

---

---

**Department of Transportation (DOT)**

**Agency: 405**

---

---

**Audit Report:** 1002910

**Finding Number:** 001

**Finding:** The Department of Transportation should strengthen internal controls in place to ensure fuel is safeguarded, used for authorized purposes and purchased in accordance with bid requirements.

**Resolution:** The Department took the following actions in response to the auditor's recommendations:

The Department is working with the Department of General Administration for the inclusion of the North Central Region (NCR) in the next statewide fuel-purchasing contract. In the interim, the Department awarded a competitively bid fuel contract for the NCR on April 1, 2010. The Department provided refresher training to regional personnel on purchases of goods and services above the current formal sealed bid level of \$49,000. These purchases must now be procured by the professional purchasing staff in the Procurement and Supply offices.

The Transportation Equipment Fund (TEF) Office formalized its processes to review daily variance reports and reconcile discrepancies between the automated fuel system (AFS) data and actual fuel inventory levels. TEF staff reviewed industry standards and best practices of other fuel management programs throughout state government to establish fuel review thresholds. Maintenance staff from headquarters and region offices are documenting and, as needed, following up on the inventory discrepancies noted in the finding.

While the Department has internal controls in place to secure fuel and monitor its use, it is committed to improving those controls. It's important to note that the process of storing, delivering, and dispensing more than 5 million gallons of fuel can result in variances between the system and physical inventory volumes. For example, temperature variations can cause fuel volume fluctuations. This is one of many considerations in tracking fuel inventory. However, the auditor's recommendations are valuable and will help the Department improve its controls in this area. For example, each region has installed locks on all fuel site fill tubes.

The AFS was developed and purchased in the 1980's and, due to underlying programming constraints, modifications to strengthen security measures are not practical. In light of this and system enhancement opportunities, the Department is in the process of replacing the AFS. The new system will provide an updated security environment and enhanced system capabilities. Implementation of the new system is scheduled to begin in late 2010, with full implementation at the regional level to conclude in 2011. As the new system is implemented, policies and procedures will be reviewed and updated to reflect enhanced system security. Until the new system's installation, the Department has taken measures to restrict access by information technology personnel to the current system.

## Status of Resolution of Audit Findings

December 2010

The Department formalized its AFS program change process to require appropriate levels of testing, documentation, and approval.

The TEF office formalized procedures to review the state fuel card transactions and reconcile them to invoices, to ensure the Department has been properly billed.

**Agency Contact:**

Jerry Lenzi  
Department of Transportation  
PO Box 47315  
Olympia WA 98504-7315  
(360) 705-7032  
lenzjc@wsdot.wa.gov

## Status of Resolution of Audit Findings

December 2010

---

---

Department of Transportation (DOT)

Agency: 405

---

---

**Audit Report:** 2009 F

**Finding Number:** 008

**Finding:** The Department of Transportation does not have internal controls to ensure that the American Recovery and Reinvestment Act Subrecipient Monitoring compliance requirements are identified and adhered to.

**Resolution:** The Department is awaiting verification that this finding has been resolved.

As soon as the Department became aware of this requirement for subrecipient registration, procedures were modified to ensure compliance. The Department is now notifying subrecipients of the registration requirement and monitoring for their compliance with this requirement.

The Department goes to great lengths to identify and comply with requirements that come with the American Recovery and Reinvestment Act (ARRA) funds, reviewing federal guidance on a regular basis and continually updating its procedures to ensure compliance. The subrecipient registration was added to the federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, Compliance Supplement, through Addendum Number 1 on June 30, 2009, the last day of the fiscal year. While this requirement was introduced in another federal document in April 2009, the Department's Federal Highway Administration contact was not aware of this requirement. The Department will continue to stay apprised of federal requirements regarding ARRA funds and work hard to ensure compliance.

**Agency Contact:** Kathleen Davis  
Department of Transportation  
PO Box 47390  
Olympia WA 98504-7390  
(360) 705.6822  
davisk@wsdot.wa.gov

## Status of Resolution of Audit Findings

December 2010

---

---

Department of Transportation (DOT)

Agency: 405

---

---

**Audit Report:** 2009 F

**Finding Number:** 009

**Finding:** The Department of Transportation did not support over \$740,000 in payroll costs in accordance with federal regulations for the Formula Grants for Other Than Urbanized Areas.

**Resolution:** The Department's current method for allocating direct payroll expenditures was approved by the grantor, the Federal Transit Administration (FTA), so the Department believed its allocation method was in compliance with federal regulations. The Department's Public Transportation Division administers a number of closely related grant programs, and the work performed by some staff supports multiple programs.

The Department is considered an innovative leader by FTA for its grant administration methods. However, the Department is making the necessary changes to follow the auditor's recommendation. The Department developed and submitted a substitute system plan to FTA for their review and approval in June 2010. FTA informed the Department that their review is pending and instructed the Department to continue allocating administrative costs using the current approved method until the new plan is approved. Additionally, FTA has not indicated that any funds allocated are questioned and must be repaid.

**Agency Contact:** Katy Taylor  
Department of Transportation  
PO Box 47387  
Olympia WA 98504-7387  
(360) 705-7920  
taylork@wsdot.wa.gov