

State of Washington  
 Status of Audit Resolution  
 December 2019

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	011	<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 for fiscal year 2018 were suspended or debarred.</p> <p>In April 2019, the Department received a management decision letter for the finding from the Federal Highway Administration. The federal grantor concurred with the Department’s proposed corrective actions as outlined in the initial response to the finding recommendations.</p> <p>As of May 2019, the Department:</p> <ul style="list-style-type: none"> <li>• Updated the Local Agency Guidelines Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts.</li> <li>• Updated the boilerplate agreement to include a suspension and debarment clause for subrecipients to certify.</li> </ul> <p>Completion Date: June 2019, subject to audit follow-up</p> <p>Agency Contact: Steve McKerney            Internal Audit Director            PO Box 47320            Olympia, WA 98504-7320            (360) 705-7004  <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a></p>

State of Washington  
 Status of Audit Resolution  
 December 2019

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
2018 F	012	<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 requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.</p> <p>The Department is committed to ensuring grant programs comply with federal regulations.</p> <p>To strengthen internal controls over subrecipient monitoring, the Department:</p> <ul style="list-style-type: none"> <li>• Evaluated the current processes at both the regional and headquarters level to identify areas for improvement regarding risk assessments for subrecipients.</li> <li>• Updated policies and establish procedures for performing risk assessments to determine the appropriate level of monitoring.</li> <li>• Worked with project stakeholders to develop a system for documenting risk assessments of subrecipients.</li> </ul> <p>As of June 2019, the Department’s Local Program Office developed a form to complete and document subrecipient’s risk assessments.</p> <p>June 2019, subject to audit follow-up</p> <p>Steve McKerney            Internal Audit Director            PO Box 47320            Olympia, WA 98504-7320            (360) 705-7004  <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a></p>

State of Washington  
 Status of Audit Resolution  
 December 2019

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
2018 F	013	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>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>The Department does not concur with the finding.</p> <p>After consulting with the Federal Highway Administration (FHWA) and conducting additional research, the Department believes its process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages. Please consider the email dated February 6, 2019, from FHWA in support of the Department’s compliance with the regulations at issue, and as referenced in the Department’s technical response to the State Auditor’s Office.</p> <p>In April 2019, the Department received a management decision letter for the finding from FHWA. The federal grantor approves the Department’s Construction Manual and Standard Specifications and concluded that the procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and the Davis-Bacon and Related Acts.</p> <p>As of June 2019, the Department has also taken the following actions:</p> <ul style="list-style-type: none"> <li>• Issued a Construction Bulletin to the regional offices regarding monitoring timely collection of certified payrolls from contractors.</li> <li>• Conducted discussions at various statewide meetings.</li> <li>• Posted additional resources for regional offices on the Construction SharePoint site.</li> <li>• Discussed with the Department of Labor and Industry to utilize its reporting tool beginning in January 2020, including how the system could be utilized/modified for the Davis-Bacon requirements.</li> </ul> <p>June 2019, subject to audit follow-up</p> <p>Steve McKerney          Internal Audit Director          PO Box 47320          Olympia, WA 98504-7320          (360) 705-7004  <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a></p>

State of Washington  
 Status of Audit Resolution  
 December 2019

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
2018 F	014	<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 requirements to collect certified payrolls from contractors on projects funded by the Federal Transit Cluster.</p> <p>The Department does not concur with the finding.</p> <p>After consulting with the Federal Transit Administration (FTA) and the Federal Highway Administration and conducting additional research, the Department believes its process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.</p> <p>As of June 2019, the Department has taken the following actions in the continued effort of improvement:</p> <ul style="list-style-type: none"> <li>• Issued a Construction Bulletin to the regional offices regarding monitoring timely collection of certified payrolls from contractors.</li> <li>• Conducted discussions at various statewide meetings.</li> <li>• Posted additional resources for regional offices on the Construction SharePoint site.</li> <li>• Discussed with the Department of Labor and Industry to utilize its reporting tool beginning in January 2020, including how the system could be utilized/modified for the Davis-Bacon requirements.</li> </ul> <p>The Department will continue to use Construction Bulletins to communicate best practices and other pertinent guidance to its regional construction offices on an ongoing basis, and will share this information with the Terminal and Vessel Engineering groups in the Ferries Division.</p> <p>The Department will consult with FTA for any further actions needed to resolve this finding. Federal management decisions for Single Audit findings are due within six months of issuing the Single Audit report. The Department will await the FTA management decision by September 2019 for any further action in response to the finding.</p> <p>June 2019, subject to audit follow-up</p> <p>Steve McKerney          Internal Audit Director          PO Box 47320          Olympia, WA 98504-7320          (360) 705-7004  <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a></p>

State of Washington  
 Status of Audit Resolution  
 December 2019

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	015	<p>Finding: The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.</p> <p>Corrective Action: It is the Department’s position that the parts in question identified in the audit are not capital assets and, therefore, the requirements cited in the audit finding do not apply to these parts.</p> <p>The parts in question have no utility to the State until they are installed on a larger assembly or depreciable asset, in this case one of the Department’s ferry vessels. Once installed, the parts cease to be discrete items and are part of the vessel. When an installed part meets the definition of a betterment as defined in Chapter 30 of the State Administrative and Accounting Manual, it is capitalized and depreciated as part of the vessel. If the part does not meet the definition of a betterment, it is expensed when purchased.</p> <p>The Department recognizes the importance of safeguarding and accounting for these parts properly through their installation on one of the vessels. In the ordinary course of business, purchased parts are delivered to the warehouse and are almost immediately transferred to the vessel. Occasionally, a vessel’s scheduled maintenance will be delayed due to operational needs which necessitates the parts be stored in the warehouse.</p> <p>As of May 2019, the Department convened a work group consisting of subject matter experts over all aspects of capital assets. In September 2019, the work group met with the State Auditor’s Office (SAO) and the Office of Financial Management (OFM) to discuss the audit recommendations and the Department’s process of tracking the vessel parts. Within established policies and procedures, the Department will use its internal inventory management system, Minor Cap, to track the parts from time of receipt, installation on the larger assembly, and until ultimately disposed of through the Ferry Division’s warehouse.</p> <p>The Department is working with OFM to obtain a letter of approval/waiver to use the alternative inventory management system, which the Department previously used.</p> <p>In November 2019, the Department sent a written request to SAO to consider the finding resolved based on the actions taken.</p> <p>The Department looks forward to working with SAO during the next audit to resolve any remaining items reported in this finding.</p> <p>Completion Date: Corrective action is expected to be complete by March 2020</p>

State of Washington  
 Status of Audit Resolution  
 December 2019

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
2018 F	015 (cont'd)	Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a>