

DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued April 26, 2023

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of Transportation and Development



April 2023

Audit Control # 80220080

Introduction

As a part of our audit of the State of Louisiana's Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2022, we performed procedures at the Department of Transportation and Development (DOTD) to provide assurances on financial information that is significant to the state's Annual Comprehensive Financial Report; evaluate the effectiveness of DOTD's internal controls over financial reporting and compliance; and determine whether DOTD complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the DOTD management letter dated April 20, 2022. The prior-year finding related to Untimely Submission of Summary of Samples and Test Results Form has not been resolved and is addressed again in this letter.

Current-year Finding

Untimely Submission of Summary of Samples and Test Results Form

For the fourth consecutive year, DOTD did not have adequate controls in place to ensure the Summary of Samples and Test Results Form (Form 2059), which is part of DOTD's project close-out documentation, was completed timely for projects of the Highway Planning and Construction Cluster (HPCC). DOTD's *Construction Contract Administration Manual* requires the Summary of Samples and Test Results Form to be submitted with the project close-out documentation. In practice, DOTD requires this form to be submitted within 90 days of final acceptance of the project. The Summary of Samples and Test Results Form is certified by applicable engineers and includes documentation relating to the quality of materials used for the project, including the sampling plans and test results of the materials.

In a sample of 15 projects receiving final acceptance during fiscal year 2022, DOTD did not ensure the Summary of Samples and Test Results Form was completed within 90 days of the project's final acceptance for seven (47%) of the projects tested.

- For six (40%) of these projects, the form was completed untimely, ranging from 146 to 280 days after final acceptance.
- For one (7%) project, the form was not completed as of November 2022, with final acceptance of March 2022.

In addition, three individually important projects were reviewed, in which one project did not have the Summary of Samples and Test Results Form completed as of November 2022, with final acceptance occurring in September 2021.

Federal regulations require that state transportation departments develop a quality assurance program which will assure that the materials and workmanship incorporated into each federal-aid highway construction project are in conformity with the requirements of the approved plans and specifications.

DOTD did not ensure that the district engineers approved and submitted the Summary of Samples and Test Results Form to DOTD Headquarters in a timely manner. Untimely completion of the Summary of Samples and Test Results Form delays validation that the sampling and testing results were in accordance with DOTD's quality assurance program. The absence of such documentation could result in a lack of support that the quality of materials and workmanship used met the requirements for a federally-funded project.

DOTD should continue tracking projects receiving final acceptance and emphasize the importance of timely submittal of the Summary of Samples and Test Results Form to district engineers. In addition, DOTD may consider alternative methods for district engineers to document their review and approval of the sampling and testing results.

Management concurred with the finding and provided a corrective action plan (see Appendix A).

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2022, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Capital Outlay Escrow

- Infrastructure
- Construction-in-progress
- Right-of-way
- Expenditures
- Accounts Payable

Transportation Trust Fund

- Federal Revenue (progress billings)

Engineering and Operations

- Operating and capital grant revenues (classification)

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2022, we performed procedures as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on information submitted by DOTD to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings.

Based on the results of these procedures, we did not report any findings. In addition, DOTD's information submitted for the state's Summary Schedule of Prior Audit Findings is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using DOTD's Annual Fiscal Reports and/or system-generated reports and obtained explanations from DOTD's management for any significant variances.

The recommendation in this letter represent, in our judgment, that which will most likely bring about beneficial improvements to the operations of DOTD. The nature of the recommendation, its implementation costs, and its potential impact on the operations of DOTD should be considered in reaching decisions on courses of action.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

CS:LMN:RR:EFS:aa

DOTD 2022

APPENDIX A: MANAGEMENT'S RESPONSE



Office of the Secretary
PO Box 94245 | Baton Rouge, LA 70804-9245
ph: 225-379-1200 | fx: 225-379-1851

John Bel Edwards, Governor
Eric Kalivoda, Secretary

April 6, 2023

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

**RE: Department of Transportation and Development
Audit Finding – Untimely Submission of Summary of Samples and Test Results
Form**

Dear Mr. Waguespack:

The Department is in receipt of your audit finding entitled "Untimely Submission of Summary of Samples and Test Results Form." I appreciate the opportunity to respond to the finding and also to have my response letter included as an attachment in the final report.

The Department concurs with the finding. While the Department has not identified any quality assurance issues with projects, the final documents were not submitted within the required time frame which could cause a delay in validating that the sampling and test results were completed in accordance with the Quality Assurance Program. District Project Engineers are responsible for gathering the information from contractors and submitting these forms to Construction to be compiled into the final project close out documentation. This has previously been a manual process; however, all new projects will be completed using the HeadLight Materials and Sampling Plan system which will provide significant efficiencies to this process through automation.

To continue remediating this issue, the Construction Section commits to the following:

- The Section will continue notifying the respective supervisory staff, the District Area Engineers, and the District Administrators of the delayed submissions through a monthly "untimely" projects report. This report identifies projects that have surpassed the allowable submission date and instruct appropriate parties to submit the delayed information as soon as possible.
- The Section will include compliance review and the requirements for timely submittal as an agenda item for the annual statewide meetings with District personnel.
- The Section has fully implemented the HeadLight Materials and Sampling Plan system as of January 2023. This system allows real time sampling and testing results for all new projects. Since all information is digital, this will aid in completing the Audit of Testing and Materials Form more timely. Additionally, the risk of untimely submittal is also minimized as the system will notify Construction once quantities and results are input

Audit Findings – Untimely Submission of Summary of Samples and Test Results Form

April 6, 2023

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into the system and immediate feedback can be given if additional testing of samples is required.

District Management will implement the following controls to ensure timely submittal of the information:

- Operations Executive Management will send emails to the District Administrators and the Area Engineers at the conclusion of the compliance review with specific instructions to give top priority to ensure all required work is completed on time.
- Operations and Construction Management will discuss the issue and projects related to each District in the quarterly DA meeting.
- Operations Executive Management will consider hiring additional personnel to assist in the Districts which have the most projects on the “untimely” report produced by Construction.
- Performance expectations will be included in District personnel performance reviews.
- Management will consider requiring District Administrator signatures on all untimely project paperwork submittals. Additional follow-up reporting will be made with the responsible District staff accordingly based on information in the “untimely” reports prepared by Construction.

Thank you for the opportunity to respond to this audit finding and to have this Management Response Letter included in the final audit report. Please feel free to contact me at (225) 379-1200 or Don Johnson, Undersecretary at (225) 379-1010 should you have any questions.

Sincerely,



Eric Kalivoda
Secretary

EK:MS:ch

cc: Mr. Chris Knotts
Mr. Barry Keeling
Mr. M. Todd Donmyer
Mr. Don Johnson
Mr. Chad Roubique
Mr. Mark St. Cyr
Mr. Mike Vosburg
Ms. Lesha Woods

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Transportation and Development (DOTD) for the period from July 1, 2021, through June 30, 2022, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2022.

- We evaluated DOTD's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to DOTD.
- Based on the documentation of DOTD's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the Annual Comprehensive Financial Report.
- We performed procedures on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We compared the most current and prior-year financial activity using DOTD's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DOTD's management for significant variances.

The purpose of this report is solely to describe the scope of our work at DOTD, and not to provide an opinion on the effectiveness of DOTD's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review DOTD's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. DOTD's accounts are an integral part of the State of Louisiana's Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.