

Department of Transportation

Agency 405

Audit Report	Finding Number	Finding and Corrective Action Status	
1032843	2022-008	<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 to ensure supervisors reviewed and approved payroll journals for the Highway Planning and Construction Cluster.</p> <p>The Department is committed to ensuring adequate internal controls are established for processing payroll journals. Currently, the Department:</p> <ul style="list-style-type: none"> <li>• Sends payroll journals electronically via Adobe Acrobat Sign on day four of payroll processing.</li> <li>• Generates system automated emails, which are sent to the reviewer each day the journal is unsigned.</li> <li>• Reconciles unsigned payroll journals and will follow up with responsible staff.</li> </ul> <p>To further improve controls over timely approval and return of payroll journals, the Department will:</p> <ul style="list-style-type: none"> <li>• Continue to review existing internal controls to assess their effectiveness and make improvements as needed.</li> <li>• Review the Payroll Manual to ensure directions, guidelines, and expectations around the payroll journal approval are clearly defined.</li> <li>• Evaluate the appropriateness of establishing a timeline for returning signed payroll journals for incorporation into the Payroll Manual.</li> </ul> <p>Corrective action is expected to be complete by June 2024</p> <p>Jesse Daniels                      External Audit Liaison                      PO Box 47320                      Olympia, WA 98504-7320                      (360) 705-7035  <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a></p>

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Audit Report	Finding Number	Finding and Corrective Action Status
1032843	2022-009	<p>Finding: The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to conduct program monitoring of subrecipients of 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>In July 2022, the Department executed a memo agreement with the Federal Highway Administration (FHWA) to update the risk-based review process to a leading practice. This new process will improve the effectiveness of subrecipient monitoring efforts which will focus reviews and resources on the high-risk agencies or projects rather than a three-year review cycle.</p> <p>However, FHWA is reluctant to formally open the Stewardship and Oversight (S&amp;O) Agreement for revisions, as a new nationwide “template” is under development. Based on the existing language in the S&amp;O Agreement with FHWA, the finding was issued for fiscal year 2022.</p> <p>With FHWA’s approval to implement the risk-based approach, the Department will:</p> <ul style="list-style-type: none"> <li>• Conduct baseline Project Management Reviews (PMR) for each Certification Acceptance (CA) agency. This process began in September 2022, with 13 PMRs completed, 22 near completion, and 9 in process.</li> <li>• Analyze CA PMRs and assign a risk rating, which will be used in the PMR selection process.</li> <li>• Update risk-based approach policies to complete PMRs, as needed.</li> <li>• Update the Local Agency Guidelines Manual to reflect the risk-based approach to complete PMRs, as needed.</li> <li>• Communicate changes to policies and procedures to Local Program staff and stakeholders, as needed.</li> </ul> <p>The conditions noted in this finding were previously reported in findings 2021-008, 2020-016 and 2019-015.</p> <p>Completion Date: Corrective action is expected to be complete by March 2024</p> <p>Agency Contact: Jesse Daniels                      External Audit Liaison                      PO Box 47320                      Olympia, WA 98504-7320                      (360) 705-7035  <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a></p>

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1032843	2022-010	<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 issue management decisions for audit findings to subrecipients of the Highway Planning and Construction Cluster.</p> <p>The Department is committed to ensuring our programs comply with federal regulations related to subrecipient monitoring.</p> <p>The Department’s Local Programs Division typically issues Management Decision Letters (Decision Letters) to all subrecipients that receive single audit findings related to WSDOT federal grant awards. For the subrecipient in question, the subrecipient had contacted the Division upon realizing a discrepancy in their advertisement practices, which was prior to the auditors issuing the single audit finding. The Division reviewed the subrecipient’s advertisement practices, evaluated and approved the corrective action plan, and implemented a training plan with the subrecipient. Since these activities preceded the issuance of the subrecipient’s single audit finding and resolved the deficiency, the Department elected to forgo a formal Decision Letter.</p> <p>Based on the audit recommendations, the Department will continue to review all single audit findings issued for subrecipients and send Decision Letters.</p> <p>The conditions noted in this finding were previously reported in findings 2021-010, 2020-015 and 2019-017.</p> <p>December 2022, subject to audit follow-up</p> <p>Jesse Daniels                      External Audit Liaison                      PO Box 47320                      Olympia, WA 98504-7320                      (360) 705-7035  <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a></p>

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1032843	2022-011	<p>Finding:</p> <p>Corrective Action:</p> <p>Complete 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 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.</p> <p>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.</p> <p>The Department continues to work closely with the Federal Highway Administration (FHWA) on the QA program and has received positive feedback on the strength of the program. In addition, the Department is currently investing in the Unifier software to replace separate QA legacy systems, which will allow shared data and provide built-in controls to help prevent the issues identified in the audit. Depending on funding and programming times, the Department estimates Unifier to be online for the QA program within five years.</p> <p>To address the audit recommendations, the Department’s Construction Division will examine current policies and procedures/practices related to the audit issues.</p> <p>The Department will:</p> <ul style="list-style-type: none"> <li>• Update policies and procedures, including the Department’s Construction Manual (M46-01), as needed to ensure staff practices meet federal regulations. Updates will also include 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> <li>• Obtain approval of updates to the Construction Manual from the FHWA.</li> <li>• Communicate changes in policies and procedures to division staff and stakeholders.</li> <li>• Provide training to Project Engineering Office staff to emphasize QA program requirements.</li> </ul> <p>The conditions noted in this finding were previously reported in findings 2021-011, 2020-017 and 2019-019.</p> <p>Corrective action is expected to be complete by June 2024</p> <p>Jesse Daniels                      External Audit Liaison                      PO Box 47320                      Olympia, WA 98504-7320                      (360) 705-7035  <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a></p>

**State of Washington - Office of Financial Management  
 Status of Audit Resolution  
 December 2023**

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**Department of Transportation**

**Agency 405**

<b>Audit Report</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Status</b>	
1032843	2022-012	<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 controls over and did not comply with requirements to perform risk assessments for subrecipients of the Formula Grants for Rural Areas program.</p> <p>The Washington State Department of Transportation (WSDOT) concurs with the finding and has implemented the audit recommendations. Specifically, the Department's Public Transportation Division will ensure it performs risk assessments for all subrecipients receiving federal subawards regardless of when WSDOT executes the related contract.</p> <p>As of February 2023, the Public Transportation Division updated its risk assessment process and completed all risk assessments by July 1, 2023.</p> <p>July 2023, subject to audit follow-up</p> <p>Jesse Daniels            External Audit Liaison            PO Box 47320            Olympia, WA 98504-7320            (360) 705-7035  <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a></p>