



A REVITALIZATION OF TXDOT

JANUARY 5, 2011

ACKNOWLEDGEMENTS

The Council would like to acknowledge the valuable work of Christy Bird and Gabriela Garcia, both of whom we considered substantive partners in this project. They spent long hours at the computer and in meetings, researching issues, participating with members of the Council at every level of our review and discussion, and often helping to further our understanding of some of the issues involved. To both, we express our special appreciation.

Tom Ryan was the Council's "Fourth Musketeer" and a valuable partner. Tom's background as an executive in Shell Oil and as a professor at St. Edward's University, where he specializes in change management, has provided important perspective. The Council extends its compliments and thanks for his services.

The development of the online catalogue of the 647 recommendations contained in the various reports and audits of TxDOT were also a tremendous resource for the Council. The work of the TxDOT staff has provided a foundation from which the Council developed this report and will also provide all interested stakeholders with a window through which to monitor TxDOT's reform progress. For their talent and commitment, the Council would like to recognize Scott Burford, Scott Dorsett, Jefferson Grimes, Mary Anne Griss, Carlos Lopez, Mark Marek, Mary Mayland, Colin Parrish, James Pennington, Tim Powers, and Donna Roberts.

The Council also recognizes the assistance of all the TxDOT staff for their suggestions and prompt responses to the Council's inquiries. Their assistance has been invaluable.

And finally, we wish to express our appreciation to Sharon Whitehurst for all her effort (and usual success) in keeping the three of us in line with an impossible schedule of meetings, appointments, and travel; she served as "utility infielder" for the Council office.

TxDOT RESTRUCTURE COUNCIL

In July 2010, the Texas Transportation Commission formed the TxDOT Restructure Council and appointed Jay Kimbrough, David Laney and Howard Wolf. The Council's purpose was to examine numerous reports and audits on TxDOT's operations and identify recommendations for the restructure, reform and modernization of TxDOT.

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EXECUTIVE SUMMARY

In 2009, the Texas Transportation Commission (Commission) engaged the firm of Grant Thornton to conduct a detailed review of the Texas Department of Transportation (TxDOT) in order to identify opportunities for improving the overall operating performance of the department. The Grant Thornton report, which was completed and presented to the Commission on May 26, 2010, is the most recent of numerous TxDOT reviews performed during the last several years and clearly the most current and comprehensive.

In July 2010, the Commission formed the TxDOT Restructure Council (Council), comprised of Jay Kimbrough, David Laney, and Howard Wolf. Together, they reviewed the Grant Thornton report, along with several earlier reports examining various aspects of TxDOT. The purpose of the Council was to examine and extract from the reports, as well as any other sources the Council deemed appropriate, recommendations for the restructure, reform, and modernization of TxDOT that would have the most valuable and lasting impact on enhancing TxDOT's organizational performance.

With the assistance of TxDOT staff, in September 2010 the Council began compiling an online database that catalogued all recommendations contained in the most relevant reports that examined TxDOT operations. On October 1, the database was posted on txdot.gov becoming accessible to all interested parties. It has since been updated to reflect the implementation status of each of the 647 recommended actions contained in the combination of reports. As of this date, approximately half of the recommendations have been either fully or partially implemented. The table below presents a breakdown of the recommendations by each report.

Recommendations	Report/Audit Source
191	Grant Thornton
47	Sunset Commission (2008)
369	12-year Audit
15	2030 Committee
7	H.B. 300 (81 st Legislature)
18	TxDOT Strategic Plan
647	All Sources

While the Council evaluated recommendations from all the above sources, its analysis was primarily centered on the 191 Grant Thornton report recommendations,

from which the Council selected 62 recommendations as the highest priorities for TxDOT. In addition to the selected recommendations, the Council has added additional recommendations that it believes will enhance and add value to TxDOT's revitalization effort. A complete list of these recommendations is included in this report. (Page 59)

While the Commission was creating the Council, it requested that TxDOT's implementation of various initiatives stemming from the reports be suspended pending the completion of the Council's review and recommendations. On January 5, 2011, the Council presented its recommendations to the Commission and urged that TxDOT now proceed with all of the prescribed reform initiatives that it considers appropriate.

In the report that follows, the Council has provided what it considers critical path recommendations for organizational modernization and performance improvement throughout TxDOT. For consistency and simplicity, the Council has adopted the categories used in the Grant Thornton report and presented the recommendations in what it considers the order of importance:

- Leadership and Culture
- Implementing Change
- Organizational Structure
- Financial Management
- Informational Technology
- Human Resources
- Communications
- Plan, Design, Build
- Procurement

The premise underlying the Council's recommendations begins with the acknowledgement of an acute erosion of public confidence in TxDOT stemming from both internal factors that TxDOT controls and external factors over which it has little or no influence. There is an urgent need to reverse that trend. The Council's focus, of course, is limited to the organizational environment within TxDOT's control. Texas' accelerating economic expansion and growth in population and traffic, combined with declining federal, state, and local transportation resources for the foreseeable future, virtually assures a downward trend in mobility throughout the state, no matter how effective TxDOT's performance. It is precisely because of the altered and unstable transportation environment and the enormous challenges ahead that Texas urgently

needs state transportation leadership that engenders the highest levels of public trust and confidence.

The Council believes that adoption and implementation by the Commission of substantially all of the recommendations in this report will revitalize TxDOT. Although the impact of some initiatives should be immediate, the Council's report contains no easy or quick fixes. Generally, the proposed actions will require longer-term implementation efforts, in some cases lasting several years. Change is often disruptive and uncomfortable and will be met with creative and patient resistance that must be overcome. Additionally, the outcome of restructure and reform efforts is not predictable. Without effective, committed, and respected leadership at every level of the organization, starting with the Commission, cultural change, reform, and modernization efforts are likely to fail.

The Council considers the assessment and recommendations of the Grant Thornton report to be an excellent analysis of the TxDOT organization and its operations. It is thorough, encompassing, and provides sound recommendations for change with which the Council concurs.

Leadership is the single most important theme of the Council's recommendations. In any organization, as with TxDOT, a thoughtful and orderly change of leadership is often an essential first step in any comprehensive transformation. Beginning at the highest levels of TxDOT, new senior leadership must redefine the character of the organization, as well as reinforce standards of responsiveness, credibility, accountability, and transparency. Whether TxDOT can effectively identify, develop, retain, and attract such capable leadership poses a critical first challenge. Capable and respected leadership at *all* levels, aggressively committed to changing the organizational culture, will be the critical ingredient in successfully repositioning TxDOT.

The transportation systems of Texas are among its greatest strengths. Those systems include rail, aviation, transit, ports, ferries, an Intracoastal Waterway, and the state's 86,067 lane miles of highways and roads, with more than 57,000 bridges that link them all. TxDOT has broad authority over roads, highways, and bridges throughout the state. But it is not principally responsible for the development, maintenance, or operation of several significant network elements such as freight and passenger rail, ports, and commercial airports. However, TxDOT sits at the head of the state's transportation table. It must play an increasingly assertive and central role in shaping an integrated state transportation policy, strategy, and plan needed to meet future mobility demands. The Council believes the proposed organizational and operational changes, if endorsed by the Commission and implemented by effective leadership, will position

TxDOT for this role moving forward. A summary of the Council's recommendations follows.

Leadership, Culture, and Implementing Change

The Grant Thornton report identifies effective leadership as the core issue. The Council agrees. In launching any significant organizational reform, a change of senior leadership is often an essential first step. The Council believes that such action is appropriate in the case of TxDOT. New leadership will be energized and objective in assessing the effectiveness of structural, operational, and policy elements of the organization and will be more willing to change those policies. The Council urges the Commission to commit to a change of senior leadership at TxDOT.

Implementing cultural and operational change at TxDOT will also require the careful, systematic, and objective assessment of TxDOT leadership. Such analysis should be the principal responsibility of TxDOT's new senior leadership team and will certainly require additional leadership change and development at all levels within the organization.

It bears emphasizing that in the context of the Council's recommendations, neither the Commission nor TxDOT leadership should equate the skills of leadership with those of management. The distinction becomes particularly important in higher levels of TxDOT's leadership structure. Both leadership and management skills are critical to an organization. TxDOT leadership must be fully committed to and capable of effecting changes to organizational culture and motivating material improvement in individual and organizational performance. (Leadership and Culture, Page 22; Implementing Change, Page 26)

Organizational Structure

TxDOT is a large and complex organization, with considerable opportunity for improvement in the efficiencies and effectiveness of its operations. The Council understands that TxDOT has already undertaken various changes to its organizational structure and may be considering additional actions that embody Council recommendations. The Council is proposing a revised organizational structure (Page 35), highlights of which include the following:

- Elevate the officers heading information technologies and human resources to report directly to the Executive Director.

- Create an innovative project delivery office as part of the department's financial functions, and consolidate all financial functions so that they report to the chief financial officer.
- Separate the Government and Public Affairs Division into two offices – Communications and Government Relations.
- Create one central office for the oversight and administration of Historically Underutilized Businesses and Disadvantaged Business Enterprises programs.
- Create a transportation policy and strategy development function (think tank) that reports to senior leadership and engages the services of appropriate outside expertise in transportation analysis and planning.
- Enhance the roles of general aviation, passenger rail planning, strategic freight and passenger corridor development, port planning, and transit.

Financial Management

The key challenges of TxDOT's financial management function are accuracy, clarity, and transparency. As the traditional pay-as-you-go patterns of transportation finance have shifted in recent years, TxDOT's financial functions have generally kept pace with the technical developments, supplementing its own capabilities with outside expertise where needed. The Council believes the consolidation of all financial functions under the clearly defined authority of a chief financial officer will improve internal controls and financial management, as well as increase effectiveness so that the miscues of recent years can be avoided. However, the transportation finance function must continue to be supplemented with the best available outside expertise, including the planning and analysis capabilities of financial firms that specialize in all arenas of innovative finance.

The Council proposes these changes in connection with the restructure of the organization. Details regarding other improvements regarding financial management are included in this report. (Page 37)

Information Technology

TxDOT does not have an integrated, enterprise-wide information technology system. It has numerous and fragmented independent systems that significantly limit the flexibility and effectiveness of TxDOT operations. The Council understands that efforts are underway through the Texas Comptroller to develop an agency-wide

information technology system for TxDOT. The Council recommends this project be reviewed and monitored by the State Auditor's Office to ensure work is performed expeditiously, completed on schedule, and particularly in the context of TxDOT's limited funding, developed in a fiscally responsible manner.

Pending development of an enterprise-wide system, there are a number of steps that TxDOT needs to take regarding the use and operation of its current systems. Those recommendations are included in the body of the Council's report. (Page 39)

Human Resources

A well-planned approach to human resources management should include continual assessment of current and future workforce needs, placing these resources where they are the most effective. Workforce needs should be able to be adapted in response to changing technologies, business climates, and potentially new mission priorities.

The Grant Thornton report reveals that the human resources management functions do not meet acceptable standards and are poorly administered and misaligned with the performance measures desired for TxDOT. Much of this failing assessment can be attributed to the fact that human resources play a subordinate role in TxDOT business operations. This lack of position and influence must be changed for the department to effectively initiate changes in culture, organization, and process and sustain a culture of change over an extended period of time. This will require a thorough revision of the philosophy supporting human resources with close coordination and support by TxDOT leadership to ensure implementation.

This and additional Council recommendations are included in the body of this report. (Page 41)

Communications

An organization's communications policies and practices play an extremely important role in the development, clarity and quality of the message, delivery of information, and interaction with stakeholders. Unfortunately, TxDOT's past communications have not consistently been viewed by various TxDOT audiences as timely, reliable, or accurate. The Grant Thornton report assesses the TxDOT communications effort as deficient in all key areas, with poor support systems and data availability as well as poor external and internal communications.

TxDOT must develop a comprehensive communications policy that applies to management and staff at every region, district, division, and office; and it should be

developed for both internal and external audiences. As explained in the Grant Thornton report, the policy should include processes and procedures for obtaining accurate information, developing messages that are consistent and support the department's mission, distributing information through the appropriate channels, and regularly assessing the effectiveness of its communication efforts. This policy should apply to all reports, brochures, websites, and materials used by TxDOT that provide information to external and internal audiences.

The Council recommends these and other improvements to communications, which are included in this report. (Page 43)

Plan, Design, Build

The vast majority of TxDOT work centers on planning, designing, building, and maintaining roads, highways, and bridges. As in other areas of TxDOT operations, the Council recommends changes to improve long-term transportation planning, and encourages TxDOT to continue with initiatives that should have a positive affect on operations.

- Environmental Planning – Building and maintaining an 86,067-mile highway system requires working with numerous state and federal agencies, each with its own priorities, procedures, and timelines. TxDOT has long acknowledged the need to streamline and enhance the coordination of these efforts and has begun to implement a more streamlined environmental review process that reduces the time required for completion of certain types of environmental reviews. Delays in the environmental review process often increase project costs. Steps should be taken as soon as possible to expand this process to other types of environmental reviews. (Page 46)
- Rural Planning Organizations – TxDOT has taken significant steps to bring rural transportation stakeholders into the planning process. Newly adopted planning rules provide expanded opportunities for local officials to participate. However, TxDOT should now take steps to support their role in the planning process. (Page 47)

- Right of Way Process – Similar to the environmental review process, the right of way acquisition process can also be lengthy, delaying the delivery of much needed transportation projects. Learning from previous projects, TxDOT has taken steps to implement an expedited right of way acquisition process to speed project delivery, which should help contain overall project costs. The Council supports these efforts and encourages broader implementation where possible. (Page 47)
- Engineering Workforce Analysis – Debate continues over the cost-effectiveness of using in-house engineering services versus the services of outside engineering consultants in planning, designing, and building highway projects. The Council understands that an in-depth and definitive study of this matter has begun and encourages the prompt completion of this project. Although a more definitive resolution of the cost issue will not necessarily be determinative of a solution to this matter, it should provide the Commission with reliable information on which to shape department policies. (Page 48)
- Field Operations Staffing – With future mobility challenges and declining transportation funding, TxDOT should analyze its field operations to ensure that resources are placed where they are most needed. Last year, TxDOT initiated a field operations staffing plan, which has resulted in a more efficient use of its resources. The Council supports this effort and recommends updating this plan annually. (Page 48)

Procurement

General procurement shortcomings identified by the Grant Thornton and other past reviews must be corrected especially in the contracting function. One key issue for TxDOT's procurement practices is a failure to follow consistent and disciplined management practices, often attributable to a lack of clear lines of authority and disjointed procurement activities. With TxDOT facing heightened stress on its own budget, centralized oversight and control of all procurement policies, procedures, and activities should be implemented to reduce contractual risk to TxDOT.

As with other areas within TxDOT, reliable and consistent data is currently difficult to manage, yet it is needed before TxDOT can improve its accountability and transparency. A comprehensive procurement database should be developed and maintained in connection with TxDOT's overhaul of its information technology network.

TxDOT's Historically Underutilized Business Enterprises and Disadvantage Business Enterprises programs are facing similar issues to those of the procurement functions, and comprehensive improvements should be undertaken in these programs.

The Council recommends these and other improvements to TxDOT's procurement operations, which are included in this report. (Page 50)

Implementation

In developing this report, the Council operated on the assumption that recommendations are interrelated and, in combination, provide the basis for a revitalized TxDOT. Consequently, it is important that a comprehensive and coordinated implementation strategy be developed with the assistance of an outside professional change management firm to support senior leadership and the Commission in this effort. The process of identifying and selecting such firm should begin immediately.

In the meantime, the Council encourages the Commission and TxDOT to move ahead with recommendations it considers appropriate, keeping in mind that a comprehensive and systematic approach will more likely yield lasting and meaningful results. (Page 53)

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INTRODUCTION

Historically, the Texas Department of Transportation has been one of Texas' most respected state agencies. Today, TxDOT confronts a failure of public confidence. TxDOT has compounded its problems with numerous missteps in recent years leading to levels of frustration and mistrust by the Texas Legislature, transportation stakeholders, and the public. Factors over which TxDOT has little or no control have also exacerbated perceptions of its failures. The most important factor is the decline in transportation funding relative to unprecedented traffic growth, particularly in the state's major urban areas. This misalignment of resource demand and availability will increase in years to come. It is urgent that TxDOT reestablish itself as a trusted and effective state transportation agency *now*.

TxDOT has been the subject of a torrent of reports and recommendations in recent years, largely intended to reform and modernize the department. The time and effort involved in receiving, assessing, prioritizing, and attempting to implement the host of recommendations embodied in these reports would distract any organization's management, and neither the Commission nor TxDOT's senior management are exceptions. To enable the Commission and TxDOT management to focus on the continuing, constant flow of both routine and complex challenges confronting the department on a daily basis, and to ensure objectivity in prioritizing recommendations, the Commission formed the Council in July 2010, naming as its members Jay Kimbrough, David Laney, and Howard Wolf.

The purpose of the Council was to review the reports and develop a single, independent, and comprehensive proposal of recommendations regarding TxDOT, for consideration by the Commission. In developing its recommendations, the Council reviewed the following reports.

- May 26, 2010: Management and Organizational Review (Grant Thornton)
- February 26, 2009: Texas Transportation Needs (2030 Committee)
- July 2009: Texas Department of Transportation (Sunset Advisory Commission)
- November 24, 2008: 12-Year Audit - Regionalization Plan Assessment (Deloitte)
- June 26, 2008: Strategic Plan 2009-2011 (Texas Department of Transportation)
- September 17, 2007: 12-Year Audit - Field Operations (Deloitte)
- September 12, 2007: 12-Year Audit - Management & Support Functions (Deloitte)
- August 29, 2007: 12-Year Audit - Transportation Funding (Deloitte)
- August 24, 2007: 12-Year Audit - Contracting and Project Delivery (Deloitte)
- August 2007: 12-Year Audit - Consumer Services (Deloitte)

To facilitate its review of the findings in these reports and to make them readily accessible to the public, the Council catalogued all of the recommendations into a database along with information from TxDOT describing implementation of the recommendations or specific actions that were planned or in progress. On October 1, this database was made available publicly on TxDOT's website (txdot.gov). The reports contain a total of 647 recommendations for TxDOT, of which the department has now fully or partially implemented approximately half. The database will be updated regularly and can be used by all interested parties to monitor TxDOT's progress in implementing the recommendations.

In the judgment of the Council, TxDOT's challenges fall into two broad categories – *organization* and *finance*. Certain aspects of each category are governed by existing legislation, which the Council considered outside its scope of review and recommendations.

Organization. The subject of *organization* encompasses, first and foremost, the critically important but intangible organizational features of leadership and culture. It also includes issues of how best to structure the department to optimize the effectiveness and operating efficiencies of its personnel and processes in order to further its overall transportation mission. The scope of the Council's charge includes the entire range of non-legislated organizational issues.

TxDOT's organization has now been thoroughly studied and critiqued by experts and non-experts alike. Among the various audits, examinations and reports that the Council has reviewed, virtually all have been targeted, directly or indirectly, at improving the performance of TxDOT's *organization*. In this arena, it has become apparent to the Council that there are just about as many well-intentioned "solutions" to TxDOT's organizational challenges as there are opinions.

The Council has reviewed all of the recommendations in the light of TxDOT's complex transportation mission and has identified those it considers most likely to have material, fundamental, and lasting positive impacts on TxDOT's organizational effectiveness. It is worth emphasizing that no comprehensive organizational change can occur without some level of disruption, risk of failure, and frustrated expectations; however, the Council believes that the value of the investment will far exceed the short-term costs. One intended benefit for both TxDOT and Texas transportation generally is that the adoption by the Commission of the Council's recommendations will diminish much of the flow of criticism regarding TxDOT's organization long enough to enable the Commission and TxDOT leadership to implement the proposed changes. In any case, the Council believes that additional studies and directives for TxDOT at this time will add little value and likely distract from the considerable task of a TxDOT restructure.

Implementation of our proposals, once begun, will require sustained attention and effort on the part of the Commission and TxDOT management, and the Council believes that progress should be monitored independently, at least through 2014.

Finance. Texas has entered an era of unprecedented population growth, economic expansion, and predictably declining levels of passenger and freight mobility. Resolution of TxDOT's organizational challenges is critical and now underway. As the need for more maintenance and mobility funding continues to grow, available financial resources continue to shrink. Effective transportation finance policy and strategy at both the legislative and department levels are critical to TxDOT's organizational effectiveness in addressing the state's transportation challenges. TxDOT's performance will be judged by the shrewdness, clarity, and discipline of both short- and long-term financial policies, and the strategic application of its limited available resources.

At this time, the subject of transportation finance policy and the level of TxDOT's available financial resources directly and indirectly shape virtually all discussion of TxDOT. Unlike TxDOT's organizational issues, a framework of Texas transportation finance policy that more effectively positions TxDOT to address projected maintenance and mobility needs remains unresolved. It is also a subject well beyond the scope of the Commission's charge to the Council. Assuming the Commission adopts and begins the implementation of the Council's proposals regarding TxDOT's organization, consideration of the issue of transportation finance policy should now take center stage.

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RECOMMENDATIONS

Leadership and Culture

Implementing Change

Organizational Structure

Financial Management

Information Technology

Human Resources

Communications

Plan, Design, Build

Procurement

LEADERSHIP and CULTURE

Change Senior Leadership. Based on the broad array of outside reviews of TxDOT and the Council's judgment, there is a need for organizational change at TxDOT. This change begins with senior leadership. Supporting this recommendation, the Grant Thornton report also identifies TxDOT's senior leadership as the "core issue" needing attention.

It is a change of TxDOT's leadership, starting at the highest levels of the executive administration, which will become the foundation for any lasting success. A change in leadership is the keystone of the comprehensive organizational change the Council proposes and will set the stage for initiatives such as strategic vision, continuous change, management culture, organizational structure, accountability, and transparency. The Council urges the Commission to address the need for new senior leadership for TxDOT at a pace and in a manner that it considers to be in the best interests of the department. It is the Council's opinion that the desired outcome should not come from the reshuffling of executive administrative personnel, but from identifying new business-oriented leadership, within and outside of TxDOT, that focuses on enhanced efficiencies, embodies the necessary skills for strategic planning, and cultivates the need for accountability and transparency.

In any organization an essential role of senior leadership is developing, communicating, and implementing a strategic vision that furthers its mission and goals. The Council believes that new leadership must establish the context for TxDOT to make changes in the culture, management, and organization necessary to move toward a shared vision of how TxDOT must reposition itself to effectively address future transportation challenges.

TxDOT's leadership model will have to clarify and reinforce organizational vision, values, and mission for all employees. TxDOT leadership throughout the department will have to impart to the organization values, attitudes, skills and dedication that will prove adaptable to an evolving range of future transportation challenges. One immediate challenge and possible handicap confronting the Commission are the legislative salary caps applicable to TxDOT's most senior executive positions that will limit the Commission's ability to attract the best talent. Considering the importance of these roles at this juncture for TxDOT, the Council recommends that the Commission seek an increase in salary cap for TxDOT's senior positions.

Leadership Must Change Culture. Organizational culture encompasses values, beliefs, norms, and assumptions that influence behavior in an organization. TxDOT's culture embodies a number of admirable and positive characteristics in which

it takes well-deserved pride. Some have served it well for almost a century and should continue to do so in the future.

However, consideration must be given to developing additional values that encourage open-mindedness, innovation, and a shared commitment to TxDOT's success, and which value individual initiative. Behavior that is resistant to change presents a major challenge for new leadership in TxDOT. As stated in the Grant Thornton report, *"TxDOT's senior leaders reveal a deep-seated belief that TxDOT is doing all the right things and that criticisms leveled against the organization will decline when TxDOT is better able to demonstrate to people how right the organization is."* This statement strongly infers the inability of TxDOT senior leaders to recognize the need for self-correction and redirection of the organization.

The Council agrees with the Grant Thornton report that for meaningful change to occur, the Commission and new TxDOT leadership must:

- Recognize that organizational performance and management are not meeting expectations.
- Recognize that TxDOT's environment of external challenges and expectations are changing and the department must adapt.
- Align the organizational structure to deal with the changes.
- Recast embedded attitudes and behavior to support the necessary changes.

The Council concurs with recommendations in the Grant Thornton report that TxDOT leadership must change its culture. While this is a daunting, it can be accomplished by leaders who articulate new concepts of governance, propose new ways of thinking, and model and shape new behavior. Cultural change will always require sustained effort by leadership, as well as the need for complementary organizational architecture and policies.

Recommendations

The Council is in agreement with many of the findings in the Grant Thornton report in the area of leadership and culture. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for leadership and culture.

Grant Thornton Recommendations

Provide strategic leadership, including: Holding senior leadership accountable for providing strategic guidance, for monitoring and

controlling work at a level appropriate to their roles, and for working effectively through supporting layers of the organization to effect management and delivery at a more granular level; Articulating a strategic vision for TxDOT, in context of the agreed-upon mission and goals; and Developing a vision for transportation for the State of Texas. (Part I, Page 1-9)

To address fundamental issues at TxDOT, commit to achieving real cultural change within the organization, especially at the top leadership level; appoint leaders with an understanding of and a commitment to realizing the value of non-engineering leaders and their functions. (Part I, Page 5-2)

Council Comments

- Adjust leadership performance models to reflect credit for leadership skills and behavior desired, including compensation and recognition within the organization.
- Identify and develop candidates with leadership qualities and skills.
- Reinforce, repeat, and demonstrate desired behaviors.

Grant Thornton Recommendations

Adopt appropriate management disciplines across the organization and support these with enabling methodologies, tools and training. (Part I, Page 1-9)

Improve management discipline, controls and approaches used in the organization. Hold people accountable for adhering to defined practices, processes and procedures. Operate with more of a business mindset, bringing transparency to data, processes, standards and costs internally in a way that helps enable accountability and continuing improvement and efficiency over time. (Part I, Page 5-3)

Council Comment

External expertise should be engaged to accomplish this goal.

Grant Thornton Recommendations

Adopt an enterprise view - to drive accountability, to assess performance, to define and implement improvements, and to manage strategic assets. (Part I, Page 1-9)

Tackle the recommended changes through a well-thought-out, enterprise-wide plan that balances achieving near-term results with the thoughtful sequencing of priorities, dependencies and investments. Avoid tackling recommended changes in a piecemeal or reactive way that results in wasted resources, greater churn for staff, inability to integrate related components to deliver value or similar results that undermine the overall impact of change initiatives. (Part I, Page 1-10)

Council Comment

Change at TxDOT will require a long-term investment with a real return that will directly improve its future performance.

Grant Thornton Recommendations

Establish a clear strategic vision - for the future of Texas transportation statewide and for the Department. (Part I, Page 5-3)

Use the strategic vision as a basis for defining goals, objectives and performance measures, and to provide context to identifying priorities, making investment decisions and undertaking other changes. (Part I, Page 5-3)

Council Comment

Change at TxDOT will require a long-term investment with a real return that will directly improve its future performance.

IMPLEMENTING CHANGE

Change Will Require An Intense Commitment. Undertaking a change initiative to improve organizational performance will require a challenging and long-term commitment by leaders and employees alike. The Grant Thornton report describes the environment in which TxDOT operates as changing substantially. The major change envisioned will require moving TxDOT from the current reality of established attitudes, processes, and patterns of behavior to a substantially transformed organizational environment. Elements of the envisioned TxDOT will have to be clearly defined and articulated by new TxDOT leadership.

Significant change in structure, culture, and work processes will be required. These interrelated change initiatives will require significant coordination and collaboration under an overall plan that is supported and embraced widely throughout the whole organization. TxDOT has never previously undertaken a comprehensive change project, and the Grant Thornton report concludes that much of the effort invested in past change initiatives has proven unsuccessful. Therefore, involving the help of experts in designing and implementing a program of organizational change initiatives will be an essential first order of business. This plan should follow the Grant Thornton report recommendation that it be an enterprise-wide approach involving the entire department over an extended period.

Effective implementation of organizational change will require a leadership team that is effective and respected at all levels in the organization. This team will need to "walk the talk" in leading employees to commit their energies to transforming TxDOT into an organization of excellence, embodying a sense of urgency and highest priority for its shared vision of the future. Implementing change will require an intense commitment by all stakeholders to engage the total organization in the effort. It will also require significant external support from experts in organizational change management and leadership development.

Additionally, an intensive effort will be needed for the department to reframe its mission, vision, and goals, positioning itself to more effectively address future transportation challenges. This is TxDOT's "change" challenge – an opportunity to re-create an agency that will be a model of performance and effectiveness that others follow.

The Grant Thornton report places special emphasis on the need for a strategic visioning process involving the collaborative effort of both change leadership and staff to set the direction and guide the change intended. The Council agrees and also

recommends the identification and appointment of change leaders or “champions” throughout the department and its related constituencies.

Recommendations

The Council is in agreement with many of the findings in the Grant Thornton report in the area of implementing change. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for implementing change.

Grant Thornton Recommendations

Before implementing a change initiative, TxDOT must establish and articulate a clear purpose, logical timeline for implementation with associated milestones, and performance measures. (Part I, Page 2-12)

Council Comment

This is required for any change initiative.

Grant Thornton Recommendations

Track initiative progress against targets throughout implementation to allow for course corrections and for decisions to be made around whether to continue with implementing a specific initiative, change and/or project (Part I, Page 2-12)

Council Comment

As with any project measuring progress on a timely basis maintains focus and aids completion.

Grant Thornton Recommendations

Any change initiative requires a clear champion who will provide the required support (including personnel and resources) to accomplish the goals of the initiative and a project leader who will be held accountable for its successful implementation. (Part I, Page 2-12)

Council Comment

TxDOT must create a leadership team within the organization to champion the change desired.

ORGANIZATIONAL STRUCTURE

Better Align Organization With The Mission. The Grant Thornton report presents significant recommendations to improve TxDOT at the senior management levels and the Council supports most of the suggestions offered. The Grant Thornton report also states "*the organizational design is not the fundamental issue at TxDOT.*" The report recognizes that some improvements may be realized in making structural changes, but the initiatives for change should focus on organizational culture, leadership, and management. The Council agrees.

Nonetheless, there are opportunities to change TxDOT's structure to better align the organization and its employees with the department's mission, thereby improving work performance and creating a more efficient and satisfying work environment. With input from the Council, TxDOT has already taken steps to better align the department with its mission by creating two new senior leadership positions – chief information officer and chief administrative officer. With assistance of an executive search firm, TxDOT intends to have these new senior leaders in position by January 2011.

Organizational changes, as reflected in the proposed organization chart (Page. 35) and summarized below, are a combination of recommendations made by Grant Thornton and the Council.

- Elevate the officers heading information technologies and human resources to report directly to the Executive Director.
- Consolidate all of the agency's financial functions under a single financial office with the chief financial officer being accountable for the transparency and reliability of these operations; contract with recognized outside firms for specialized expertise in areas of debt management and innovative finance; position budgeting oversight responsibility for pass-through toll projects and contract lettings within the financial office; and create an innovative project delivery office positioned under the chief financial officer.
- Separate the Government and Public Affairs Division into two offices – Communications and Government Relations.
- Move travel and information functions to the newly created Communications office.
- Create one central office for the oversight and administration of Historically Underutilized Businesses and Disadvantaged Business Enterprises programs.

- Create a transportation policy and strategy development function (think tank), which reports to senior leadership and engages the services of appropriate outside expertise in transportation analysis and planning.
- Administratively align the five major urban districts (Houston, Dallas, Fort Worth, Austin, and San Antonio) for management, strategy development, and sharing expertise and personnel; in addition, develop and implement a management structure for more effectively integrating and coordinating the operations of the Fort Worth and Dallas districts.
- Enhance the roles of general aviation, passenger rail planning, strategic freight, and passenger corridor development, port planning, and transit.
- Develop a long-term, multi-modal planning function that supports the statewide transportation mission, yet is independent from TxDOT's day-to-day operations of supporting such a complex infrastructure system. (It is important to note that this long-term planning function is separate from the strategy and policy "think tank" function.)
- Combine the internal audit and compliance functions into one office.

Aviation and Passenger Rail

As frequently reiterated throughout this report, the demands on transportation systems in Texas today are enormous and will increase in the foreseeable future. Texas' approach to these challenges must encompass more than just roads. Rail, aviation, ports, and transit, for instance, already play significant roles in moving people and goods. TxDOT's direct and indirect coordinating roles in the development of capacity and interconnectivity of all elements of Texas' transportation systems should be appropriately embodied in the organizational structure as strategic elements in addressing the future mobility challenges of Texas. General aviation and rail planning are of particular importance.

General aviation airports represent an increasingly valuable transportation asset for Texas and for the individual communities they serve. For instance, the approximately 270 general aviation airports are responsible for nearly 61,900 jobs and nine billion dollars annually in economic impact. The Council recognizes TxDOT's efforts in building and maintaining a nationally recognized airport system and encourages the Commission to include general aviation, along with other modes as significant partners with rising importance in solving the state's transportation challenge.

Coupled with highway and air transportation, passenger rail might, in time, also emerge as a valuable element in the overall transportation system, augmenting existing capacities of the state's most congested corridors. With proper routes, speeds, and

frequencies, passenger rail might also prove an attractive alternative choice in the future. The Council encourages TxDOT to continue its efforts in developing a statewide rail plan and the identification and assessment of the viability of passenger rail corridors for future development. The Council also recommends that the department pursue federal rail funding and studies, particularly for the rail corridors in the Triangle (I-35, I-45 and I-10) and the Gulf Coast regions that might provide a valuable transportation alternative for a significant number of Texans.

Recommendations

The Council is in agreement with many of the findings in the Grant Thornton report in the area of organizational structure. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for organizational structure.

Grant Thornton Recommendations

Support a greater and more appropriate leadership role for human resource and information technology functions. (Part I, Page 5-2)

Council Comment

The Council concurs with this recommendation.

Grant Thornton Recommendations

Separate government relations and communications functions to provide a single, focused mission for each group and to limit potentially competing priorities. (Part I, Page 3-16)

Council Comment

Council strongly urges this recommendation be adopted. Leaders of these two functions should meet the values and behaviors suggested in a newly created Leadership Development Model for TxDOT.

Grant Thornton Recommendations

Align the senior leadership team of the Department under its three primary areas of activity: operations, organizational support, and financial management. (Part I, Page 3-9)

Council Comments

- Council sees value in considering some re-alignment of critical functions to expedite the work and improve the business outcomes desired.
- This should be considered as part of the "Plan, Design, Build" program — focus on the very best way to deliver the end product. If done collaboratively, the solutions could emerge from people of TxDOT and ownership of the process would be established.

Grant Thornton Recommendations

Organize District/Division/Office/Region Financial Management personnel under the Finance Division to increase accountability and responsibility. (Part II, Page 4-22)

Council Comment

The Council concurs with this recommendation.

Grant Thornton Recommendations

Establish an office and personnel with experience in innovative financing solutions. This office should oversee Comprehensive Development Agreements (CDA), develop new mechanisms for financing transportation solutions, and work with the Administration and Legislature to provide authority to the Department to use such mechanisms. This office would perform duties related to CDAs, RMAs and toll roads currently performed by the Texas Turnpike Authority Division (TTA). (Part I, Page 3-10)

The role of the CFO should include a significant focus on innovative financing and debt management activities. (Part I, Page 3-10)

Council Comments

- Council supports an intensive effort to accomplish this recommendation and believes that such an office be positioned within the finance division.
- The deficiencies within all financial systems must be addressed.
- There should be some direct collaboration with internal and external financial community to define and staff this role in TxDOT.

Grant Thornton Recommendations

Create an Assistant Chief Operations Officer (ACOO) for Transportation Vision and Planning to bring together transportation planning and programming, transportation forecasting and analysis, multimodal transportation and rail activities to create a unified transportation vision for the state's future. The ACOO for Transportation Vision and Planning should be the owner of the statewide transportation vision, accountable for coordinating plans among different modes of transportation, and with expected future transportation innovations. (Part I, Page 3-12)

Establish a Transportation Forecasting and Analysis Office responsible for researching and identifying the state's needs in the long- and mid-term; and for coordinating with Administration and Transportation Planning & Programming (TPP) in developing the Department's plans. This new office should have staff with experience in economics and future forecasting models, and transportation planning and development specialists. (Part I, Page 3-12)

Council Comments

- Council suggests this recommendation should embody a model that assumes a goal of keeping Texas on the leading edge of transportation innovation and excellence in the country.
- An alternative could be the establishment, by TxDOT, of a planning and operating model, in coordination with metropolitan planning organization that is focused on the “triangle” (large Metro urban areas) where there is a need for creative and effective development.
- The office should encourage pilot programs, where appropriate.
- Consider the impact of future population growth as well as the impact of technology on transportation in the future.

Grant Thornton Recommendations

Conduct open recruitments for new senior leadership positions (i.e., Executive Director, Chief Operations Officer, Chief Administrative Officer and Chief Financial Officer) to reflect changes in positions and the associated qualifications and duties. (Part I, Page 3-19)

Council Comment

The Council concurs with this recommendation.

Grant Thornton Recommendations

Continue to progress the regionalization concept to further consolidate similar functions, provide increased oversight, and share resources across geographic areas. (Part I, Page 3-32)

Council Comments

- Much effort has been expended on the regionalization of some of the functions in the TxDOT districts. Unfortunately more bureaucracy is perceived to have resulted. Although some progress is evident, the envisioned improvements are not completely achieved. Many of the Grant Thornton report recommendations arise from these organizational deficiencies either not fully addressed by the Regionalization project or created by its partial implementation status. The Council foresees that if the department is positioned to deal with the overarching challenges of transportation in the future, the leadership must coordinate this effort with a greater perspective than what is delivered at the district level.
- The Council suggests that regionalization should continue, but with new insight and input from all the stakeholders, including the employees directly impacted by regionalization. The oversight of this effort should be overseen by someone other than the assistant executive director that headed up the initial effort, possibly the newly selected chief administration officer. This effort needs to be coordinated with the regional leaders and district engineers in concert with the senior leadership of the divisions.

Grant Thornton Recommendations

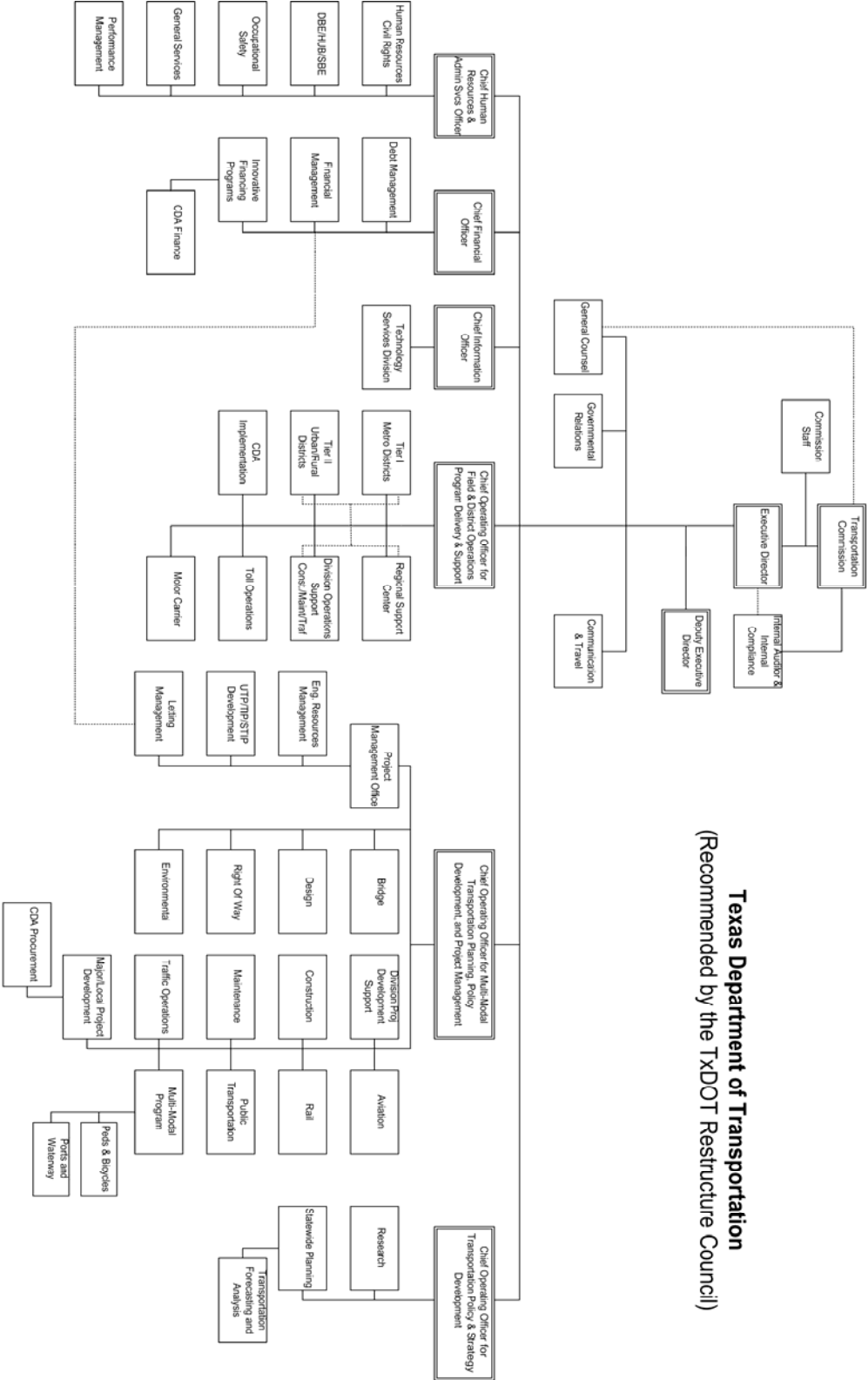
Establish a central HUB and DBE program management office to organize HUB and DBE program management functions. (Part II, Page 5-49)

Council Comment

The Council concurs with this recommendation.

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TxDOT Restructure Council



Texas Department of Transportation
(Recommended by the TxDOT Restructure Council)

January 5, 2011

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FINANCIAL MANAGEMENT

Increase Financial Controls And Oversight. In the context of decreased transportation funding, growing mobility demand, and public criticism of TxDOT, sound and responsible financial management of the department's multi-billion dollar budget is critical. The highest standards of accountability and transparency become even more important since TxDOT's budget is one of the largest and most complex budgets in Texas government. Until recently, TxDOT used only revenues from federal and state gas taxes to build roads. However, with the emergence of alternative financing options to supplement such revenues, how TxDOT builds and pays for roads has become much more complex and intensely scrutinized.

TxDOT has worked diligently to become more transparent in this area. In addition to initiatives mentioned in the Grant Thornton report, the Council is making additional recommendations that if implemented would have a positive impact. The Grant Thornton report and Council recommend the following initiatives be continued:

- Create an internal audit subcommittee that will be responsible for reviewing TxDOT's internal controls at the end of every fiscal year, starting at the conclusion of fiscal year 2010.
- Adopt key Sarbanes-Oxley principles to enhance the level of accountability for the department and to increase the reliability of its financial information.
- Contract with external consultants to assess the effectiveness of TxDOT's internal controls and develop a process for the annual control evaluation report, with future evaluations performed in-house.
- Create an innovative finance oversight function responsible for the integrity of the pass-through toll program, comprehensive development agreements/public-private partnerships, state infrastructure bank, and toll financing.
- Participate in the Comptroller's Enterprise Resource Planning (ERP) initiative called ProjectONE. The new ERP system, entitled Centralized Accounting and Payroll/Personnel System (CAPPS) will provide a new accounting system for the State of Texas. Over time, this should eventually become a single source of financial data for TxDOT. The Council notes the need for this project to be reviewed and monitored by the State Auditor's Office to ensure work is performed expeditiously, on schedule and in a fiscally responsible manner.

While these initiatives will be helpful in improving operational efficiencies and effectiveness, other improvements to financial management are still needed. Specifically, policy and procedures need to be consistent, clearly defined and uniformly followed. Of particular importance, and to further ensure TxDOT's role as responsible stewards of taxpayer funds, all financial functions should be positioned under a single, accountable chief financial officer, as referenced in the organizational structure section. Lastly, improvements are needed to TxDOT's data support systems so that accurate financial information can be used in project planning as well as provided to the public.

Recommendations

The Council is in agreement with many of the findings in the Grant Thornton report in the area of financial management. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for financial management.

Grant Thornton Recommendations

Establish employee accountability and performance measures for executing within budget limits to help change the cultural mindset and encourage district engineers to choose projects that will allow them to both stay within budget and perform as many high priority projects as they can. (Part II, Page 4-22)

Hold districts accountable for funds that they borrow by developing a formal tracking system and documentation to promote equitable spread of funding over time. (Part II, Page 4-22)

Implement a single information technology system that integrates budget and operations data to increase the reliability of reports and consequently public trust in TxDOT. (Part II, Page 4-23)

Council Comment

The recommendations of the Council with respect to the organizational structure involving the chief financial officer will support the recommendations of the Grant Thornton report.

INFORMATION TECHNOLOGY

View Information Technology As A Strategic Asset. Information technology is an increasingly vital and fundamental management tool that can contribute tremendous value to management effectiveness, employee performance and the overall success of an organization. Effective information technology supports organizational strategy and business operations so that TxDOT can meet its mission more efficiently, with higher productivity and value to its customers.

TxDOT currently uses outdated and fragmented information technology systems that do not meet the requirements of integrated, enterprise-wide information technology management. The recent action taken by the department to create a new leadership position for chief information officer is a laudable first step in moving TxDOT in the right direction of a more advanced systems management and planning.

Pending their replacement, TxDOT will have to continue to invest significant funds simply to maintain the functionality of its outdated information technology systems. TxDOT is also now investing in the State Comptroller's Office Enterprise Resource Planning (ERP) initiative called ProjectONE. It is envisioned that the new ERP system will provide a new accounting system for the state and eventually a single source of financial data for TxDOT. Ensuring that the ProjectONE investment delivers an effective information technology system for TxDOT is critical to its future performance and is an essential component of good stewardship and sound management. The Council recommends the Comptroller's project be reviewed and monitored by the State Auditor's Office to ensure work is performed expeditiously, on schedule, and in a fiscally responsible manner.

Recommendations

The Council agrees with many of the findings in the Grant Thornton report in the area of information technology. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for information technology.

Grant Thornton Recommendations

TxDOT should escalate the role that IT leadership plays in the organization and should view and use IT as a strategic asset to help TxDOT better achieve its mission. (Part I, Page 5-5)

Hire a Chief Information Officer (CIO) with the appropriate level of experience and leadership ability to fulfill this role, which links the business of TxDOT to the technology enabling that vision. (Part I, Page 5-5)

More clearly define roles and responsibilities for Information Technology (IT) organization and participants across TxDOT and identify clear technology lead for agency (Chief Information Officer-CIO) and place individual 'at the table' as part of leadership team to address significant IT leadership issues that impair staff and management effectiveness and morale. (Part II, Page 3-26)

Redefine IT governance objectives, participants, and processes based on a detailed review of processes, IT spending, weaknesses and strengths. IT governance is poorly structured and defined, minimally effective and not strategic. (Part II, Page 3-25)

Review IT policies, procedures and standards for completeness, currency, quality, accuracy and appropriateness to identify gaps and problems and to identify needed body of documentation. (Part II, Page 3-25)

Develop a plan to fill gaps in IT policies, procedures and standards and execute this plan to develop appropriate documentation. (Part II, Page 3-25)

Implement revised IT policies, procedures and standards across the organization, including training on policies, procedures and standards - and requiring compliance. (Part II, Page 3-25)

Provide appropriate enforcement authority to ensure compliance with policies, procedures and standards (Part II, Page 3-25)

Develop an IT strategy that ties use of technology to TxDOT mission, vision and goals. IT is not viewed or used as a strategic asset within the organization or as an investment on which there should be a verifiable return; instead it is viewed and assessed as a cost. (Part II, Page 3-25)

Council Comment

The Council concurs with these recommendations.

HUMAN RESOURCES

Recognize Human Resources As A Strategic Function. Employees are an organization's most valuable assets. Effective employee management is critical to the organization's success in meeting its mission. A well-planned approach to human resources management should include continual assessment of current and future workforce needs, positioning these resources where they are the most needed and effective, and adapting these needs to changing technologies, business climates, and evolving new mission priorities.

The Grant Thornton report provides a telling assessment of the human resources functions giving the overall effort a less than satisfactory evaluation. Critical areas include overall management and leadership, alignment of policies and procedures with business objectives, workforce planning, employment effectiveness, training and development; administration of performance measures, total compensation, and benefits competitiveness and succession planning.

Additionally, the report also states that the human resources function is clearly not recognized as a strategic partner within TxDOT's senior leadership team. It is imperative that human resources be positioned to aggressively shape and support behavior consistent with the mission and core values of the department. To ensure effective implementation will require a thorough revision of the philosophy supporting human resources as well as close coordination and support by TxDOT leadership. The Council recommends the inclusion of an enhanced human resource division as an integrated partner with senior leadership.

A more fully developed human resource function can more effectively contribute to TxDOT's success. To take advantage of this opportunity, human resources must work closely in association with the senior leadership team in designing the systems necessary to achieve the changes envisioned for TxDOT. While TxDOT has initiated a field operations staffing plan, it is the Council's opinion that human resources should have a significant role in updating this plan.

Recommendations

The Council is in agreement with many of the findings in the management and organizational review in the area of human resources. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for human resources.

Grant Thornton Recommendations

Quantify the required human capital and skills needed to execute and support TxDOT's mission. (Part II, Page 2-32)

Define and provide clear justification for human capital requirements. (Part II, Page 2-32)

Define and measure the work, identify skill requirements and salary groups, to align staffing requirements and plan with TxDOT mission, goals, strategies or funding. (Part II, Page 2-32)

Develop a workforce plan according to guidelines developed by the State Audit Officer. (Part II, Page 2-32)

Develop and implement a Position Management process to manage all full-time employees data at all organizational levels (D/D/O/R, section, etc.) that will: Identify standardized organizational data structures and codes; Identify special skills codes (e.g., license, certification); and Establish a position numbering schema. (Part II, Page 2-33)

Council Comment

The Council concurs with these recommendations.

Grant Thornton Recommendations

Eliminate the Business Title Classification Committee (BTCC) and assign classification duties to Human Resources Division (HRD) compensation management. (Part II, Page 2-33)

Institute a results-or outcome-based performance management system for all employees that: provides a clear linkage between performance standards, metrics and goals; sets clear expectations; provides incentive for career development; handles underperformers in a timely manner; and defines tracks based on competencies, such as Leadership, Supervisor, Lead Worker or Individual Contributor. (Part II, Page 2-34)

Council Comment

The Council concurs with these recommendations.

COMMUNICATIONS

Develop A Comprehensive Communications Policy. Many of TxDOT's patterns of communications have undermined the reliability and perceived integrity of the information the department conveys. The ongoing failure of the department's communications function has exacerbated negative perceptions of TxDOT and, in the Council's judgment, contributed directly to the need for the Grant Thornton report and the creation of the Council. The Grant Thornton report reflects that TxDOT communications failed to meet reasonable expectations for every function assessed. The Council urges the Commission to give prompt attention and action to improve its communications functions.

As the first step in addressing the communications failures, the Council's recommends the government relations and communications function be structurally and operationally separated, as noted in the organizational chart. This will allow a communications division to be solely and independently responsible for coordinating communication policies and activities.

Additionally, TxDOT must develop a world-class, comprehensive communication policy that is responsive and engages all stakeholders, both internal and external. As explained in the Grant Thornton report, TxDOT communications should include processes and procedures for obtaining accurate information, developing messages that are consistent and support the department's mission, distributing information through the appropriate channels, and measuring the effectiveness of communications efforts. This policy should apply to all reports, brochures, websites, and materials used by TxDOT that provide information to external and internal audiences. Ultimately, TxDOT's communications function should reposition itself as the ambassador for TxDOT in the public domain, achieving a reputation for responsiveness, reliability, and transparency that compliments the agency's leadership role in mobility for Texas.

As previously recommended in this report, improvements to TxDOT's information technology will also enhance communications efforts ensuring data is accurate and consistent and gathered efficiently.

Recommendations

The Council is in agreement with many of the findings in the Grant Thornton report in the area of communications. Specifically, the Council proposes that the

Commission consider the following Grant Thornton recommendations as the highest implementation priorities for communications.

Grant Thornton Recommendations

Adopt a more disciplined, proactive approach to planning, developing and managing communications, beginning with developing a comprehensive communications plan. (Part I, Page 5-6)

Establish clear ownership, processes and procedures for communications with each stakeholder group to ensure TxDOT is sending the right stakeholder group the right message. (Part II, Page 6-20)

Council Comment

The success of the culture and leadership changes recommended by the council will depend on the success of the department's communication efforts with its stakeholders.

PLAN, DESIGN, BUILD

Planning Process Improvements. Planning, designing, building, and maintaining roadways have been the core functions of TxDOT since it was established in 1917. Given all the controversy and conversation about transportation, a few things remain constant – population continues to grow at a fast pace, congestion is getting worse, and current revenue available for transportation funding is declining relative to the growing need. These transportation challenges make it imperative that TxDOT’s plan and design process be highly efficient and effective.

To its credit, TxDOT has recognized the need for an improved planning process and has made changes that bring more transportation stakeholders to the table. However, just as important are the business processes that guide project development and delivery. Here again, improvements have been made, but there is need and room for further improvement.

In the area of plan, design, and build, updated and integrated information systems can facilitate a consistent and understandable planning process. While TxDOT has made improvements in this area as well, the fragmented array of standalone information technology systems currently in place do not offer optimum efficiencies or flexibility. TxDOT should implement information technology recommendations, as described earlier in this report.

The Council has elected not to venture into territory which neither the Commission nor TxDOT has the authority to effect change. The Grant Thornton report, however, raises one organizational issue that crosses this line. In this case the Council follows with one comment: as long as TxDOT is required by state law to retain the 25 district structure, it will not have the necessary flexibility to adapt to the evolving transportation challenges of the state.

Steps In The Right Direction. The Council met with many stakeholder groups in the process of preparing this report, including local governmental and transportation planning entities, legislators and TxDOT staff. Below are additional Council recommendations in the areas of environmental planning, rural transportation organizations, right of way acquisition, engineering workforce analysis and field operations staffing. TxDOT has already made improvements in these areas, which are supported by the Council; however additional action is needed by the department so that these improvements will have the most wide-ranging and lasting effect.

Environmental Planning

With the continuing rise in mobility needs across the state and motorists' demand for more transportation options sooner rather than later, efforts to streamline TxDOT's project planning processes wherever possible should be undertaken without further delay. In this regard, the environmental review process should be the department's highest priority. It is possible to develop a refined and efficient process for environmental review that complies with all applicable environmental laws and regulations, while remaining a good steward of the environment and being a reliable partner to all federal and state resource agencies involved in the environmental review process.

To its credit, TxDOT has already taken various steps to implement a streamlined environmental review process. For example, allowing regional staff to use checklists to conduct reviews for routine projects (Programmatic Categorical Exclusions) that represent approximately a third of the Environmental Division's workload has resulted in a time savings without sacrificing the quality of reviews. For these routine projects, the average review time is now 20 days compared to the 60 days before this streamlined process was implemented; the process resulted in an increased number of environmental reviews for routine projects – 220 in 2009, and 353 in 2010. The Council encourages TxDOT to expedite steps with the Federal Highway Administration to extend this streamlined process to include projects under Categorical Exclusions, which represents another third of the workload.

Furthermore, the Council supports another TxDOT initiative related to the environmental review process, to fund additional personnel at the U.S. Fish and Wildlife Service and other federal resource agencies dedicated solely to reviewing TxDOT projects. Other TxDOT initiatives supported by the Council include the "One and Done" approach, which eliminates the need for unnecessary cycles in the review process for complex environmental reviews and outsourcing technical services while retaining compliance reviews within the department.

Together, all these initiatives to streamline the complicated and lengthy environmental process will result in an increased time savings, maximizing limited staff resources, eliminating redundancies and duplicative reviews, and ultimately accelerating project delivery and allowing TxDOT staff to focus on other complex and detailed environmental reviews.

Rural Planning Organizations

In August 2010, the Commission adopted new rules regarding transportation planning, which formally recognized rural planning organizations as a valid part of the planning process. This action brings more voices to the table, so that a comprehensive long-range transportation plan can be developed that truly reflects the demands of all regions of the state.

The Council supports the role of rural planning organizations and recommends TxDOT take further action to foster their development and success. Specifically, TxDOT should:

- Encourage development of additional rural planning organizations so that all regions of the state are represented.
- Support and collaborate in identifying transportation needs and project guidance selection.
- Provide information, guidance and support on the planning process, financing, and public outreach.

Right of Way Acquisition

Similar to the environmental review process, the right of way acquisition process can also be unnecessarily lengthy, significantly delaying much needed transportation projects. Learning from past experiences, TxDOT has taken steps to implement a refined right of way acquisition process and the Council supports these efforts and encourages a wider implementation where possible.

Specifically, TxDOT has decentralized the right of way acquisition process by shifting it to the four regional offices, thereby increasing efficiency and use of right of way professionals. TxDOT has also continued to outsource right of way services to address the increasing demand. Finally, TxDOT is adapting practices learned from comprehensive development agreements and pass through toll projects, as well as outsourcing right of way services and is implementing these tools on the complex right of way acquisition process for the massive, 94-mile I-35 expansion project through Central Texas. While acquisition is still ongoing on the I-35 project, these new refined acquisition practices have resulted in a significant time savings.

The Council recommends fully implementing these streamlined acquisition practices throughout TxDOT's right of way acquisition and utility relocation processes and work with the Federal Highway Administration to formalize these processes.

Engineering Workforce Analysis

In the best interest of the effective and efficient development of the states' highway system, an in-depth study is underway into the use of in-house engineering services versus the services of outside engineering consultants. Ensuring a balanced view of the issues, the project team overseeing the study includes TxDOT staff and a representative of the Consultant Engineering Council. The study will examine the TxDOT costs to complete various design, construction and maintenance work.

The Council encourages prompt completion of this study so that the Commission can use the results to shape department policies.

Field Operations Staffing

To better manage its engineering workforce and improve efficiencies, TxDOT initiated a field operations staffing plan in fiscal year 2010. This plan has identified work sharing opportunities between districts and regions and has shifted other duties to the divisions, where it is more appropriate.

The staffing plan was based on a revenue forecast which helped determine the future workload so that appropriate staffing levels would be available where they are needed most. In addition, district engineers and regional directors completed a multi-step process to identify field operations needs, workforce sharing plans and job functions that could be transitioned into other areas and job vacancy needs. The results clearly indicate an engineering workforce that is better aligned with the department's budget and project workload.

It is the Council's opinion that this field staffing model ensures TxDOT is maximizing its staffing to deliver transportation projects in the most accountable, efficient and effective manner possible. Furthermore, the Council supports TxDOT's effort to annually update and implement of field operations staffing plan.

Recommendations

The Council is in agreement with many of the findings in the Grant Thornton report in the area of plan, design, build. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for plan, design and build.

Grant Thornton Recommendations

Develop and adhere to a structured process to establish statewide project priorities to improve transparency and communication with external stakeholders regarding TxDOT plans and to improve efficiency and reduce wasted cost due to expending finite resources on low-priority projects. (Part II, Page 1-47)

Develop a clear, transparent and disciplined project planning process to accommodate unexpected issues. (Part II, Page 1-47)

Consider redefining how Plan and programming are executed from the ground up, despite recent efforts to improve the existing process. (Part I, Page 5-5)

Standardize construction and maintenance project definitions [processes] so that similar projects are managed in the same manner and through the same systems. (Part II, Page 1-50)

Track all project data, information and records in a single system - possibly Site Manager - regardless of whether for a maintenance or construction project, to create a single record for all TxDOT projects and to increase transparency. (Part II, Page 1-51)

Council Comment

The Council concurs with these recommendations.

PROCUREMENT

Centralize Oversight And Develop Consistent Process And Procedures.

The Grant Thornton report evaluated the letting, purchasing and contract management elements of TxDOT's procurement process and identified numerous opportunities for improvement in the overall process. The most pressing of these areas is that of contracting, where the shortcoming identified in the Grant Thornton report included "no process ownership, or process owners that are not involved in procuring the specific contract type for which they are responsible." The department took an important step forward in the development of its procurement process with the 2009 revisions of its contract management manual, but additional progress is important.

Additionally, TxDOT's Historically Underutilized Businesses (HUB) and Disadvantaged Business Enterprises (DBE) management needs significant attention as many of the program areas were rated poorly in the Grant Thornton report. As previously noted in the proposed organizational structure, a new, centralized HUB/DBE program office should be created to ensure clear lines of authority and effective coordination of HUB and DBE requirements. Creating a centralized office should lead to the development of more consistent policies and procedures, and roles and responsibilities; setting program objectives and measurements; effectively monitoring program compliance; and identifying data systems that can accurately capture program information.

Key Grant Thornton recommendations presented below focus on the procurement policies, procedures, correction of contract management deficiencies, and the need to develop a comprehensive database of procurement information; and HUB/DBE program improvements. The Council concurs with these recommendations.

Recommendations

The Council is in agreement with many of the findings from the Grant Thornton report in the area of procurement. Specifically, the Council proposes that the Commission consider the following Grant Thornton recommendations as the highest implementation priorities for procurement.

Grant Thornton Recommendations

Use trained and certified procurement officials to manage all procurement processes and use subject matter experts for process support only, thus increasing accountability. (Part II, Page 5-48)

Provide internal and/or external training for personnel for topics such as, specification writing, contract evaluation, negotiating skills and techniques, contract management and oversight, financial auditing, project management, etc., related to the procurement lifecycle or contract for the skills and abilities to supplement TxDOT staff. (Part II, Page 5-49)

Develop standardized processes and approaches to form a single procurement architecture for all procurement activities to limit TxDOT's risk and improve transparency and accountability. (Part II, Page 5-48)

Develop a comprehensive procurement database capable of capturing, maintaining, and reporting critical information and data, including: Contract information; Work authorizations issued; Contract award amounts; Actual contract expenditures; Historically Underutilized Business (HUB)/Disadvantage Business Enterprise (DBE) information; Subcontractors; and Contractor performance, including additional expenses outside of initial contract value and rationale. (Part II, Page 5-48)

Council Comment

The Council concurs with these recommendations.

Grant Thornton Recommendations

Establish HUB and DBE program objectives, roles and responsibilities, policies and procedures, and performance measures that will help manage program priorities and resources. (Part II, Page 5-50)

Identify necessary data systems to effectively monitor complex program requirements (e.g. dashboard of HUB and DBE overall goals, and drill down capability to determine what contract types and HUB and DBE categories are standing.) (Part II, Page 5-50)

Improve HUB/DBE oversight on prime contractor use of HUB/DBE subcontracts to improve “good faith effort” controls to be sure that the contractors are meeting their stated goals, thereby increasing the use of HUB/DBE businesses. (Part II, Page 5-49)

Conduct detailed central and field skills and workload assessments to determine the necessary skills and number of resources necessary to manage HUB and DBE programs. (Part II, Page 5-50)

Council Comment

The Council concurs with these recommendations.

IMPLEMENTATION

Assuming the Commission agrees with the Council's recommendations, the task of implementation planning should begin promptly. However, because of the complexity and far-reaching impact of the recommended changes, the Council strongly suggests that the first order of business be that the department engages a professional change management firm. This firm, supporting the Commission and TxDOT senior leadership, would develop a comprehensive strategy and implementation plan and oversee the effort.

The Council commends TxDOT for already beginning implementation of a number of the Grant Thornton recommendations included in this report and encourages the department to act on other recommendation it considers appropriate. However, because the recommended changes are often interrelated and extensive, the Council believes an outside firm with expertise in managing such comprehensive change will be necessary. This will ensure that the implementation of all the recommendations can be undertaken on a comprehensive and systematic basis more likely to yield lasting and meaningful results.

Implementing these types of changes will not happen overnight. It will take time. Since it will regularly upend established patterns of "business as usual" it will often prove difficult and uncomfortable. However, the Council believes that the changes proposed, if implemented effectively, will have a lasting and significant impact on TxDOT and the future of transportation in Texas.

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MISCELLANEOUS

The \$1.1 Billion Accounting Error

In reviewing TxDOT's performance, the Council found it necessary to examine certain of TxDOT's purported miscues. One with lingering notoriety that still concerns some is the so-called "\$1.1 billion accounting error" that occurred in 2007.

After examining the matter, the Council concluded that there was in fact no accounting error. However, there were organizational and process control deficiencies that resulted in the fragmented development and dissemination of incomplete and inaccurate financial information within the department, prepared and released independently of its Finance Division and the chief financial officer. The inaccuracies and shortcoming of the department's organizational and process controls that led to this occurrence were both promptly identified and remedied.

The Facts. In September 2007, a memo was sent to all district engineers regarding the Fiscal Year (FY) 2008 12-Month Letting Schedule, known as the Letting Memo. The memo, which was neither written, reviewed by, nor coordinated with the Finance Division, informed district engineers that approximately \$4.1 billion would be available for construction projects in FY 2008. At the same time, the department's Cash Forecast, prepared by the Finance Division, reflected a letting volume for FY 2008 of \$3.1 billion.

In late September 2007 at a meeting of TxDOT staff, the Finance Division discovered the discrepancy between the Letting Memo and the Cash Forecast. After internal inquiries were made, the division determined that the \$4.1 billion figure was based on (1) the Finance Division's \$3.1 billion cash forecast, (2) approximately \$600 million of additional funds available from Proposition 14 bonds (State Highway Fund Revenue bonds), and (3) \$500 million in funds from the Texas Mobility Fund (TMF).

The Finance Division immediately recognized that the \$600 million of Proposition 14 funds used to calculate the \$4.1 billion was "double-counted", since it had already been included in the Finance Division's own calculation of the \$3.1 billion cash forecast.

This prompted a detailed review of available funds from the TMF. It was determined that actual expenditures on active projects had exceeded initially established TMF obligation amounts by approximately \$500 million, resulting in no additional TMF funds being available.

The \$1.1 billion overstatement in TxDOT's Letting Memo represented the inclusions of \$600 million of Proposition 14 Bond funds and \$500 million of TMF funds, none of which was available to TxDOT for lettings.

High Speed Rail in Texas: Proceed With Caution

When it comes to the development of high speed rail (HSR) in Texas, financial wariness might be the most responsible approach.

The concept of high speed rail has gathered a lot of public momentum in the U.S. in recent years, and until the recent elections, a surprising level of support in Washington as well. Recent change in control of the U.S. House of Representatives might complicate the Administration's HSR agenda. For Texans convinced that it is the transportation idea whose time has come, a few facts might be helpful.

Without question, some European and Asian countries have developed advanced and successful HSR lines. HSR speeds clearly provide valuable travel time savings, although often at a premium cost to passengers. HSR safety records are excellent. In some cases, HSR might even free up capacity in other modes (roads and air) and improve overall transportation system efficiencies. But as intriguing as it might be, there is good reason to tread very cautiously when it comes to the financial viability of HSR in the U.S.

There are only around 50 high speed rail lines around the world today. Virtually all were developed as replacements or enhancements of existing conventional rail systems, with established, pre-existing ridership that migrated and expanded naturally from an existing service to a new and more attractive service. No such established ridership base exists in Texas.

Also, the demographic and economic conditions that support the financial viability of HSR are rare, and in the U.S. they might not yet exist. Ridership levels on successful single HSR lines in Asia and Europe ranges from 83 million passengers per year to 20 million passengers per year. In contrast, the combined ridership of *all* Amtrak lines throughout the U.S. was 28.7 million passengers in FY 2010; AMTRAK's Northeast Corridor connecting Washington DC, New York and Boston, which some believe represents the most viable U.S. corridor for HSR, carried just 10.4 million passengers in fiscal year 2010. Overall financial performance of HSR depends directly on whether enough people choose to pay a premium cost to choose HSR over of alternative modes; even with an existing conventional rail ridership base, HSR projects have rarely met their full ridership forecasts, and in some cases have fallen far short.

As for cost, depending on the complexity of the engineering work required, the degree of urbanization along the route and the necessary rolling stock capacity, construction and rolling stock capital costs typically range from \$56 million to \$112 million per mile (mileage between Houston and Dallas: 225). Also, it is not unusual for HSR projects to take over a decade to complete, creating the need for significant capital outlays before there is any cash flow. If debt is involved, delays in construction or passenger ramp-up, or shortfalls in ridership yield, can create significant financial stress.

Over time most lines seem to recover operating and maintenance costs, but few fully recover the capital costs from passenger revenue alone. Governments contemplating the possible benefits of HSR, whether through public, private or public-private partnership structures, should assume a near certainty of need for continuing financial support.

It is easy to envision a future Texas in which efforts to add needed capacity to existing intercity corridors such as I-10, I-35 and I-45 are overwhelmed by prohibitive costs, lack of resources, environmental constraints and public/political resistance. At that point, supplemental capacity represented by HSR might make sense and prove even more attractive than the development of alternative highway corridors. In light of the long lead time required to plan, design and develop HSR, the immediate challenge is clearly and objectively assessing whether such a system might make sense for Texas, and if so what is the most responsible, incremental path to that future. First steps in that direction might best include analysis, planning, design and development of corridors and conventional rail strategies, from which someday an even more advanced HSR technology than exists today might emerge as a viable option for Texas.

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SUMMARY OF COUNCIL RECOMMENDATIONS

While the Council evaluated the recommendations from numerous reports examining TxDOT operations, its analysis was primarily focused on the Grant Thornton report, from which the Council selected 62 of those recommendations as having the highest priorities for TxDOT. The Council also included additional recommendations that will enhance and add value to TxDOT’s revitalization effort. A combination of those recommendations is contained below.

Note: The reference number corresponds to the recommendation number in the online database (txdot.gov).

LEADERSHIP AND CULTURE

Recommendation	Source	Ref. Number
Cultivate a leadership team with diverse educational and professional backgrounds and the depth and breadth of skills and experience needed to set a clear vision and to guide the organization through a period of significant change.	Grant Thornton	4
Integrate change agent(s) into the senior leadership team and empower them with authority to plan and lead change.	Grant Thornton	5
Identify and appoint senior leaders who truly understand and accept that TxDOT’s traditional ways of operating — and improvements achieved through tweaking those traditional approaches — are not meeting expectations. TxDOT’s leadership must provide the strategic vision needed to set the organization on a renewed path and to motivate TxDOT staff to believe in that vision. They also need to set the tone for cultural modifications within the department, including adopting more of a business mindset and practice.	Grant Thornton	15
Provide strategic leadership. Hold senior leadership accountable for providing strategic guidance, for monitoring and controlling work at a level appropriate to their roles, and for working effectively through supporting layers of the organization to effect management and delivery at a more granular level. Articulate a strategic vision for TxDOT, in context of the agreed-upon mission and goals and develop a vision for transportation for Texas.	Grant Thornton	6

TxDOT Restructure Council

Recommendation	Source	Ref. Number
To address fundamental issues at TxDOT, commit to achieving real cultural change within the organization, especially at the top leadership level. Appoint leaders with an understanding of, and a commitment to, realizing the value of non-engineering leaders and their functions.	Grant Thornton	14
Adopt appropriate management disciplines across the organization and support these with enabling methodologies, tools and training.	Grant Thornton	7
Improve management discipline, controls and approaches used in the organization. Hold people accountable for adhering to defined practices, processes, and procedures. Operate with more of a business mindset, bringing transparency to data, processes, standards, and costs internally in a way that helps enable accountability and continuing improvement and efficiency over time.	Grant Thornton	18
Adopt an enterprise view to drive accountability, to assess performance, to define and implement improvements, and to manage strategic assets.	Grant Thornton	8
Tackle the recommended changes through a well-thought-out enterprise-wide plan that balances achieving near-term results with the thoughtful sequencing of priorities, dependencies and investments. Avoid tackling recommended changes in a piecemeal or reactive way that results in wasted resources, greater churn for staff, inability to integrate related components to deliver value or similar results that undermine the overall impact of change initiatives.	Grant Thornton	13
Establish a clear strategic vision for the future of Texas transportation statewide and for the department.	Grant Thornton	16
Use the strategic vision as a basis for defining goals, objectives, and performance measures, and to provide context to identifying priorities, making investment decisions, and undertaking other changes.	Grant Thornton	17
Seek an increase in salary cap for TxDOT's senior leadership positions. <i>(Requires legislative action to change statute.)</i>	Council	N/A

IMPLEMENTING CHANGE

Recommendation	Source	Ref. Number
Before implementing a change initiative, TxDOT must establish and articulate a clear purpose and logical timeline for implementation with associated milestones and performance measures.	Grant Thornton	31
Track initiative progress against targets throughout implementation to allow for course corrections and for decisions to be made around whether to continue with implementing a specific initiative, change and/or project.	Grant Thornton	34
Any change initiative requires a clear champion who will provide the required support (including personnel and resources) to accomplish the goals of the initiative and a project leader who will be held accountable for its successful implementation.	Grant Thornton	35
Engage an outside professional change management firm for the development of a comprehensive, enterprise-wide implementation strategy and plan, as well as for the actual oversight of the implementation.	Council	N/A

ORGANIZATIONAL STRUCTURE

Note: Below are the recommendations on organizational structure that are detailed in this report. The proposed organizational chart (Page 35) depicts all recommended changes to TxDOT's organizational structure.

Recommendation	Source	Ref. Number
Support a greater and more appropriate leadership role for human resource and information technology functions.	Grant Thornton	77
Position all financial functions under a single, accountable chief financial officer.	Council	N/A
Organize district/division/office/region financial management personnel under the Finance Division to increase accountability and responsibility.	Grant Thornton	146
Separate government relations and communications functions to provide a single, focused mission for each group and to limit potentially competing priorities.	Grant Thornton	63
Move travel and information functions to the newly created Communications office.	Council	N/A

TxDOT Restructure Council

Recommendation	Source	Ref. Number
Align the senior leadership team of the department under its three primary areas of activity: operations, organizational support, and financial management.	Grant Thornton	44
Establish an office and personnel with experience in innovative financing solutions. This office should oversee Comprehensive Development Agreements (CDA), develop new mechanisms for financing transportation solutions, and work with the administration and legislature to provide authority to the department to use such mechanisms. This office would perform duties related to CDAs, Regional Mobility Authorities and toll roads currently performed by the Texas Turnpike Authority Division.	Grant Thornton	47
The role of the chief financial officer should include a significant focus on innovative financing and debt management activities.	Grant Thornton	45
Supplement the transportation finance function with the best available outside expertise, including the planning and analysis capabilities of financial firms which specialize in all arenas of innovative finance.	Council	N/A
Create an Assistant Chief Operations Officer (ACOO) for Transportation Vision and Planning to bring together transportation planning and programming, transportation forecasting and analysis, multimodal transportation, and rail activities to create a unified transportation vision for the state's future. The ACOO for Transportation Vision and Planning should be the owner of the statewide transportation vision, accountable for coordinating plans among different modes of transportation, and with expected future transportation innovations.	Grant Thornton	50
Develop a long-term, multi-modal planning function that supports the statewide transportation mission, yet is independent of the day-to-day operations of supporting such a complex infrastructure system.	Council	N/A

TxDOT Restructure Council

Recommendation	Source	Ref. Number
Establish a Transportation Forecasting and Analysis Office responsible for researching and identifying the state's needs in the long- and mid-term and for coordinating with Administration and Transportation Planning & Programming in developing the department's plans. This new office should have staff with experience in economics and future forecasting models, and transportation planning and development specialists.	Grant Thornton	51
Create a policy and strategy development function (think tank), which reports to senior leadership, and engages the services of appropriate outside expertise in transportation analysis and planning.	Council	N/A
Conduct open recruitments for new senior leadership positions (i.e., executive director, chief operations officer, chief administrative officer and chief financial officer) to reflect changes in positions and the associated qualifications and duties.	Grant Thornton	67
Continue to progress the regionalization concept to further consolidate similar functions, provide increased oversight, and share resources across geographic areas.	Grant Thornton	69
Establish a central HUB and DBE program management office to organize HUB and DBE functions.	Grant Thornton	168
Administratively align the five major urban districts (Houston, Dallas, Ft. Worth, Austin, and San Antonio) for management, strategy development, and sharing expertise and personnel. In addition, develop and implement a management structure for more effectively integrating and coordinating the operations of the Ft. Worth and Dallas districts.	Council	N/A
Enhance the roles of passenger rail planning, port planning, general aviation, transit, and strategic freight and passenger corridor development.	Council	N/A
Combine the internal audit and compliance functions into one office. <i>(Requires legislative action to change statute.)</i>	Council	N/A

FINANCIAL MANAGEMENT

Recommendation	Source	Ref. Number
Establish employee accountability and performance measures for executing within budget limits to help change the cultural mindset and encourage district engineers to choose projects that will allow them to both stay within budget and perform as many high priority projects as they can.	Grant Thornton	148
Hold districts accountable for funds that they borrow by developing a formal tracking system and documentation to promote equitable spread of funding over time.	Grant Thornton	149
Implement a single informational technology system that integrates budget and operations data to increase the reliability of reports and consequently public trust in TxDOT.	Grant Thornton	152
Consistently and clearly define financial policy and procedures and ensure they are uniformly followed.	Council	N/A

INFORMATION TECHNOLOGY

Recommendation	Source	Ref. Number
TxDOT should escalate the role that informational technology leadership plays in the organization and should view and use information technology as a strategic asset to help TxDOT better achieve its mission.	Grant Thornton	131
Hire a chief information officer with the appropriate level of experience and leadership ability to fulfill this role, which links the business of TxDOT to the technology enabling that vision.	Grant Thornton	132
More clearly define roles and responsibilities for information technology across the organization and participants across TxDOT, and identify clear technology lead for agency and place individual “at the table” as part of leadership team to address significant information technology leadership issues that impair staff and management effectiveness and morale.	Grant Thornton	142
Redefine information technology governance objectives, participants, and processes based on a detailed review of processes, information technology spending, weaknesses	Grant Thornton	135

TxDOT Restructure Council

Recommendation	Source	Ref. Number
and strengths. Information technology governance is poorly structured and defined, minimally effective and not strategic.		
Develop a plan to fill gaps in information technology policies, procedures, and standards and execute this plan to develop appropriate documentation.	Grant Thornton	137
Review information technology policies, procedures and standards for completeness, currency, quality, accuracy, and appropriateness to identify gaps and problems and to identify a needed body of documentation.	Grant Thornton	136
Develop a plan to fill gaps in information technology policies, procedures, and standards and execute this plan to develop appropriate documentation.	Grant Thornton	137
Implement revised information technology policies, procedures, and standards across the organization, including training on policies, procedures, and standards – and requiring compliance.	Grant Thornton	138
Provide appropriate enforcement authority to ensure compliance with policies, procedures, and standards.	Grant Thornton	139
Develop an information technology strategy that ties use of technology to TxDOT mission, vision, and goals. Information technology is not viewed or used as a strategic asset within the organization or as an investment on which there should be a verifiable return; instead it is viewed and assessed as a cost.	Grant Thornton	134
Determine an enterprise technology vision for TxDOT that includes documentation of the current architecture and inventory; a target vision and architecture (conceptual) for the organization; a gap assessment between the current and target architectures; and a flexible plan to bridge the gaps that addresses “chunks,” priorities, resources, and sequencing.	Grant Thornton	144
Have the State Auditor’s Office review and monitor ProjectONE to ensure work is performed expeditiously, completed on schedule, and in a fiscally responsible manner.	Council	N/A

HUMAN RESOURCES

Recommendation	Source	Ref. Number
Quantify the required human capital and skills needed to execute and support TxDOT's mission.	Grant Thornton	118
Define and provide clear justification for human capital requirements.	Grant Thornton	119
Define and measure the work, identify skill requirements and salary groups, to align staffing requirements and plan with TxDOT mission, goals, strategies or funding.	Grant Thornton	120
Develop a workforce plan according to guidelines developed by the State Audit Officer.	Grant Thornton	121
Develop and implement a position management process to manage all full-time equivalent data at all organizational levels (D/D/O/R, section, etc.) that will: identify standardized organizational data structures and codes; identify special skills codes (e.g., license, certification); and establish a position numbering schema.	Grant Thornton	125
Eliminate the Business Title Classification Committee and assign classification duties to Human Resources Division compensation management.	Grant Thornton	124
Institute a results- or outcome-based performance management system for all employees that: provides a clear linkage between performance standards, metrics and goals; sets clear expectations; provides incentive for career development; handles underperformers in a timely manner; and defines tracks based on competencies, such as leadership, supervisor, lead worker, or individual contributor.	Grant Thornton	129

COMMUNICATIONS

Recommendation	Source	Ref. Number
Adopt a more disciplined, proactive approach to planning, developing, and managing communications, beginning with developing a comprehensive communications plan.	Grant Thornton	172
Establish clear ownership, processes and procedures for communications with each stakeholder group to ensure TxDOT is sending the right stakeholder group the right message.	Grant Thornton	175
Develop clear and consistent data validation processes to ensure constituents and stakeholders receive accurate and reliable information from appropriate sources.	Grant Thornton	180

PLAN, DESIGN, BUILD

Recommendation	Source	Ref. Number
Develop and adhere to a structured process to establish statewide project priorities to improve transparency and communication with external stakeholders regarding TxDOT plans and to improve efficiency and reduce wasted cost due to expending finite resources on low-priority projects.	Grant Thornton	83
Develop a clear, transparent, and disciplined project planning process to accommodate unexpected issues.	Grant Thornton	88
Consider redefining how plan and programming are executed from the bottom up (despite recent efforts to improve the existing process).	Grant Thornton	82
Standardize construction and maintenance project definitions (processes) so that similar projects are managed in the same manner and through the same systems.	Grant Thornton	108
Track all project data, information, and records in a single system – possibly Site Manager – regardless of whether for a maintenance or construction project, to create a single record for all TxDOT projects and to increase transparency.	Grant Thornton	111
Expand the recently implemented streamlined environmental review process to other types of environmental reviews.	Council	N/A

TxDOT Restructure Council

Recommendation	Source	Ref. Number
Take action to foster the development of rural planning organizations.	Council	N/A
Fully implement the streamlined acquisition practices throughout TxDOT's right of way acquisition and relocation process and work with the Federal Highway Administration to formalize these processes.	Council	N/A
Promptly complete the Engineering Workforce Analysis study.	Council	N/A
Implement a field operations staffing plan and update it annually.	Council	N/A

PROCUREMENT

Recommendation	Source	Ref. Number
Use trained and certified procurement officials to manage all procurement processes and use subject matter experts for process support only, thus increasing accountability.	Grant Thornton	157
Provide internal and/or external training for personnel for topics such as, specification writing, contract evaluation, negotiating skills and techniques, contract management and oversight, financial auditing, project management, etc., related to the procurement lifecycle or contract for the skills and abilities to supplement TxDOT staff.	Grant Thornton	166
Develop standardized processes and approaches to form single procurement architecture for all procurement activities to limit TxDOT's risk and improve transparency and accountability.	Grant Thornton	158
Develop a comprehensive procurement database capable of capturing, maintaining, and reporting critical information and data, including: contract information; work authorizations issues; contract award amounts; actual contract expenditures; Historically Underutilized Business/Disadvantaged Business Enterprise information; subcontractors; and contractor performance, including additional expenses outside of initial contract value and rationale.	Grant Thornton	164
Establish HUB and DBE program objectives, roles and responsibilities, policies and procedures, and performance	Grant Thornton	169

Recommendation	Source	Ref. Number
measures that will help manage program priorities and resources.		
Identify necessary data systems to effectively monitor complex program requirements (e.g. dashboard of HUB and DBE overall goals, and drill down capability to determine what contract types and HUB and DBE categories are standing.)	Grant Thornton	171
Improve HUB/DBE oversight on prime contractor use of HUB/DBE subcontracts to improve “good faith effort” controls to be sure that the contactors are meeting their stated goals, thereby increasing the use of HUB/DBE businesses.	Grant Thornton	167
Conduct detailed central and field skills and workload assessments to determine the necessary skills and number of resources necessary to manage HUB and DBE programs.	Grant Thornton	170