

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Transportation
and Development
State of Louisiana
Baton Rouge, Louisiana

November 24, 1999



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**DEPARTMENT OF TRANSPORTATION
AND DEVELOPMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated November 3, 1999**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

November 24, 1999



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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November 3, 1999

**DEPARTMENT OF TRANSPORTATION
AND DEVELOPMENT
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1999, we conducted certain procedures at the Department of Transportation and Development (DOTD). Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations.

The June 30, 1999, Annual Fiscal Report of DOTD was not audited or reviewed by us, and, accordingly, we do not express an opinion or any form of assurance on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected department personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this report.

In our prior report on the department for the year ended June 30, 1998, we reported findings concerning untimely bank reconciliation, inadequate controls over escrow bank accounts, untimely payments, untimely closing of projects, and failure to monitor preliminary engineering projects. The findings relating to untimely bank reconciliation, inadequate controls over escrow bank accounts, and untimely payments have been resolved by management. The findings relating to untimely closing of projects and failure to monitor preliminary engineering projects have not been resolved and are addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

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DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT STATE OF LOUISIANA

Management Letter, Dated November 3, 1999

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Failure to Monitor Preliminary Engineering Projects

For the second consecutive year, DOTD did not advance projects from the preliminary engineering phase to either the construction phase or the acquisition of right-of-way phase within 10 years, as required by the Code of Federal Regulations. While DOTD has a system to track the progress of projects, it has not kept the system current for projects in the preliminary engineering phase resulting in a failure to monitor and advance these projects. Projects that do not advance to another phase within the 10-year time frame must be withdrawn from available federal funding and any federally funded expenditures on those projects must be refunded to the Federal Highway Administration (FHWA). FHWA can approve an extension of the 10-year limitation if the delay has been caused by events beyond DOTD's control, such as court action or environmental considerations.

Of the nine projects tested, DOTD stated that it plans to request an extension on eight that are scheduled to be let-for-contract in the future and plans to refund \$659,730 on the other project. Federally funded expenditures of \$1,037,210 for these eight projects may have to be refunded if the projects are not approved for extension by FHWA.

DOTD should keep its tracking system current in order to monitor the progress of preliminary engineering projects and should advance projects from the preliminary engineering phase to the construction or right-of-way phase within 10 years as required. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Untimely Closing of Projects

For the second consecutive year, DOTD did not close completed projects timely and did not file final vouchers timely with the Federal Highway Administration (FHWA) as required by departmental procedures and federal law. The DOTD *Construction Contract Administration Manual* contained procedures for closing projects within 90 days of final acceptance of the completed project. On June 9, 1999, this DOTD policy was changed so that all construction and associated (engineering, utilities, and right-of-way) projects should be closed within six months from the final acceptance date by default. Final acceptance is defined as when a project is ready and available for public use. The Code of Federal Regulations 140.107 requires that a final voucher on each project be submitted within one year to FHWA following project completion. At June 30, 1999, DOTD has 643 completed projects with \$47,000,000 in allocated funds remaining that had not been closed within 90 days or within six months as the new policy requires.

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DEPARTMENT OF TRANSPORTATION
AND DEVELOPMENT
STATE OF LOUISIANA

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Many of these projects (330) were FHWA projects for which DOTD had not submitted final vouchers to FHWA.

Project engineers did not submit adequate information to the Project Control section to close 269 of the 643 completed projects. However, the Project Control section had the necessary information on the remaining 374 completed projects but still did not properly close the projects. The \$47,000,000 in allocated funds cannot be reallocated without closing the completed projects.

DOTD should adhere to the amended procedures contained in the *Construction Contract Administration Manual* for closing completed projects and reallocating unexpended funds timely. DOTD should also comply with the Code of Federal Regulations by submitting the final voucher to FHWA within one year of final acceptance of the project. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DJL:WMB:PEP:dl

[DOTD]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P. O. Box 94245
Baton Rouge, Louisiana 70804-9245



M. J. "MIKE" FOSTER, JR.
GOVERNOR

August 30, 1999

KAM K. MOVASSAGHI
SECRETARY

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

FINDING: Failure to Monitor Preliminary Engineering Projects

Dear Mr. Kyle:

The Department concurs with the finding. Letters addressing each of the cited eight projects have been sent to the Federal Highway Administration (FHWA) Division office, with appropriate justification, requesting extensions to the ten year limit contained in the provisions of 23 CFR 630.307 (copies attached). All eight of these projects have projected letting dates within the next several years.

The one remaining project cited, the Huey P. Long Bridge, is a Transportation Infrastructure Model for Economic Development (TIMED) project. With the passage of Act 64 of 1998, the Louisiana Legislature extended funding for the program such that sufficient state funds will now be available to complete this project. Federal funds currently earmarked for the project will be refinanced using TIMED funds and the resulting federal funds reallocated to the next project in the highway priority program.

The Department is in the process of acquiring a comprehensive project scheduling/tracking system to upgrade the existing system. Presentations/negotiations are underway with a number of potential vendors, and funds to purchase the system are being made available. It is currently envisioned that full implementation of the new system is several years away, however the Department is committed to its acquisition. In the interim, the Department will use its existing system, and check to insure compliance with 23 CFR 603.307 as it develops its Statewide Transportation Improvement Plan (STIP) each year.

The Department's point of contact is Mr. Robert Boagni, Project Development Division Chief, 225-379-1304.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kam K. Movassaghi', written in a cursive style.

Kam K. Movassaghi, Ph.D., P.E.
Secretary

JBjr:mab



STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P. O. Box 94245
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M. J. "MIKE" FOSTER, JR.
GOVERNOR

August 30, 1999

KAM K. MOVASSAGHI
SECRETARY

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

FINDING: Untimely Closing of Projects

Dear Mr. Kyle:

The Department concurs with the finding. As noted, the Department has taken the corrective actions outlined in last year's management letter. The Department thoroughly staffed the issue and revised its procedures in conjunction with our federal partners. The revised policy was signed on June 9, 1999. The Department is conducting a review of the effected projects and will close out by default those that meet the established criteria. Release of federal funds will be timed to occur not earlier than October 1, 1999 (beginning of new federal fiscal year), in order to allow maximum time to have additional projects ready to re-obligate these funds.

Again consistent with last year's management letter concerning this finding, the Department was successful in gaining approval from the Division of Administration and the Legislature to increase its table of organization (T.O.) and create a cash management position. The new T.O. was effective on July 1, 1999. A position description and SF-1 is being prepared for submission to civil service. Once approved, the position will be posted and filled. The new position will have responsibility for, among other things, monitoring the timely close out of projects.

The Department's point of contact is Mr. Jimmy Little, 225-379-1503.

Sincerely,

Kam K. Movassaghi, Ph.D., P.E.
Secretary

JBjr:mab