



State of Louisiana

**OFFICE OF  
STATE INSPECTOR GENERAL**

**OVERCHARGES ON INTERSTATE 10**  
**CONSTRUCTION PROJECTS**

**Report by**

**Inspector General Bill Lynch**

**Prepared for**

**Governor M. J. "Mike" Foster, Jr.**

**March 17, 2003**

**File No. 1-03-0044**



State of Louisiana

OFFICE OF  
STATE INSPECTOR GENERAL

**Overcharges On Interstate 10**  
**Construction Projects**

Report by

 Inspector General Bill Lynch

Approved by

 Governor M.J. "Mike" Foster, Jr.

March 6, 2003

File No. 1-03-0044

# Overcharges On Interstate 10 Construction Projects

Prompt action by the Department of Transportation and Development resulted in the state saving more than half a million dollars on interstate highway projects from a contractor who was shorting deliveries of dirt.

The Office of State Inspector General received an anonymous complaint alleging that the contractor, Gilbert Southern Corp. a subsidiary of Peter Kiewit Sons' Inc. of Omaha, Nebraska, was overcharging the state on dirt hauled to a road construction project on Interstate 10 between Egan and Crowley, Louisiana.

The Department of Transportation responded by sending internal auditors immediately to investigate the Egan-Crowley project. Subsequently, the department examined a second project near Lake Charles by the same contractor and found a shortage of material there.

A report by the Department of Transportation was issued stating the contractor improperly billed a total of \$545,260 for 81,994 cubic yards of dirt not hauled to the projects. The report states that the over-billing occurred as a result of the contractor's project managers intentionally hauling partial loads while Transportation's inspectors wrote haul tickets for fully loaded trucks. Because of the prompt action, the department was able to hold up payment before any overpayment was made on either project.

The matter is also under investigation by the Federal Highway Administration.

## Background

Transportation awarded road construction contracts to Gilbert Southern Corp. in April, 2002, to refurbish two sections of Interstate 10, each approximately 8-miles in length. The first project in district 03 is located west of Lafayette between Egan and Crowley. The second project in district 07 is located near Lake Charles. Each project will cost more than \$14 million.

The allegation received by the Office of Inspector General concerned only the Egan-Crowley project. The complainant stated that trucks hauling dirt to the project were carrying partial loads, but the contractor was charging for fully loaded trucks.

## Investigation and Report

---

Immediately after the Inspector General informed Transportation's district construction engineer Michael Eldridge, and project engineer William Oliver of the allegation, the engineers went to the Egan-Crowley site and observed that trucks were indeed hauling partial loads.

Mr. Oliver informed Brian Morgan, project engineer over the Lake Charles project, of the potential shortage. Mr. Morgan visited the borrow pit from which dirt is removed for the project and observed the track hoe operator loading trucks with two buckets of dirt, rather than the three needed for a full truck. A fully loaded truck would contain approximately 12 cubic yards of dirt.

The contracts specify payment using the vehicular measurement method, which assumes a full load in each truck. However, this did not appear to be the case on either project. Therefore, Transportation's district staff over the projects proceeded to measure the borrow pits used in the projects to determine the amount of soil removed.

In addition, Transportation's internal auditor Ray Murry began an investigation of both projects. The investigation included conducting independent verification of both districts' measurements of pit volumes.

A report was issued by Transportation stating that Gilbert Southern Corp. improperly billed on both projects a total of \$545,260 for 81,994 cubic yards of dirt which were not delivered.

The report states that the over-billing occurred as a result of the contractor's project managers intentionally hauling partial loads while Transportation's inspectors wrote haul tickets for fully loaded trucks.

Transportation recommends that the project engineers and inspectors be given disciplinary action. In addition, it recommends that an internal meeting, including Transportation's General Counsel be conducted to ascertain the contractor's performance on the projects.

*Conclusion:*

---

1. The Department of Transportation and Development should be commended for the prompt response made on this matter.

*Recommendation:*

---

1. The Department of Transportation and Development should proceed with appropriate action.

The Department of Transportation and Development's report is attached.

BL/CS/rp

File No. 1-03-0044



STATE OF LOUISIANA  
 DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT  
 P. O. Box 94245  
 Baton Rouge, Louisiana 70804-9245



*Mr. Peel Signed*

M. J. "MIKE" FOSTER, JR.  
 GOVERNOR

KAM K. MOVASSAGHI  
 SECRETARY

**MEMORANDUM**

**TO: DR. KAM K. MOVASSAGHI  
 SECRETARY**

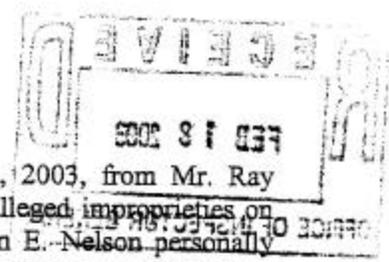
*[Signature]*  
 Approved 2-12-03  
 Date

**FROM: GORDON E. NELSON, P.E. *gen*  
 ASSISTANT SECRETARY, OPERATIONS**

**WILLIAM H. TEMPLE, P.E. *wht*  
 CHIEF ENGINEER**

**RE: INTERNAL AUDIT ADVISORY MEMORANDUM NO. 03-003  
 SPECIAL REVIEW OF CONSTRUCTION PROJECTS IN DISTRICTS 03 & 07  
 IMPROPER BILLING OF BORROW MATERIAL BY CONTRACTOR  
 S.P. NO. 450-04-0069 (DISTRICT 03) & S.P. NO. 450-91-0076 (DISTRICT 07)  
 FAP NO. IM-10-2(66) & FAP NO. IM-10-1(174)  
 ROUTE I-10**

**DATE: FEBRUARY 12, 2003**



Attached is a self-explanatory report dated January 31, 2003, from Mr. Ray Murry, DOTD Internal Audit concerning an investigation into alleged improprieties on the captioned projects. In addition, as per your request, Gordon E. Nelson personally went to District 03 (Lafayette) and District 07 (Lake Charles) on February 10, 2003 to obtain additional information.

In summary, the report states that the contractor, Gilbert Southern Corp. improperly billed DOTD for 151,720 cubic yards (\$1,008,938.00) of borrow material while delivering on site 100,380 cubic yards (\$667,527.00) for the District 03 project and billed for 124,952 cubic yards (\$830,930.80) while delivering on site 94,298 cubic yards (\$627,081.70) for the District 07 project. No overpayment was made to the contractor on either project.

According to the report, the over-billing occurred as a result of the contractors' Project Mangers intentionally loading haul trucks with partial loads, while DOTD inspectors wrote haul tickets for fully, loaded trucks.

**Memorandum**  
**February 12, 2003**  
**Page 2**

DOTD personnel and Gilbert Southern Corp. personnel for each respective project are as follows:

**S.P. NO. 450-04-0069 (DISTRICT 03) Lafayette**

<b>NAME</b>	<b>COMPANY</b>	<b>OCCUPATION</b>	<b>PHONE NUMBER</b>
William Oliver	DOTD	Project Engineer	
Charles Villegoin <sup>1</sup>	DOTD	Eng. Tech. Supv. 2	
David Thomas <sup>2</sup>	DOTD	Eng. Tech. 4	
Joseph Lejeune <sup>3</sup>	DOTD	Eng. Tech. 1	
Jennifer Jensen <sup>4</sup>	Gilbert Southern	Project Engineer	
Shane Bridwell <sup>4</sup>	Gilbert Southern	Project Supt.	
Ricky Burris	Gilbert Southern	Project Supt.	
Tony Sanchez <sup>4</sup>	Gilbert Southern	Foreman	
Mark Hilderbrand <sup>4</sup>	Gilbert Southern	Foreman	
John Utes	Gilbert Southern	Foreman	
Fidel Hernandez	Gilbert Southern	Operator	
Bennie Carrol	Gilbert Southern	Operator	
Chris Speakman	Gilbert Southern	Operator	
Mike Thomas	Gilbert Southern	Operator	
Mike McCoid	Gilbert Southern	Operator	

<sup>1</sup>Occasionally supervised inspectors

<sup>2</sup>Retired

<sup>3</sup>Resigned from DOTD

<sup>4</sup>Does not work on project anymore

**S.P. NO. 450-91-0076 (DISTRICT 07) Lake Charles**

<b>NAME</b>	<b>COMPANY</b>	<b>OCCUPATION</b>	<b>PHONE NUMBER</b>
Brian E. Morgan	DOTD	Project Engineer	
James Golding	DOTD	Eng. Tech. 1	
Chad James	DOTD	Eng. Tech. 1	
Jamie Glass*	DOTD	Eng. Tech. 2	
Matt Jensen	Gilbert Southern	Project Engineer	
Scott Roe	Gilbert Southern	Project Supt.	
Cole Herring	Gilbert Southern	Borrow Pit Foreman	
Gail Bailey	Gilbert Southern	Road Foreman	
Kirt Reed	Gilbert Southern	Backhoe Operator	

\* was on borrow operation for duration of 3 days

As a result of the findings in this report, the following actions are offered:

1. It is recommended that the DOTD Project Engineers and Project Inspectors be given disciplinary action.
2. Contracts for future projects that are bid, where applicable, will state that pay quantities for borrow will be the actual quantities as shown on the plans, or lump sum, and vehicular measure will not be utilized (see attached memorandum).
3. The Office of Inspector General-Department of Transportation should be contacted at the following address:
  - a) Mr. Bill Thompkins  
OIG-DOT  
Area Coordinator-Region 4  
Atlanta
  - b) Mr. LaVan Griffith  
Acting National Fraud Coordinator  
Atlanta  
Washington, D.C.
4. A copy of this letter and report should be forwarded to the Louisiana Legislative Auditor, Louisiana Inspector General, and Federal Highway Administration (Louisiana Division).
5. It is recommended that an internal meeting, including DOTD General Counsel, be conducted to ascertain the contractor's performance in the above matter.
6. A memorandum has been issued to all districts reminding construction personnel of the seriousness of carrying out their inspection duties and/or functions (attached).

Attachments



DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT  
INTRADEPARTMENTAL CORRESPONDENCE

- \_\_\_\_\_ REFERRED FOR ACTION
- \_\_\_\_\_ ANSWER FOR MY SIGNATURE
- \_\_\_\_\_ FOR FILE
- \_\_\_\_\_ FOR YOUR INFORMATION
- \_\_\_\_\_ FOR SIGNATURE
- \_\_\_\_\_ RETURN TO ME
- \_\_\_\_\_ PLEASE SEE ME
- \_\_\_\_\_ PLEASE TELEPHONE ME
- \_\_\_\_\_ FOR APPROVAL
- \_\_\_\_\_ PLEASE ADVISE ME

BY \_\_\_\_\_ DATE \_\_\_\_\_  
 BY \_\_\_\_\_ DATE \_\_\_\_\_  
 BY \_\_\_\_\_ DATE \_\_\_\_\_

REPLY REFER TO  
FILE NO.

MEMORANDUM

TO: EACH DISTRICT ADMINISTRATOR  
 EACH CONSTRUCTION ENGINEER  
 EACH PROJECT ENGINEER

FROM: GORDON E. NELSON, P.E. *Gen*  
 ASSISTANT SECRETARY, OPERATIONS

RE: INSPECTION OF BORROW (VEHICULAR MEASURE)

DATE: FEBRUARY 4, 2003

Recently, on construction projects in two different districts, it was discovered that haul tickets were improperly issued for Item 203-08 Borrow (Vehicular Measure). In particular, haul tickets were written for the full, certified amount that each truck was capable of hauling, however, the trucks were being partially loaded. For example, a truck was written a ticket for 14 cubic yards while actually hauling 8 cubic yards from the borrow pit to the job site. Had this impropriety not been discovered at the time it was, a substantial overpayment of monies could have been made to the contractor.

You are immediately requested to review your inspection methods, in accordance with specifications and training requirements, to insure that similar problems are not present on any ongoing projects. If discrepancies as above are discovered, you are to immediately report them to this office for further investigation.

We cannot overstate the importance in the fact that construction inspection personnel are responsible for ensuring for the proper payment of **all work items** and that work is constructed in accordance with the specifications and plans.

- Dr. Kam K. Movassaghi
- Mr. William H. Temple
- Mr. John Basilica
- Mr. Blaise Carriere
- Mr. Rick Holm

RECOMMENDED FOR APPROVAL \_\_\_\_\_ DATE \_\_\_\_\_

RECOMMENDED FOR APPROVAL \_\_\_\_\_ DATE \_\_\_\_\_

RECOMMENDED FOR APPROVAL \_\_\_\_\_ DATE \_\_\_\_\_

APPROVED \_\_\_\_\_ DATE \_\_\_\_\_

AN EQUAL OPPORTUNITY EMPLOYER  
A DRUG-FREE WORKPLACE



J. "MIKE" FOSTER, JR.  
GOVERNOR

STATE OF LOUISIANA  
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT  
P. O. Box 94245  
Baton Rouge, Louisiana 70804-9245



KAM K. MOVASSAGHI  
SECRETARY

MEMORANDUM

TO: Mr. Robert E. Boagni, Jr.  
Chief, Project Development Division

FROM: Mr. William H. Temple *William H. Temple*  
Chief Engineer

DATE: February 5, 2003

RE: Plan Quantity & Lump Sum Payment for Borrow

Please be advised that payment for borrow on all future projects, where applicable, shall be Plan Quantity or Lump Sum payment. Payment for borrow under Item 203-08 Borrow (Vehicular Measurement) shall not be utilized unless a project is so small in scope that it is impractical to pay Plan Quantity or Lump Sum.

## LOUISIANA DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

### SPECIAL REVIEW OF PROJECT 450-04-0069 IN DISTRICT 03 AND PROJECT 450-91-0076 IN DISTRICT 07

The Department of Transportation and Development (DOTD) Internal Audit Section has conducted a special review of Construction Project 450-04-0069 located in District 03 and Construction Project 450-91-0076 located in District 07. This review was initiated at the request of management.

The objectives of this review are:

1. Verify both Districts' volume measurements of five (5) borrow pits used by the contractor in supplying soil for the project.
2. Determine whether DOTD has overpaid the contractor for the soil supplied.
3. Determine whether internal control procedures and practices used in this construction project are effective

### BACKGROUND

This special purpose review was initiated as a result of information received by DOTD that led to concerns regarding possible borrow shortages by the contractor (Gilbert Southern). This contractor has both projects. The Louisiana Inspector General received an anonymous telephone call warning that dump trucks were not being filled to capacity. This telephone call concerned the District 03 project. DOTD was notified of this call via the LA Inspector General. Upon notification, District 03 decided to measure the borrow pits used for the project, thus determining the amount of soil removed.

The District 07 Project Engineer was notified about the potential shortage by the District 03 Project Engineer. The District 07 Project Engineer and the FHWA Area Manager visited the borrow pit during loading operations. They observed the track hoe operator loading dump trucks with two (2) buckets of soil, rather than three (3). The District 07 Project Engineer told the contractor's Project Manager to load with three (3) buckets.

Later, the contractor's Project Manager said that because of overloading, they were going to load two (2) buckets per truck. District 07 staff proceeded to measure the borrow pits for volume.

## **AUTHORITY**

Louisiana Standard Specifications for Roads and Bridges 2000 Edition

## **FIELDWORK**

Internal Audit, Construction Division staff, FHWA staff and the Internal Affairs investigator conducted an independent verification of both Districts' measurements of the pit volumes, submitted samples of the soil to the Materials and Testing Laboratory and conducted interviews with both Project Engineers and their assistants.

## **FINDING**

The independent verification of both Districts' measurements revealed less than a 10% error.

## **RECOMMENDATION**

It is Internal Audit's opinion that District 03's and District 07's volume measurements of their respective borrow pits is accurate. DOTD should utilize the compaction factor as determined by DOTD's Materials and Testing Laboratory. The Laboratory has established a 1.5 compaction factor for the soil from these pits.

## **FINDING**

The contractor has billed the Department using the number of trucks delivered multiplied by a full load. (4 cu. yds. X 3 buckets = 12 yds.) rather than actual cu. yds. delivered. The contract specifies payment using the vehicular measurement method. This method assumes a full load in each dump truck. This was not the case on these projects. The contractor's Project Manager was aware of the under loading of these trucks, yet did not make an attempt to rectify the situation by calling for an adjustment in the payment.

Example of an adjustment:

We are loading only two (2) buckets per truck due to potential overloading.

Adjust payment by this method:

The number of trucks arriving multiplied by 8 cu. yds. instead of 12 cu. yds.  
This product multiplied by the contract price of \$6.65 per cu. yd. = payment

**Project 450-04-0069 District 03**

The contractor's billings: 151,720 cu.yds. = \$ 1,008,938.00  
The contractor delivered: 100,380 cu. yds. = \$ 667,527.00  
Difference = \$ 341,411.00  
Payment to date: 99,685 cu. yds. = \$ 662,905.25

**Project 450-91-0076 District 07**

The contractor billings: 124,952 cu. yds = \$ 830,930.80  
The contractor delivered: 94,298 cu. yds.= \$ 627,081.70  
Difference = \$ 203,849.10  
Payment to date: 85,768 = \$ 570,357.20

Please refer to attached Schedule A for additional information.

**LA DOTD has not overpaid the contractor.**

The contractor is due additional funds.

The measurements for Project 450-04-0069 may be adjusted as the contractor was not finished with borrow hauling at the time of the District's measurements. Internal Audit is of the opinion that the numbers presented in this report are very close to the expected final measurements.

**RECOMMENDATION**

It is recommended that LA DOTD pay the contractor for actual soil delivered. This amount should be based on the District's measurements of pit volume multiplied by the compaction factor, then apply the contract price per cu. yd.

**FINDING**

Internal control procedures and practices used in these construction projects are ineffective.

## CONDITION

The usage of the vehicular measurement method in accounting for the delivery of borrow materials in these projects was in accordance as specified in Section 109.01, Measurement of Quantities, Louisiana Standard Specifications for Roads and Bridges. It is the opinion of Internal Audit that there is a greater risk of inaccuracy in the usage of this method. An inspector observes the loading of the dump trucks or/and the unloading of the dump trucks plus counting the number of trucks.

The accuracy of this method of measurement depends upon a number of factors:

- The conscientiousness of the inspector verifying the amount of the loads.
- The amount of training the inspectors has received in estimating the load.
- The number of inspectors available. The best scenario would be to have inspectors stationed at each borrow pit to observe the loading of the trucks and at the location(s) where the trucks are unloading.
- The alertness of the inspector, especially during night operations.
- Time needed by the inspectors to verify the loads.
- Weather. In the event of adverse weather conditions and amount thereof, the contractor accelerates the speed of their operations in order to meet the time requirements. This acceleration limits the effectiveness of the inspectors.

In summary, there are a number of factors that affect the accuracy of this method. Internal Audit believes that a combination of conditions and the lack of trained, certified inspectors led to the inaccuracy of the measurement of the borrow amounts actually delivered by the contractor.

## RECOMMENDATION

It is recommended that in future projects, the plan quantity method or the lump sum method be employed for future contracts that specify borrow materials. If the vehicular measurement method is to be used due to circumstances, then the Districts must ensure that sufficient trained and certified inspectors be stationed in the appropriate areas. It is recommended that the Project Engineers or their designees conduct random surprise observations of these inspectors as work progresses.

## **CONCLUSION**

Internal Audit and the Internal Affairs Investigator interviewed District staff directly involved in these projects. It is our opinion that there was not collusion between DOTD inspectors and the contractor in the delivery of the borrow materials.

## **OBSERVATIONS**

Internal Audit appreciated the cooperation received from all District staff during the conduct of this review.

Internal Audit commends District 03 and District 07 in their prompt attention to the withholding of payment to the contractor and in the measurement and attention to detail in their determination of the borrow pit's volume.

