

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	014	<p>Finding: The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.</p> <p>Corrective Action: The Department is committed to ensuring grant programs comply with federal regulations. The Department’s program staff performed a review of the subrecipients and confirmed that none of the local agencies that received payments were suspended or debarred.</p> <p>In response to prior year’s audit finding, the Department:</p> <ul style="list-style-type: none"> • Updated the Local Agency Guidelines (LAG) Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts. • Updated the contract template to include a suspension and debarment clause for subrecipients to certify. <p>Since the prior year’s audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement corrective actions during the 2019 audit period.</p> <p>The Department anticipates full compliance with the suspension and debarment requirement by fiscal year 2020.</p> <p>The conditions noted in this finding were previously reported in finding 2018-011.</p> <p>Completion Date: June 2019, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	015	<p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to conduct program and fiscal monitoring of subrecipients for the Highway Planning and Construction cluster.</p> <p>Corrective Action: The Department is committed to ensuring that our grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department’s Local Programs Division will examine current policies and procedures/practices related to the audit issues.</p> <p>As of March 2021, the Department updated the Local Agency Guidelines (LAG) Manual to reflect the scheduling of a Project Management Review (PMR) once the project is substantially complete or complete.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"> • Work with the Federal Highway Administration (FHWA) to approve updates to the LAG Manual, recognizing the modification to the scheduling of PMRs. • Attempt to complete PMRs in the required 3-year timeframe until the LAG Manual updates are completed and approved by FHWA. • Communicate changes to policies and procedures and the LAG Manual updates to Local Program staff and stakeholders. <p>Completion Date: Corrective action is expected to be complete by April 2021</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	016	<p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.</p> <p>Corrective Action: The Department is committed to ensuring grant programs comply with federal regulations regarding required risk assessments.</p> <p>In response to prior year’s audit finding, the Department took corrective actions to address the audit recommendations, as follows:</p> <ul style="list-style-type: none"> • As of June 2019, established a risk assessment program to inform required monitoring activities. • Developed a risk assessment form to document assessments performed. • Communicated information on the risk assessment program to appropriate headquarters and regional staff. • Reviewed initial risk assessment forms completed by regional staff to ensure they were proper. <p>Since the prior year’s audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement corrective actions during the 2019 audit period.</p> <p>The Department anticipates full compliance with the risk assessment requirement by fiscal year 2020.</p> <p>The conditions noted in this finding were previously reported in findings 2018-012.</p> <p>Completion Date: June 2019, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	017	<p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with requirements to ensure subrecipients received required single audits, findings related to federal program awards were followed up on, and management decisions were issued.</p> <p>Corrective Action: The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>The Department received an informal audit recommendation in a prior audit regarding monitoring all subrecipients' single audit status. The Department subsequently consulted with the Federal Highway Administration's (FHWA) Washington Division Office to determine the extent of the responsibilities of state agencies. FHWA agreed that the Department's guidance in the Local Agency Guidelines Manual appeared to meet the intent of the requirements in 2 CFR 200.331 and 2 CFR 200.501 with respect to subrecipient audit requirements. FHWA further stated that obtaining written verification from each subrecipient below the audit threshold is not the only means to achieve compliance.</p> <p>To resolve the issues in this finding, the Department:</p> <ul style="list-style-type: none"> • Implemented an electronic method to communicate with subrecipients regarding whether a single audit is required. As of August 2020, notifications were sent to all subrecipients. However, the progress was delayed due to the pandemic. • Issued management decisions for subrecipient single audit findings when required. <p>The Department will continue to work with FHWA, the Office of the State Auditor, and other stakeholders to take any required actions to remain compliant with all federal requirements, and communicate those actions to appropriate staff and stakeholders.</p> <p>Completion Date: August 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	018	<p>Finding: The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>After consulting with the Federal Highway Administration (FHWA) and conducting additional research, the Department maintains that the current process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.</p> <p>In April 2019, the Department received a management decision letter from FHWA for the fiscal year 2018 finding, in which it stated:</p> <ul style="list-style-type: none"> • <i>FHWA approved the Department's Construction Manual and Standard Specifications and confirmed that documented procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and the Davis-Bacon and Related Acts.</i> • <i>FHWA agreed that current processes in place are reasonable and satisfy the intent of the Department of Labor's certified payroll requirements.</i> <p>In July 2020, the Department received a management decision letter from FHWA for the fiscal year 2019 finding, in which it stated:</p> <ul style="list-style-type: none"> • <i>In response to these findings and similar findings in the previous year, WSDOT released a construction bulletin and revised their Construction Manual and Specification with more stringent controls to facilitate reasonable compliance. FHWA has approved WSDOT's Construction Manual and Standard Specifications.</i> • <i>FHWA believes that WSDOT's procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and FHWA Davis-Bacon and Related Acts Questions and Answers (https://www.fhwa.dot.gov/construction/contracts/dbra_qa.pdf).</i> • <i>FHWA considers this finding to be resolved.</i> <p>In an effort to continue to improve, the Department took the following actions to collect certified payrolls timely:</p> <ul style="list-style-type: none"> • Highlighted the requirements for collecting certified payrolls at statewide construction meetings. • Released an agency-wide Construction Bulletin regarding the monitoring and timely collection of certified payrolls. • Worked with the Department of Labor and Industries (L&I) to utilize their Prevailing Wage Intent & Affidavit (PWIA) system to electronically collect and store certified payrolls. The PWIA system went live on January 1, 2020, and is expected to obtain federal system certification by the end of 2020.

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2019 F	018 (cont'd)	<p>Since the prior year's audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement these improvements during the current audit period, The full effectiveness of these changes cannot be determined until the fiscal year 2020 audit cycle.</p> <p>The Department continues to strive for improvements in this area. To further address the audit recommendations, the Department:</p> <ul style="list-style-type: none"> • Updated the Prime Contractor's Performance Report Manual to include certified payrolls submission. • Updated training on the requirements to collect certified payrolls. • Updated the Construction Manual to include language for certified payroll collection requirements under the new L&I PWIA System. • Continued to work with FHWA for any further actions needed to resolve this finding. <p>The conditions noted in this finding were previously reported in finding 2018-013.</p> <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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2019 F	019	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials conform to approved plans and specifications for projects funded by the Highway Planning and Construction Cluster.</p> <p>The Department is committed to ensuring that grant programs comply with federal regulations related to quality assurance requirements, safeguarding that materials and workmanship conform to approved plans and specifications through testing, inspections, or certifications.</p> <p>To address the audit recommendations, the Department’s Construction Division examined current processes, policies, and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated policies and procedures, including the Department’s Construction (M46-01) and Standard Specifications (M41-10) Manuals, as needed to ensure compliance with federal requirements including emergency contracts and facilities contracts (Section 9-1.2C). • Clarified processes and procedures as needed for adequately documenting materials testing, inspections, certification, and acceptance. • Obtained approval of updates to the Construction Manual from the Federal Highway Administration. • Communicated changes in policies and procedures to division staff and stakeholders. <p>June 2020, subject to audit follow-up</p> <p>Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	020	<p>Finding: The Department of Transportation made unsupported payments to subrecipients of the Federal Transit Cluster program.</p> <p>Corrective Action: The Department is committed to ensuring that grant programs comply with federal regulations related to allowable costs.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated policies and procedures as needed to ensure capital project reimbursements have complete supporting documents from grantees prior to making payment. • Obtained management approval and communicated changes in policies and procedures to Division staff and stakeholders. • Consulted with the grantor and determined that the questioned costs do not need to be repaid. All supporting documentation has been obtained and is available to the grantor upon request. <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	021	<p>Finding: The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to monitor the activities of subrecipients with subawards funded by the Federal Transit Cluster.</p> <p>Corrective Action: The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated the Consolidated Grant Guidebook to change the site visit monitoring requirement from every two years to every biennium. • Updated policies and procedures to ensure Division staff: <ul style="list-style-type: none"> ○ Perform grantee monitoring as required in the Consolidated Grant Guidebook. ○ Properly document monitoring efforts. ○ Monitor receipt of required progress reports from grantees. • Obtained management approval and communicated changes in policies and procedures to Division staff and stakeholders. <p>Completion Date: June 2020, subject to audit follow-up</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>

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2019 F	022	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Transportation did not have adequate internal controls to ensure subrecipients received single audits required by federal rule, findings related to federal program awards were followed up on and management decisions were issued.</p> <p>The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>The Department:</p> <ul style="list-style-type: none"> • Updated policies and procedures for Division staff performing grantee monitoring activities to ensure: <ul style="list-style-type: none"> ○ Subrecipients receive single audits as required by federal rules. As of February 2020, subrecipients submitted their responses to letters sent for the 2018 audit cycle. Letters for the 2019 audit cycle will be sent to subrecipients by September 2020. ○ Staff follow up on findings and issue management decisions when required. The Department has already issued three management letters for the 2018 audits received. • Obtained management approval and communicated changes in policies and procedures to Division staff and stakeholders. <p>June 2020, subject to audit follow-up</p> <p>Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-47320 (360) 705-7035 danielje@wsdot.wa.gov</p>