly. Lessons learned will be incorporated into the next year's round of regulatory compliance O&M procedures.

5. SUBRECIPIENT MONITORING

LPA Sub-recipient Monitoring focuses on both project level and program level oversight by ADOT and is dedicated to monitoring subrecipients of federal funds. O&M will develop a risk assessment of all pass-through funds (state and federal) to determine which LPAs need to be reviewed and develop an audit/review program to include tests of internal controls, state statutes, ADOT policies and federal compliance requirements, as applicable.

5.1 Delegated LPA Authority

Through the FHWA and ADOT Stewardship and Oversight Agreement for Arizona, FHWA has delegated the authority to ADOT to administer projects funded under the FAHP. Under Title 23 CFR Sections 1.11 and 635.105, ADOT is allowed to delegate authority to qualified LPAs; however, ADOT remains ultimately responsible for monitoring and overseeing the LPAs compliance with all applicable federal, state, and tribal laws, regulations and requirements.

ADOT has two programs available for delegating authority to LPAs: Certification Acceptance and Self-Administration.

5.2 Certification Acceptance

Through ADOT's Certification Acceptance Program, ADOT can permit certified LPAs to independently administer most project activities with ADOT oversight. The Certification Acceptance Program requires LPAs to have the capability, experience, and resources to develop and administer projects according to all applicable agency, state, federal, and tribal laws, regulations, and requirements.

LPAs that apply for certification acceptance will go through an evaluation process that includes a written application, participation in the CA Training Series, payment of a nonrefundable application review fee, and an oral interview. ADOT LPA Section conducts a thorough review of the LPA's processes, staff qualifications, resources, experience, etc., to successfully administer federally funded projects. LPAs must meet all qualification requirements to be approved under the Certification Acceptance Program; completing the process does not guarantee approval to become a certified LPA.

Initially, approval is granted on a probationary basis pending satisfactory performance on the first project completed under the Certification Acceptance Program. During the first project, ADOT LPA Section will exercise a high degree of oversight to ensure the LPA's compliance with all requirements identified above. Upon successful completion of the first project, the LPA will be granted full certification under the Certification Acceptance Program.

The LPA may apply for either Full Certification Acceptance status or Partial Certification Acceptance status. Full Certification Acceptance status includes the delegation of contract administration, development and design, acquisition, construction administration, project inspection, and program evaluation internal to the LPA. Partial Certification Acceptance status excludes the delegation of procurement of an engineering or design-related services consultant from Full Certification Acceptance status activities listed above.

5.3 Self-Administration

Self-Administration is a process through which ADOT can permit LPAs to administer specific project activities on a project-by-project basis with FHWA's concurrence. To qualify for Self-Administration, the LPA must demonstrate it has the capability, experience, and resources to develop and administer approved activities for the given project in accordance with all applicable agency, state, federal, and tribal laws, regulations, and requirements.

Requests to self-administer may be submitted to ADOT as soon as the project has been included in a regional TIP. Once ADOT has approved the LPA for self-administration, the application is forwarded to FHWA for concurrence. Each approved application allows the LPA to administer only one specific project.

5.4 Fed-Aid Project Delivery Stakeholder Meeting

In coordination with FHWA's Every Day Counts (EDC) initiative, ADOT LPA Section has established the Fed-Aid Project Delivery Stakeholder Council. The Council is composed of members from ADOT, FHWA, Councils of Government, and Metropolitan Planning Organizations with consideration to ensure representation from regions and communities throughout the state. This initiative enhances the communication dialog on topics concerning federally funded LPA transportation projects and program delivery and provides an additional platform for continuous improvement. The Council will:

- Provide opportunities to learn and share information
- Pass on communication and information to their networks and return feedback
- Improve communication between ADOT and LPAs
- Ask for information from participants

Council members serve a one-year term limit with the option to serve one additional year

5.5 CA Peer Group

In April 2013, the Certification Acceptance agencies formed an informal peer group for the purpose of sharing information and lessons learned on the Federal-aid Highway Program. The group meets quarterly, and invites the ADOT LPA Section to participate when necessary. This forum provides another method of disseminating important information to LPAs, as well as monitoring the needs of the CA community. Representatives from each of the following CA agencies actively participate in the peer group.

- City of Chandler
- City of Mesa
- City of Phoenix
- City of Scottsdale
- City of Tucson
- City of Tempe
- Maricopa County Department of Transportation
- Pima County Department of Transportation

5.6 Single Audits

Each LPA expending \$750,000 or more in federal funds in any given fiscal year will need to conduct an annual single audit in accordance with 2 CFR Part 200. The single audit concludes with the Auditor's Report which addresses the reliability of the financial data, adequacy of internal controls, and compliance with federal regulations. The audit package includes LPA financial statements, schedule of federal expenditures, results of prior audits and internal corrective actions the LPA plans to implement as a result of the Auditor's Report. LPAs that are required to conduct an annual single audit should submit it to the Federal Audit Clearinghouse.

ADOT Financial Management Services will review each LPA single audit and notify ADOT LPA Section when there are findings pertaining to the expenditure of Federal-aid Highway Program funds, denoted by the Catalog of Federal Domestic Assistance (CFDA) number 20.205. CFDA provides a complete list of all federal programs available to state and local governments and federally recognized Indian tribal governments.

Participation in these monitoring activities occur when single audits reveal impacts to the Federal-aid Highway Program. ADOT LPA Section will oversee that the corrective actions documented in the single audit are implemented by the LPA by scheduling follow-up meetings with the LPA to assess progress.

6. CORRECTIVE ACTION

As an important component of oversight and monitoring, the ADOT LPA Section is also responsible for enforcement of compliance with the Federal-aid program. Therefore, when errors or violations occur at the LPA level under delegated authority, the ADOT LPA Section will implement a three-tiered level of corrective action process. According to the severity of the violation, the levels are (1) unsatisfactory performance, (2) probation, and (3) suspension. However, should an action be particularly egregious, the ADOT LPA Section reserves the right to adjust the three tier structure.

There are various reasons why corrective action may be taken, such as:

- Non-compliance with federal regulations or internal/CA processes
- Complaints from customers, users, or contractors;
- Results of an audit, Regulatory Compliance Review, or Construction Compliance Site Monitoring;
- Non-compliance with legislative changes in federal or state regulations or statutes

The purpose of corrective action will be to notify the LPA of the non-compliance and create an understanding with the LPA of the reason for the action. The LPA will develop a plan for improving performance so the violation does not occur in the future; otherwise the LPA may be placed on probation or suspension, depending upon the severity of the violation. The corrective action process will create a formal record, documenting the steps taken towards process improvement and federal compliance.

6.1 Unsatisfactory Performance

The first tier on the levels of corrective action will be issuance of a notice of unsatisfactory performance. When complaints arise or compliance reviews are poor, the ADOT LPA Section will place an LPA on notice by sending a letter of unsatisfactory performance. This letter will formally notify the LPA that certain work aspects have been deemed insufficient and need improvement. The item(s) of non-compliance will be thoroughly documented, including regulatory references where appropriate, for the purpose of clearly identifying the core issue of concern in need of remedy.

ADOT will expect the LPA to respond, in writing, to address the issue(s) of concern and a meeting will be scheduled, as needed. By opening the lines of communication between the agencies, the problem may be addressed in depth to identify the unsatisfactory action, why it was identified as an action, how the action came to occur, the impact of the violation, and what the correct action should have been. The LPA must provide a formal written response acknowledging the incorrect action and the procedures that will be taken to correct the action in the future, including a timeline for implementation of the procedures. ADOT LPA Section will review the LPA's proposed improvement process. The LPA will be notified if additional steps are recommended. ADOT LPA Section will closely monitor development of the LPA's next federal project for full compliance, specifically to check that the same incorrect action is not repeated. Upon satisfactory reconciliation, the CA will be returned to satisfactory status.

6.2 Probation

If an LPA is non-responsive, does not take timely action towards correcting unsatisfactory performance, or repeats the action that placed the LPA on unsatisfactory performance status, the LPA will be placed on probation, given the actions are repeated in a proximal time frame. Additionally, probation may be required if an LPA is found to be severely out of compliance with any aspect of certification acceptance. ADOT LPA Section will notify the LPA of their probationary status. An LPA must show a good faith effort towards remedying the action on future projects. While the LPA is on probation, the ADOT LPA Section and ADOT PM will monitor the LPA's next three federal projects to ensure the non-compliant action is not repeated. After the LPA completes three future projects without incident, the LPA's performance will be returned to a satisfactory status.

6.3 Suspension

LPAs may have their delegated authority partially or entirely suspended, based on the circumstances of the violation(s). Suspensions will be treated on a case-by-case basis, depending upon the severity and type of violation incurred. Most likely, a suspension will be issued if an LPA is unwilling or unable to perform at the level necessary to satisfy federal requirements.

As soon as they are aware of any changes in legislation, the ADOT LPA section will pass the information along to the LPAs. The LPAs must comply with the new or changed legislation; however when the LPAs are unable to comply, a partial suspension may be necessary. In this case, the suspension would likely apply to all LPAs in Arizona with delegated authority until the issue is resolved. For example, if new federal guidance is issued allowing delegated authority for new roles and responsibilities that are not currently addressed in the CA or SA agreement between ADOT and the LPA, an LPA's ability to perform that new role will be suspended until appropriate contractual language is incorporated into the master agreement and executed by all parties. The LPAs would continue to operate under delegated authority for all other tasks; the suspension would only apply to the new role that is in question. Suspension is not the first option with every attempt being made for the CAs to comply.

Similarly, it may come to ADOT's attention that an LPA is lacking resources in an area of delegated authority and may not be able to perform acceptably. At that point ADOT LPA Section would notify the LPA that it is on suspension for that specific area, until adequate justification is provided by the LPA that resources are in place to support the responsibilities of delegation.

Finally, an LPA's delegated authority may be suspended entirely if ADOT finds the LPA to be performing with willful neglect for federal requirements or in violation of the delegated authority agreement. Suspension would be enforced for a period of three years. Upon completion of the three-year suspension, an LPA would be eligible to reinstate its delegated authority. The LPA would need to reapply for delegated authority through the normal application process with ADOT LPA Section.

7. TOOLS AND TRAINING PROGRAMS

7.1 CA Manual

The CA Manual was developed to assist CA agencies, and those LPAs interested in becoming CA agencies, in understanding the roles and responsibilities of the LPA under the CA program. The manual is intended to provide guidance on what elements the agency must include in their CA program in support of compliance under the FAHP.

Each LPA operates independently with internal controls; therefore, it is recognized that a single, standard set of CA procedures may not necessarily be directly applicable to all agencies. For this purpose, the CA Manual identifies the program components a CA agency should have in place to operate successfully under delegated authority. Guidance will be provided on program components such as, but not limited to: administration requirements, program management, planning and programming, procurement, development and design, contract administration, construction administration, civil rights, financial management, training, and internal oversight and monitoring.

7.2 LPA Projects Manual

ADOT, in conjunction with FHWA, released the *ADOT Local Public Agency Projects Manual* in February 2013. Updates to the manual will occur when warranted. For example, if a considerable amount of new information or numerous comments are brought forward, then the manual will need revision. Conversely if there is minimal new information or comment, the revision can be deferred until there is a substantive or critical change needed. Notification of updates will be sent through the LPA communication dissemination process and a bulletin will be placed on the LPA web page.

7.3 CA Training Series

The Certification Acceptance (CA) Training Series is an open forum discussion with key ADOT staff who serve as a subject matter expert (SME) in their field. The SMEs (from numerous divisions and technical groups) provide procedural updates and address CA agency questions related to the development, initiation, management, and delivery of projects. The training consists of learning modules that follow the project lifecycle, with topics that may include: planning and programming, federal authorization, clearance approval, construction authorization, compliance with federal requirements, and project closeout. CA agency liaisons and their colleagues are encouraged to attend. Training modules are recorded and housed on the LPA website.

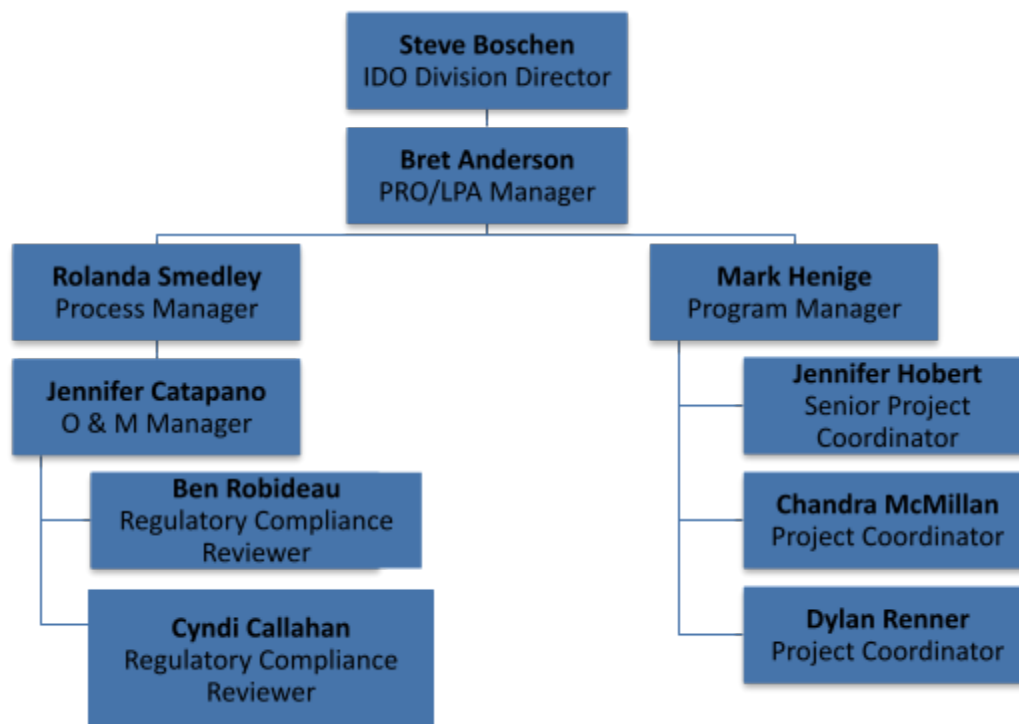
8. ADOT LPA SECTION

The ADOT LPA Section is responsible for coordinating and implementing the oversight and monitoring activities in this operational plan. Various staff members of the Section have roles dedicated to certain specific aspects of this operational plan. The oversight and monitoring activities will be undertaken and reported on an annual basis, coinciding with the State fiscal year. Existing laws, regulations, policies, manuals, guidelines, and processes form the foundation upon which the oversight and monitoring program is built. The program strives to utilize and build on current successful monitoring processes to make the program more robust across all technical aspects of project development and delivery.

8.1 ADOT LPA Section Staffing

The ADOT LPA Section comprises two distinct branches: Process and Program. Each group has different roles and responsibilities; together they strengthen ADOT's LPA project development process. The Program branch provides a link between local project planning and project development for Arizona's LPAs. Program staff assist LPAs who receive Federal-aid authorization to develop and/or construct transportation projects. The Process branch develops and carries out processes associated with the oversight and monitoring of LPA projects under the FAHP. Process staff are responsible for the CA and SA programs, administer compliance reviews, and maintain the CA Manual. In this way they ensure that federal-aid requirements are met on federally funded LPA projects while partnering with LPAs and FHWA through the compliance review programs. The staffing plan for the ADOT LPA Section is depicted in Figure 2.

8.2 Figure 2: ADOT LPA Section Organizational Chart



The Process section is composed of those staff responsible for coordinating and implementing the tasks outlined in this operational plan. The oversight and monitoring activities being carried out by the four Process staff members is summarized in Table 1. Activity areas in which each person is performing tasks are denoted with an X.

8.2.1 Table 1: Roles and Responsibilities for the Process Branch

Tasks	Process Manager	O&M Manager	Regulatory Compliance Reviewer	Regulatory Compliance Reviewer
Oversight & Monitoring (O&M)				
Regulatory Compliance Reviews		X	X	X
Recertification	X	X	X	X
CA Peer Group	X	X		
Subrecipient Monitoring				
CA and SA Delegated Authority	X	X		
Single Audits	X	X		
Training and Tools				
O&M Operational Plan		X		X
CA Manual	X	X	X	X
CA/LPA Academy		X		X
Miscellaneous				
Communication/Info Dissemination		X		
LPA and Technical Team Support	X	X	X	X
Administration	X	X	X	X

Process staff members work closely as a team to successfully initiate and implement the various aspects of the operational plan. The effort documented herein is achievable and manageable with the current staffing program. However, as certain tasks develop further, the ADOT LPA Section foresees the need for additional staff to handle future growth in the O&M program. As O&M tasks reveal compliance issues, it is anticipated that more training, tools, and monitoring activities will need to be developed, coordinated, and implemented by the ADOT LPA Section. These needs will be identified in the annual report.

8.3 ADOT LPA Section Tools

ADOT LPA Section will use the most current publications of existing FHWA and ADOT documents as reference and resources. It is anticipated that reference sources will include, but not be limited to, the following manuals, policies, processes, standards and procedures:

- ADOT CA Manual
- ADOT LPA Project Manual
- ADOT Construction Manual
- ADOT Right-of-Way Manual
- ADOT Standard Specifications for Road and Bridge Construction
- Certification Acceptance Agreements
- IGA/Supplemental Projects Agreements
- Title VI Plan or Non-Discrimination Agreement
- LPAs' local regulations, policies, and procedures
- CFR, USC, Stewardship and Oversight agreement
- Other related documents, as needed

Additionally, the ADOT LPA Section will identify needs for other manuals or tools that will assist in performing O&M activities.

9. PROGRAM REPORTING

An annual O&M Summary Report will be prepared to document the activities that were performed throughout the year and identify the progress made for each element contained within this operational plan. The report will not only identify progress, but will also identify any predominant trends in review findings. Trends may assist ADOT in developing the focus areas for the next year's plan and future training programs. The report will also note any other items of significant interest or recommendation.