

AASHTO 2007 – NORFOLK, VIRGINIA
WELCOMING REMARKS
JULY 16, 2007

Good morning and welcome to **AASHTO 2007**. The theme for our conference is VA (1607 – 2007) 400 Years of Transportation – From Wilderness Trails to Audit Trails. We are excited to be hosting the first combined **Standing Committee on Finance and Administration (SCOFA)** and **Sub-Committee on Internal and External Audit (SCIEA)** conference. We look forward to hearing from our distinguished guest speakers, generating a lot of stimulating dialogue and discussion, doing plenty of networking, strengthening existing relationships and forging new ones.

There are many challenges facing transportation today. We are here to discuss the Finance & Administration, and Internal & External Audit challenges facing the federal transportation related agencies, the state DOT's, and our partners in the private sector.

I will begin with some thoughts on **FINANCE**.

- ◇ Major transportation projects are multi-million dollar endeavors and the federal and state governments struggle to find ways to fund all of the various transportation needs.
- ◇ Transportation funding comes from taxes, tolls and other user fees, and bonds. No one likes taxes, but the gas tax is dedicated to and earmarked for transportation financing.
- ◇ Tolls and other user fees are generated from the users and dedicated to the transportation facilities they support.
- ◇ Issuing bonds provides a much needed infusion of cash, however, the proceeds have to be repaid with interest. Taxes, tolls and other user fees are the source of revenue used to pay the interest, which unfortunately can take scarce resources from other critical transportation needs.
- ◇ The challenge before you and I is to find innovative ways to finance the much needed transportation projects to help mitigate and relieve some of the congestion on our roads.
- ◇ Public Private Partnerships (PPP) is one of the innovative financing tools that we can use to deliver our projects and can be utilized for many projects. Accordingly, we have planned a panel discussion on PPP's.
- ◇ However, PPP's are not a panacea and are not feasible for all projects. Also, PPP's still must be financed with taxes, tolls and other user fees, or bonds.

Now I will share a few thoughts on **ADMINISTRATION**.

- ◇ Once funding has been identified, and contracts have been executed our focus should turn to the management of our programs and the oversight of our contract administration.
- ◇ The effective management of programs and the efficient oversight of contract administration are enhanced through continuous process improvements that are designed to ensure the successful completion of safe, quality projects on-time and within budget.

- ◇ When PPP's are used to deliver projects the program management and contract oversight becomes more critical because we have to rely more heavily on consultants and contractors to deliver our projects.

Now I will share a few thoughts on **INTERNAL** and **EXTERNAL AUDITS**.

- ◇ The audit function is designed to ensure accountability over the transportation programs and adherence to the contract provisions.
- ◇ The primary focus of internal audit function is the monitoring of the transportation programs to ensure compliance with policies and procedures and to ensure that internal controls are in place and being followed as prescribed. Accordingly, we have planned a presentation on Agency Risk Management & Internal Control Standards (ARMICS).
- ◇ The primary focus of the external audit function is evaluation, review, and audit of proposed and incurred costs to ensure compliance with contract terms and conditions, and to ensure that proposed and incurred costs are reasonable and supported by proper source documentation. Accordingly, we have planned presentations related to the determination of allowable and acceptable contracts costs.

In closing, I would like to reiterate some of the challenges facing transportation officials today.

- ◇ Financing major transportation projects with limited and scarce resources and multiple and various needs.
- ◇ Administering programs and contracts with a renewed emphasis on program management and contract oversight.
- ◇ Performing Internal Audits that monitor compliance to ensure adherence to assist with achieving management objectives, and
- ◇ Performing External Audits that monitors compliance to ensure the accuracy and validity of proposed and incurred contract costs.

Again welcome to Norfolk, Virginia and we hope that you enjoy the conference and leave with valuable information and good relationships that will help you in managing your transportation programs.