Audit	Finding	Finding and		
Report Number			Corrective Action Status	
1034932	2023-012	Finding:	The Washington State 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 program.	
		Corrective Action:	The Washington State Department of Transportation (WSDOT) is committed to ensuring our grant programs comply with federal regulations regarding required risk assessments.	
			Risk assessments for subrecipients under the Federal Highway Administration grant programs are the responsibility of WSDOT's Regional Local Programs Engineers, located in the six WSDOT regions. The Department has attempted to complete a risk assessment at each phase of a project, however, staff turnover contributed to the lack of consistency and timeliness in completing these assessments.	
			To help ensure consistency, the Department has updated position descriptions for Local Programs Engineers to reflect this requirement. The Department:	
			• Communicated with Regional Local Programs Engineers to ensure risk assessments are performed and properly documented in accordance with the risk assessment program guidelines.	
			• Communicated with regional management to ensure required monitoring activities by staff are tracked, and the status of these activities are reported as part of annual performance evaluations.	
			Communication with Regional Local Programs Engineers and regional management will continue to be on-going.	
		Completion		
		Date:	June 2024, subject to audit follow-up	
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320	
			(360) 705-7035 danielje@wsdot.wa.gov	

Audit	Finding	Finding and		
Report	Number	Corrective Action Status		
1034932	2023-013	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 program.	
		Corrective Action:	In April 2019 and July 2020, the Department received management decision letters from the Federal Highway Administration (FHWA) in response to similar findings for the fiscal years 2018 and 2019, respectively, which stated:	
			<ul> <li>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.</li> </ul>	
			<ul> <li>FHWA agreed that current processes in place are reasonable and satisfy the intent of the Department of Labor's certified payroll requirements.</li> </ul>	
			FHWA considers this finding to be resolved.	
			The Department continues to strive for improvements in this area. To further address the audit recommendations, the Department is planning on taking the following actions by December 2024:	
			<ul> <li>Update the Construction Manual to include language for certified payroll collection requirements when no work is performed on federal projects.</li> </ul>	
			<ul> <li>Review and update the Construction Manual, as needed, to clarify the authority to withhold payments regarding federal wage administration.</li> </ul>	
			• Standardize the required frequency of checking for certified payroll collection and the methods to document tracking.	
			• Define "timely," given the circumstances surrounding weekly collection of certified payrolls and sanctions on a monthly pay estimate, including:	
			<ul> <li>Defining the timeline when the Department must communicate overdue certified payroll to the contractor and the allowable methods of that communication.</li> </ul>	
			<ul> <li>Defining the timeline for determining when the Department must consider imposing sanctions on the contractor after a certified payroll is overdue.</li> </ul>	
			<ul> <li>Defining the minimum required documentation that sanctions (e.g., partial deferral of payment) were considered against the contractor regarding an overdue certified payroll.</li> </ul>	
			<ul> <li>Communicate any changes to the Construction Manual to appropriate construction staff and partners.</li> </ul>	
			<ul> <li>Continue to work with our federal grantor, FHWA, for any further actions needed to resolve this finding.</li> </ul>	

Audit Report	Finding Number		Finding and Corrective Action Status
1034932	2023-013 (cont'd)	Completion Date:	December 2024, subject to audit follow-up
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320 (360) 705-7035 danielje@wsdot.wa.gov

Audit	Finding		Finding and
Report	Number		Corrective Action Status
1034932	2023-014	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials conformed to approved plans and specifications, and that only qualified personnel performed testing for projects funded by the Highway Planning and Construction Cluster.
		Corrective Action:	The Department is committed to ensuring that our grant programs comply with federal regulations related to quality assurance (QA) requirements and safeguarding that materials and workmanship conform to approved plans and specifications through testing, inspections, or certifications. The Department has worked closely with the Federal Highway Administration (FHWA) on our QA program and continues to receive feedback on the strength of our program.
			The Department has been working towards replacement of the Record of Materials (ROM) legacy system; therefore, it was not practical to modify the system to help correct issues previously reported in the fiscal year 2022 audit. During fiscal year 2023, the Department eliminated the practice requiring updates to the ROM within 30 days of payment and instead relied on the required documentation as evidence of proper materials acceptance. Due to the timing of implementation, these changes were not fully reflected in the current year's audit.
			In January 2023, as a result of recommendations from the fiscal year 2022 audit, the Department modified its practice related to how tester data is reviewed and entered into the tester certification tracking system. All offices now funnel tester data to the Headquarters Quality Assurance Program for review and entry. These procedure changes were communicated to appropriate staff and are reflected in the Construction Manual, which was reviewed and approved by FHWA. The Department is also assessing replacement of additional software legacy programs associated with the QA program.
			The Department will continue to improve the QA program while waiting for the new software programs to be fully developed. To address the audit recommendations, the Department's Construction Division will examine current policies and procedures/practices related to the audit issues. The Department:
			<ul> <li>Updated policies and procedures, including the Department's Construction Manual (M46-01), to ensure staff practices meet federal regulations. Updates also included other clarifications to address documentation and evidence of compliance, and a reasonable level of controls regarding materials testing, inspections, certification, acceptance, and tester certifications.</li> </ul>
			Obtained approval of updates to the Construction Manual from the FHWA.

Audit	Finding		Finding and
Report	Number		Corrective Action Status
1034932	2023-014 (cont'd)		<ul> <li>Communicated changes in policies and procedures to division staff and stakeholders.</li> </ul>
			<ul> <li>Provided training to Project Engineering Office staff to emphasize QA program requirements. Training will continue to be on-going.</li> </ul>
			The conditions noted in this finding were previously reported in findings 2022-011, 2021-011, 2020-017 and 2019-019.
		Completion Date:	June 2024, subject to audit follow-up
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 danielje@wsdot.wa.gov

Audit	Finding	Finding and		
Report	Number	Corrective Action Status		
1034932	2023-015	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with cash management requirements for the Formula Grants for Rural Areas program.	
		Corrective Action:	The audit identified a payment that was entered into the Electronic Clearing House Operation (ECHO) system with incorrect project information. The Department has since implemented additional controls to help ensure the draws of program funds are timely and accurate and are drawn for the correct program.	
			To address the audit recommendations, the Department:	
			<ul> <li>Assigned Project Support and Receivable (PS&amp;R) staff to submit Public Transportation ECHO draws. Two additional staff have been identified as backup in this process to ensure draws are processed timely.</li> </ul>	
			<ul> <li>Rescheduled the entry of draw information into the ECHO system to the morning to allow for timely corrections as needed.</li> </ul>	
			<ul> <li>Updated the ECHO system to allow automatic confirmation email for payments entered into the system.</li> </ul>	
			<ul> <li>Additionally,</li> <li>The PS&amp;R Manager will automatically receive draw confirmation emails and conduct a review and check as the draws are being</li> </ul>	
			<ul> <li>Additional checks and balances will be performed by the person entering information into the ECHO system.</li> </ul>	
			The Public Transportation division has a validation process in place for staff to check the amounts with the project.	
			The Department will continue to review procedures regularly and update as required to ensure compliance.	
			The questioned costs identified in the audit have been reimbursed to the incorrectly charged federal program.	
		Completion		
		Date:	October 2023, subject to audit follow-up	
		Agency	Jesse Daniels	
		Contact:	External Audit Liaison PO Box 47320	
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Audit	Finding		Finding and
Report	Number		Corrective Action Status
1034932	2023-016	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Formula Grants for Rural Areas program.
		Corrective Action:	The Washington State Department of Transportation concurs with the finding.
			As of October 2023, the Public Transportation Division (PTD) had conducted all five site visits identified in the condition of this finding.
			In addition, the PTD has updated the policies and procedures to document the risk-based site visit approach more accurately. This update clarified how an organization's risk assessment score impacts the timing and number of administrative and financial site visits. This update did not impact capital reviews and drug and alcohol site visits because PTD staff conduct them every two years regardless of risk assessment scores.
			The PTD also implemented the auditor's recommendations, specifically to evaluate new ways for management, supervisors, and staff to monitor site visit completion and established due dates more effectively. These processes were developed and management updated policies and/or procedures and communicated the new process to impacted staff.
		Completion Date:	August 2024, subject to audit follow-up
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504-7320 (360) 705-7035 danielje@wsdot.wa.gov