

An Informational Report on the
CRESCENT CITY CONNECTION DIVISION
HOUSE RESOLUTION No. 106
Issued July 25, 2012



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EXECUTIVE SUMMARY

House Resolution No. 106 (HR 106) of the 2011 Regular Legislative Session requested the Legislative Auditor to investigate certain issues pertaining to the Crescent City Connection Division (CCCD), a division of the Louisiana Department of Transportation and Development (DOTD). We conducted the work and issued a letter to the Speaker of the House on May 4, 2012. After the letter was issued, DOTD management expressed concern about our reporting of the related claim for damages with the Office of Risk Management (ORM).

The May 4, 2012, letter stated that DOTD approved emergency repairs to the Armiger ferry estimated at \$450,000, the project was to be funded by ORM, and we could not locate documentation of a claim filed with ORM. However, the claim documentation was available. Subsequent to the letter, we obtained CCCD's and ORM's documentation of the Armiger claim, as well as three other ferry-related claims.

Between February and July 2010, CCCD submitted four claims totaling \$714,006 to ORM for damages to three ferries. ORM has paid \$265,444 of the claims. Our meetings with CCCD and ORM and our review of their respective files indicated the following deficiencies in the claims:

- CCCD and ORM have not effectively communicated as to which form should be used to file a claim, the need for actual invoices demonstrating completed work instead of estimates or quotes, and the need for detailed invoice information to support the invoiced amounts.
- CCCD began making repairs before ORM's marine surveyor could assess the damage. According to CCCD, they did not wait for the surveyor to inspect the ferries before starting the repairs because they needed to get the ferries back in service as quickly as possible.
- For two of the claims, CCCD initially paid \$1,000 (ORM deductible) to the vendor and subsequently paid the vendor's full invoice amount, resulting in an overpayment of \$2,000. CCCD requested a refund from the vendor.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 25, 2012

The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
State Capitol Building
Post Office Box 94062
Baton Rouge, Louisiana 70804-9062

Re: House Resolution No. 106

Dear Representative Kleckley:

House Resolution No. 106 (HR 106) of the 2011 Regular Legislative Session requested the Legislative Auditor to investigate certain issues pertaining to the Crescent City Connection Division (CCCD), a division of the Louisiana Department of Transportation and Development (DOTD). We conducted the work and issued a letter to you on May 4, 2012. After the letter was issued, DOTD management expressed concern about our reporting of the related claim for damages with the Office of Risk Management (ORM).

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- CCCD and ORM have not effectively communicated as to which form should be used to file a claim, the need for actual invoices demonstrating completed work instead of estimates or quotes, and the need for detailed invoice information to support the invoiced amounts.
- CCCD began making repairs before ORM's marine surveyor could assess the damage. According to CCCD, they did not wait for the surveyor to inspect the ferries before starting the repairs because they needed to get the ferries back in service as quickly as possible.

- For two of the claims, CCCD initially paid \$1,000 (ORM deductible) to the vendor and subsequently paid the vendor's full invoice amount, resulting in an overpayment of \$2,000. CCCD requested a refund from the vendor.

CCCD and ORM are working together now to establish procedures for submitting ferry-related claims to ORM. These procedures will specify the timeframe for reporting a claim and the required information; a requirement that repairs are not started until after the marine surveyor's initial assessment except when emergency repairs are necessary; and a requirement to implement mitigation procedures when necessary.

The following information summarizes the four claims. See Appendix B for a timeline of key events. The claim amount paid by ORM below reflects payments through June 11, 2012.

| Incident Date | Claim Amount | Deductible Paid to Vendor by CCCD | Invoice Amount Paid to Vendor by CCCD | Total Paid to Vendor by CCCD | Overpayment to Vendor | Claim Amount Paid by ORM |
|-------------------------|------------------|-----------------------------------|---------------------------------------|------------------------------|-----------------------|--------------------------|
| Armiger | | | | | | |
| 2/7/2010 | \$2,305 | \$0 | \$0 | \$0 | \$0 | \$2,305 |
| | 580,410 | 0 | 580,410 | 580,410 | 0 | 171,916 |
| Subtotal | 582,715 | 0 | 580,410 | 580,410 | 0 | 174,221 |
| Thomas Jefferson | | | | | | |
| 5/11/2010 | 38,931 | 0 | 38,931 | 38,931 | 0 | 37,931 |
| 5/25/2010 | 37,495 | 1,000 | 37,495 | 38,495 | 1,000 | 36,495 |
| Subtotal | 76,426 | 1,000 | 76,426 | 77,426 | 1,000 | 74,426 |
| Porterie | | | | | | |
| 6/11/2010 | 17,797 | 1,000 | 17,797 | 18,797 | 1,000 | 16,797 |
| | 37,068 | 0 | 37,068 | 37,068 | 0 | 0 |
| Subtotal | 54,865 | 1,000 | 54,865 | 55,865 | 1,000 | 16,797 |
| Total | \$714,006 | \$2,000 | \$711,701 | \$713,701 | \$2,000 | \$265,444 |

Armiger

February 7, 2010, incident. The Armiger ferry was found partially submerged on February 7, 2010. CCCD maintenance personnel and the vessel crew worked with a vendor to pump the water down and found one valve open. Subsequent testing revealed that the valve was not the right type of valve. CCCD notified ORM two days later and subsequently provided two invoices totaling \$582,715.

The \$2,305 invoice was for emergency services to remove oil and water from the ferry and the \$580,410 invoice was for engine room repairs. ORM paid \$2,305 of the claim for the emergency services invoice in April 2010. The vendor completed the engine room repairs and the ferry resumed service in December 2010. CCCD paid the \$580,410 invoice for engine room repairs in September 2011.

ORM claim. In March 2010, ORM issued a claim number and assigned the claim to its marine surveyor. Within five days, the surveyor inspected the ferry at the vendor's shipyard and provided ORM with a status report in April 2010. The surveyor provided a subsequent status report in October of the same year. The status reports indicated that repairs were already underway at the time of the inspection; none of the machinery was preserved (mitigated) to avoid subsequent damages, which could have contributed to the need for total replacement; and the bilge piping system appeared to have been corrected. The surveyor sent his final report to ORM in May 2012.

The final report indicates that \$172,916 is a fair and reasonable cost for the scope and amount of work involved. The report also indicates that CCCD spent \$46,935 on improvements to the ferry that are not related to the incident. Additionally, the report indicates that a portion of the remaining \$360,559 could be considered fair and reasonable if CCCD would provide documentation to support material, labor, and equipment usage, which the surveyor has requested.

In June 2012, DOTD requested detailed documentation from the vendor but the vendor has not yet provided it. ORM reimbursed CCCD \$171,916, which is the reasonable cost for the work performed according to the surveyor, less a \$1,000 deductible.

Thomas Jefferson

May 11, 2010, incident. The Thomas Jefferson ferry was taken out of service on May 11, 2010, because of a slight vibration in the starboard thruster and loss of thrust. CCCD maintenance personnel removed the thruster and brought it to a vendor's shipyard to be dismantled and inspected. Shipyard personnel determined that the thruster gears were destroyed. CCCD notified ORM six days later and subsequently provided a quote for \$38,931 for the starboard thruster repairs. Before the shipyard released the ferry to CCCD personnel, they noticed excessive vibration in the bow thruster that necessitated additional repairs (see Thomas Jefferson May 25, 2010 incident).

In June 2010, the vendor completed the repairs, the ferry resumed service, and CCCD paid the vendor \$38,931 for the repairs to the starboard thruster. That payment was based on the quote provided by the vendor.

ORM claim. In September 2010, ORM issued a claim number and assigned the claim to its marine surveyor. The surveyor inspected the ferry within two weeks and provided ORM with a status report indicating that the thruster had already been removed, repaired, and reinstalled. The report also indicated that only the damaged parts were available for inspection and that the surveyor would review the final claim when the actual invoices and supporting documentation were available. The surveyor sent his final report to ORM in January 2012, which indicates that \$38,931 is a fair and reasonable cost for the scope and amount of work involved. ORM reimbursed CCCD \$37,931 (the quote amount, less a \$1,000 deductible) in June 2012.

May 25, 2010, incident. On May 25, 2010, shipyard personnel noticed excessive vibration in the bow thruster on the Thomas Jefferson ferry, removed the thruster, and found a broken compensating fin. CCCD notified ORM nearly two months later and subsequently provided an invoice for \$37,495 for the bow thruster repairs. The vendor completed the repairs and the ferry resumed service in June 2010.

In September 2010, CCCD paid the vendor \$1,000 (ORM deductible). CCCD paid the vendor an additional \$37,495 in June 2011, which resulted in an overpayment of \$1,000. CCCD requested a refund from the vendor in June 2012.

ORM claim. ORM issued a claim number in December 2010 but did not assign the claim to its marine surveyor for inspection. ORM reimbursed CCCD \$36,495 (the invoice amount, less the \$1,000 deductible) in June 2012.

Porterie

June 11, 2010, incident. The Porterie ferry was taken out of service on June 11, 2010, because the starboard main thruster suddenly lost all thrust. CCCD maintenance personnel removed the thruster and brought it to a vendor's shipyard to be dismantled and repaired. Shipyard personnel determined that the propeller shaft had snapped at the gear. CCCD notified ORM a month later and subsequently provided an invoice for \$17,797 for the starboard thruster repairs.

In September 2010, the vendor completed the repairs, the ferry resumed service, and CCCD paid the vendor \$1,000 (ORM deductible). CCCD paid the vendor an additional \$17,797 in June 2011, resulting in an overpayment of \$1,000. CCCD requested a refund from the vendor in June 2012.

In December 2010, CCCD provided ORM with an additional invoice for \$37,068 for a new lower gear set. CCCD paid the vendor in November 2011. According to ORM officials, they have been unable to establish coverage of the lower gear set so ORM cannot reimburse CCCD.

In June 2011, to help establish coverage, CCCD sent ORM a memo from the thruster manufacturer that indicates that propeller, power transmission, and gear set replacements where the shafts have snapped off right at or near the gears are direct results of the propellers impacting with some type of submerged object. The memo also indicates that these problems are not the result of negligence but have to do with the currents in the Mississippi River and the speed and amount of debris that passes through it.

ORM claim. In September 2010, ORM issued a claim number and assigned the claim to its marine surveyor. The surveyor inspected the ferry within two weeks and provided ORM with a status report indicating that the thruster had already been removed, repaired, and reinstalled. The report also indicated that only the damaged parts were available for

inspection and that the surveyor would review the final claim when the supporting documentation was available. The surveyor sent ORM the final report in January 2012.

The final report indicates that \$17,797 is a fair and reasonable cost for the scope and amount of work involved. The report also indicates that the damaged lower gear set was not available for inspection and the surveyor did not agree with the manufacturer's memo regarding the cause of damage. However, the surveyor agreed that the damage was not caused by negligence or lack of maintenance. In addition, the report indicates that neither invoice was submitted with supporting documentation from the third-party vendor.

In June 2012, DOTD requested an itemized cost breakdown for the starboard thruster repair and the lower gear set from the primary vendor, as well as proof of the manufacturer's cost for the lower gear set. The primary vendor sent DOTD a description of the work performed for both invoices and the manufacturer's invoice for the lower gear set. However, the vendor did not provide the itemized cost breakdown. DOTD forwarded this information to ORM. ORM reimbursed CCCD \$16,797 (the invoice amount, less the \$1,000 deductible).

We would like to express our appreciation to DOTD, CCCD, and ORM management and staff for their assistance during our work. I hope this information will benefit you in your legislative decision-making process.

Sincerely,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

CCCD HR106 2012

Appendix A

Management's Response



BOBBY JINDAL
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

P.O. Box 94245
Baton Rouge, Louisiana 70804-9245

www.dotd.la.gov



SHERRI H. LEBAS, P.E.
SECRETARY

July 10, 2012

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

**RE: Department of Transportation and Development (DOTD)
Crescent City Connection Division (CCCD)
House Resolution Number 106
Legislative Auditor Draft Letter
Management Response**

Dear Mr. Purpera:

The Department is in receipt of your letter on claims made by the Crescent City Connection Division (CCCD) to the Office of Risk Management (ORM) for emergency repairs made to three ferries: M/V Armiger, M/V Thomas Jefferson, and M/V Porterie.

DOTD agrees that in the past, CCCD and ORM failed to adequately communicate with each other on claims. In an effort to correct this, representatives of ORM, CCCD, DOTD, and the LLA met on June 7, 2012, to clarify roles, responsibilities, and procedures for filing future claims with ORM. ORM and CCCD will continue to work together to establish more efficient and effective procedures for marine claims.

Currently this is the status of the three ferries detailed in your report:

M/V Armiger:

The vendor that received the \$2,000 over payment from CCCD for work on the M/V Armiger has reviewed its records and agrees that it was overpaid. The vendor has agreed to refund the \$2,000 to CCCD.

Regarding the remaining \$360,559 of the M/V Armiger claim, as stated in the LLA's letter, CCCD requested detailed documentation from the vendor on the repair of the M/V Armiger. The vendor agreed to provide material, labor, and equipment usage costs as requested by ORM's marine surveyor. DOTD was notified on July 5, 2012, that the vendor had compiled the requested information and mailed it to DOTD. Once the information is received and reviewed, it will be provided to ORM to support the claim.

Mr. Daryl G. Purpera
July 10, 2012
Page 2

M/V Thomas Jefferson:

The total amount of the claim was \$76,426 consisting of two invoices, one on May 10, 2010, in the amount of \$38,931 and one on May 25, 2010, in the amount of \$37,495. ORM has paid CCCD the claim less the \$1,000 deductible per invoice (\$74,426). CCCD requested a \$1,000 overpayment refund in June 2012.

M/V Porterie:

The total amount of repairs was \$54,865, consisting of two invoices, one for \$17,797 and one for \$37,068, both during June 2010. ORM has paid \$16,797 on the first invoice (\$17,797 less the \$1,000 deductible), but has not paid anything on the second invoice for \$37,068. ORM officials state they have been unable to establish coverage of the lower gear set (second invoice) and cannot reimburse CCCD. CCCD requested a \$1,000 overpayment refund from the vendor. The vendor reviewed its records and agreed that it was overpaid, and will refund CCCD.

Thank you for the opportunity to respond to this matter and to have this Management Response included with your letter. Please feel free to contact me or Michael Bridges, Undersecretary, should you have any questions.

Sincerely,



Sherri H. LeBas, P.E.
Secretary

- c: Mr. Michael Bridges, P.E., DOTD Undersecretary
- Mr. Rhett Desselle, P.E., DOTD Assistant Secretary for Operations
- Mr. David Tippett Executive Director, CCCD
- Ms. Beverly Hodges, DOTD Financial Services Administrator
- Mr. John Lyon, DOTD External Audit Director
- Mr. John L. Morehead, CPA, Assistant Legislative Auditor
- Ms. Shawn M. Dietrich, MBA, CIA, CGAP. LLA

Appendix B

Timeline of Key Events

Armiger

- 02/07/10: The Armiger ferry was found partially submerged in water.
- 02/09/10: CCCD notified ORM of the incident.
- 02/15/10: The ferry was towed to a vendor's shipyard.
- 02/23/10: CCCD sent ORM an invoice for \$2,305 for emergency services to remove oil and water from the ferry.
- 02/26/10: CCCD sent ORM a quote for \$419,245 for engine room repairs.
- 03/03/10: DOTD approved the ferry repairs as an emergency project.
- 03/04/10: ORM issued a claim number and assigned the claim to its marine surveyor for inspection.
- 03/09/10: ORM's marine surveyor inspected the ferry at the vendor's shipyard.
- 04/02/10: ORM paid the \$2,305 invoice.
- 04/07/10: The surveyor's status report indicated that at the time of the survey the ferry had been salvaged and moved to the repair yard, a contract for repairs had been agreed to, and repairs were approximately 20% complete.
- 10/15/10: The surveyor's status report indicated that at the time of the survey the ferry was 95% repaired and was awaiting final USCG inspection scheduled for 10/29/10.
- 12/01/10: The USCG inspected the Armiger ferry and issued a certificate of inspection.
- 12/17/10: The Armiger ferry resumed service.
- 04/15/11: CCCD sent ORM an invoice for \$580,410 for engine room repairs.
- 04/20/11: DOTD entered into a contract for the emergency repairs that had already been completed.
- 09/13/11: CCCD paid the vendor the full invoice amount (\$580,410) for the engine room repairs.
- 01/04/12: CCCD agreed to send ORM the vendor's invoices and proof of CCCD's payment to the vendor.
- 05/29/12: CCCD sent ORM proof of payment to the vendor. Also, the surveyor provided ORM with his final report.
- 06/01/12: DOTD requested detailed invoice information from the vendor.
- 06/11/12: ORM reimbursed CCCD \$171,916.

Thomas Jefferson (5/11/10 incident)

- 05/11/10: The Thomas Jefferson ferry was taken out of service because of a slight vibration in the starboard thruster and loss of thrust.
- 05/12/10: CCCD maintenance personnel removed the thruster and brought it to a vendor's shipyard to be dismantled and inspected. Shipyard personnel determined that the thruster gears were destroyed.
- 05/17/10: CCCD notified ORM of the incident.
- 05/21/10: ORM received a loss report from CCCD via postal mail.
- 05/26/10: CCCD sent ORM a quote for \$38,931 for starboard thruster repairs.
- 06/11/10: The Thomas Jefferson ferry resumed service. Also, DOTD entered into a contract with the vendor for the starboard thruster repairs that had already been completed.
- 06/18/10: CCCD paid the vendor the full invoice amount (\$38,931) for the starboard thruster repairs.

- 09/21/10: ORM issued a claim number and assigned the claim to its marine surveyor for inspection.
- 10/04/10: ORM's marine surveyor inspected the ferry at the Canal Street Landing and the parts at the vendor's shipyard.
- 10/11/10: The surveyor's preliminary report indicated that at the time of the survey the thruster had already been removed, repaired, and reinstalled; the exact cause of the damage was difficult to ascertain because only the damaged parts, which were five months old, were available for inspection; and the surveyor would review the final billing once CCCD and the vendor put together the final costs and submitted the final claim with actual invoices and supporting documentation.
- 01/23/12: The surveyor provided ORM with his final report.
- 05/29/12: CCCD sent ORM proof of payment to the vendor.
- 06/01/12: DOTD requested detailed invoice information from the vendor.
- 06/06/12: ORM reimbursed CCCD \$37,931.

Thomas Jefferson (5/25/10 incident)

- 05/25/10: Shipyard personnel noticed excessive vibration in the bow thruster, removed the thruster, and found a broken compensating fin.
- 06/11/10: The Thomas Jefferson ferry resumed service.
- 07/19/10: CCCD notified ORM of the incident.
- 08/11/10: ORM received a loss report from CCCD via postal mail.
- 09/01/10: CCCD sent ORM an invoice for \$37,495 for bow thruster repairs.
- 09/07/10: ORM received the invoice via postal mail.
- 09/13/10: CCCD paid the vendor \$1,000 (ORM deductible).
- 09/16/10: DOTD entered into a contract with the vendor for the bow thruster repairs that had already been completed.
- 12/08/10: ORM issued a claim number.
- 06/17/11: CCCD paid the vendor the full invoice amount (\$37,495), resulting in an overpayment of \$1,000.
- 05/29/12: CCCD sent ORM proof of payment to the vendor.
- 06/01/12: DOTD requested detailed invoice information from the vendor.
- 06/14/12: CCCD requested a refund of the \$1,000 overpayment from the vendor.

Porterie

- 06/11/10: The Porterie ferry was taken out of service because the starboard main thruster suddenly lost all thrust.
- 06/28/10: CCCD maintenance personnel removed the thruster and brought it to a vendor's shipyard to be dismantled. Shipyard personnel determined that the propeller shaft had snapped at the gear.
- 07/19/10: CCCD notified ORM of the incident.
- 09/01/10: CCCD sent ORM an invoice for \$17,797 for starboard thruster repairs.
- 09/02/10: The Porterie ferry resumed service.
- 09/13/10: CCCD paid the vendor \$1,000 (ORM deductible).

- 09/16/10: DOTD entered into a contract with the vendor for the thruster repairs that had already been completed.
- 09/21/10: ORM issued a claim number.
- 09/23/10: ORM assigned the claim to its marine surveyor for inspection.
- 10/04/10: ORM's marine surveyor inspected the ferry at the Canal Street Landing and the parts at the vendor's shipyard.
- 10/11/10: The surveyor's preliminary report indicated that the thruster had been removed, repaired, and reinstalled; the exact cause of the damage was difficult to ascertain because only the damaged parts, which were four months old, were available for inspection; and the surveyor would review the final billing once CCCD and the vendor put together the final costs and submitted the final claim with supporting documentation.
- 12/09/10: CCCD sent ORM an invoice for \$37,068 for a new lower gear set. CCCD took parts from the Thomas Jefferson ferry's spare thruster to complete the work on the Porterie thruster. The vendor ordered the lower gear box because CCCD needed the parts to restore the spare thruster to working order.
- 05/25/11: CCCD recommended a contract plan change for the lower gear set costing \$37,068.
- 06/03/11: CCCD paid the vendor the full invoice amount (\$17,797) for the starboard thruster repairs, resulting in an overpayment of \$1,000.
- 06/07/11: CCCD sent ORM a memo from the thruster manufacturer regarding the cause of damage.
- 11/25/11: CCCD paid the vendor the full invoice amount (\$37,068) for the lower gear set.
- 01/31/12: The surveyor provided ORM with his final report.
- 05/29/12: CCCD sent ORM proof of payment to the vendor.
- 06/01/12: DOTD requested a detailed cost breakdown for the starboard thruster repair and the lower gear set from the vendor and proof of the manufacturer's cost for the lower gear set.
- 06/06/12: ORM reimbursed CCCD \$16,797.
- 06/14/12: CCCD requested a refund of the \$1,000 overpayment from the vendor.