



Highlights of [GAO-08-198](#), a report to the Chairman, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

Pressure on state and local governments to deliver highway projects and services, and limits on the ability of state departments of transportation (state DOT) to increase staff levels have led those departments to contract out a variety of highway activities to the private sector. As requested, this report addresses (1) recent trends in the contracting of state highway activities, (2) factors that influence state highway departments' contracting decisions, (3) how state highway departments ensure the protection of the public interest when work is contracted out, and (4) the Federal Highway Administrations' (FHWA) role in ensuring that states protect the public interest. To complete this work, GAO reviewed federal guidelines, state auditor reports, and other relevant literature; conducted a 50-state survey; and interviewed officials from 10 selected state highway departments, industry officials, and FHWA officials.

What GAO Recommends

GAO recommends that the Secretary of Transportation work with FHWA division offices in targeting their oversight activities to give appropriate consideration to identified areas of risk related to the increased use of consultants and to develop performance measures to help evaluate the effectiveness of state controls. The Department of Transportation did not comment on GAO's recommendation but provided technical clarifications, which GAO incorporated as appropriate.

To view the full product, including the scope and methodology, click on [GAO-08-198](#). For more information, contact JayEtta Z. Hecker at (202) 512-2834 or heckerj@gao.gov.

FEDERAL-AID HIGHWAYS

Increased Reliance on Contractors Can Pose Oversight Challenges for Federal and State Officials

What GAO Found

State DOTs have increased the amount and type of highway activities they contract out to consultants and contractors. State DOTs are also giving consultants and contractors more responsibility for ensuring quality in highway projects, including using consultants to perform construction engineering and inspection activities as well as quality assurance activities. Many state officials reported that they expect the amount of contracted highway activities to level off over the next 5 years, due to factors such as uncertain highway program funding levels.

State DOTs indicated that the most important factor in their decision to contract out highway activities is the need to access the manpower and expertise necessary to ensure the timely delivery of their highway program, given in-house resource constraints. Officials said that they must contract out work to keep up with their highway programs. Of the 50 departments that completed GAO's survey, 38 indicated that they have experienced constant or declining staffing levels over the past 5 years. While state DOTs consider cost issues when making contracting decisions, cost savings are rarely the deciding factor in contracting decisions, and none of the 10 departments that GAO interviewed had a formal process in place for systematically assessing costs and benefits before entering into contracts.

State DOT officials that GAO interviewed believe that they have sufficient tools and procedures in place to select, monitor, and oversee contractors to ensure that the public interest is protected. However, implementation of these mechanisms is not consistent across states, and state auditors reported weaknesses in several states. State DOTs also face additional challenges in conducting adequate oversight and monitoring, given current trends in the use of consultants and contractors. For example, while state employees are always ultimately responsible for highway project acceptance, they are increasingly further removed from the day-to-day project oversight. Officials from all 10 state DOTs that GAO interviewed said that current trends may lead to an erosion of in-house expertise that could affect the state DOTs' ability to adequately oversee the work of contractors and consultants in the long term.

Because states have broad latitude in implementing the federal-aid highway program, FHWA has a limited role in states' use of consultants and contractors. Typically, FHWA's focus is on ensuring that state DOTs are in compliance with federal regulations when contracting out, such as ensuring that federal bidding requirements are met. FHWA has conducted both local and national reviews that have also identified various risks related to the increased use of consultants, including weaknesses in state quality assurance programs and an increased potential for conflicts of interest. While FHWA has identified these risks, it has not comprehensively assessed how, if at all, it needs to adjust its oversight efforts to protect the public interest, given current trends in the use of consultants and contractors.