

DEPARTMENT OF TRANSPORTATION  
AND DEVELOPMENT

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED APRIL 20, 2022

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



Department of Transportation  
and Development

April 2022

Audit Control # 80210075

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## 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, 2021, we performed procedures at the Department of Transportation and Development (DOTD) to provide assurances on financial information that was 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 findings reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the DOTD management letter dated March 22, 2021. We determined that management has resolved the prior-year finding related to Deficiencies in Controls over Electronic Payroll Certification and Approvals. 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.

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### Current-year Finding

#### Untimely Submission of Summary of Samples and Test Results Form

For the third 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 19 projects receiving final acceptance during fiscal year 2021, DOTD did not ensure the Summary of Samples and Test Results Form was completed within 90 days of the project's final acceptance for ten (53%) of the projects tested.

- For six (32%) of these projects, the form was completed untimely, ranging from 102 to 265 days after final acceptance.
- For four (21%) of these projects, the form was not completed as of November 2021, with final acceptance dates in July 2020, January 2021, April 2021, and June 2021.

In addition, there were two individually important projects reviewed in which one project did not have the Summary of Samples and Test Results Form completed as of November 2021, with a final acceptance of May 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 this 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 outlined a plan of corrective action (see Appendix A).

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## **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, 2021, 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)

The account balances and classes of transactions tested were materially correct.

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**Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2021, 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.

DOTD's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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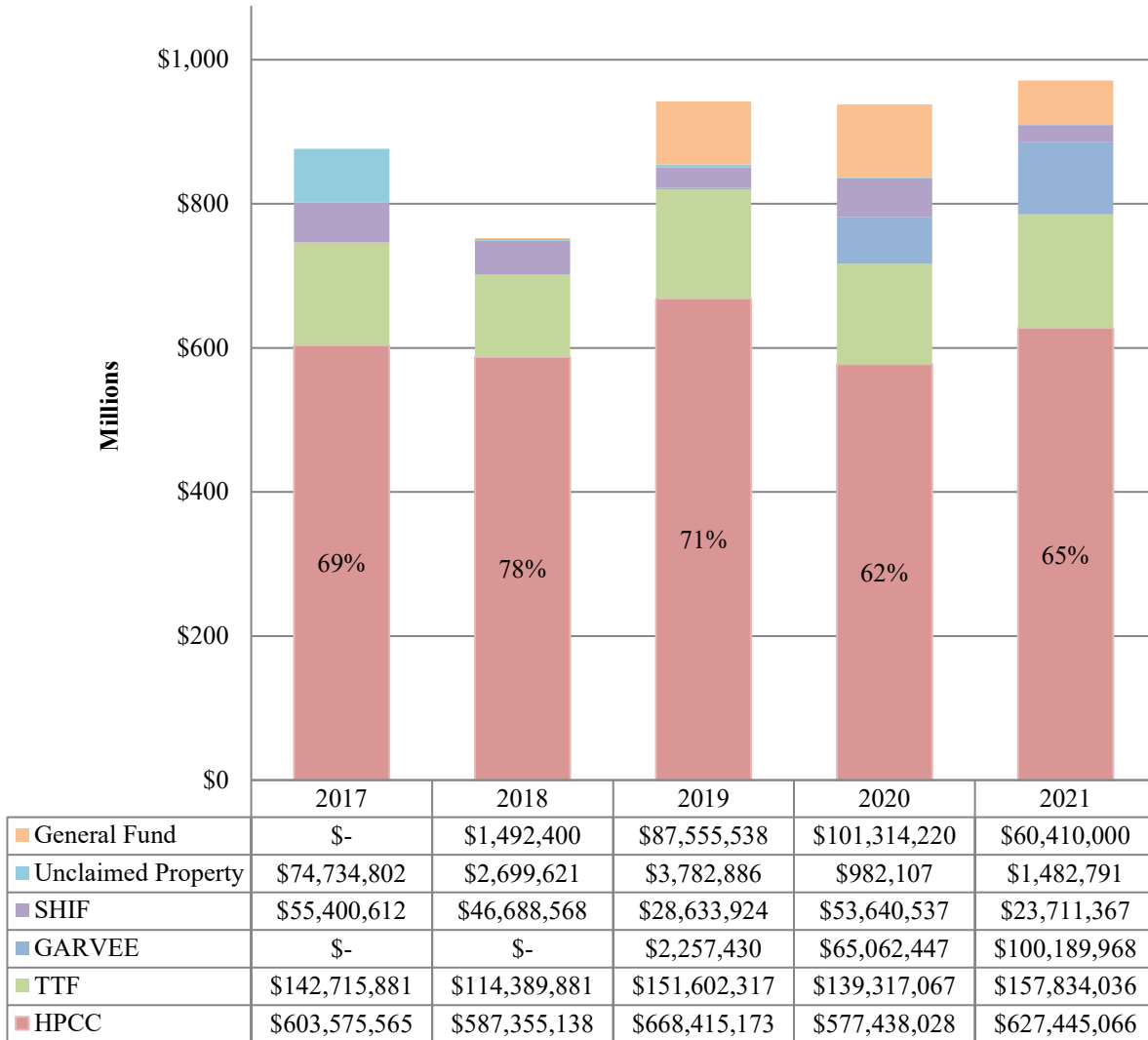
**Trend Analysis**

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. We also prepared an analysis of the significant funding sources of the capital outlay program over the last five fiscal years.

In analyzing financial trends of DOTD over the past five fiscal years, HPCC federal funds provided \$627,445,066 (65%) of the funding for the capital outlay program in fiscal year 2021. There was a \$50 million increase (9%) in HPCC federal funds and an \$18.5 million increase (13%) in the Transportation Trust Fund (TTF) for fiscal year 2021. These increases were due to a rise in costs associated with Hurricanes Laura and Delta. Federal funding from Grant Anticipation Revenue Vehicle (GARVEE) Bonds increased by \$35 million in fiscal year 2021, providing \$100 million (10%) towards capital outlay projects. In addition, there was a \$30 million decrease (-56%) in the state highway improvement fund (SHIF) and a \$41 million

decrease (-40%) in general fund non-recurring revenues for fiscal year 2021 due to appropriations in the capital outlay budget.

**Exhibit 1**  
**Five-Year Trend of DOTD Capital Outlay**  
**Funding Sources, by Fiscal Year (FY)**



Source: FY 2017-2021 DOTD Capital Outlay Annual Fiscal Reports

**General Fund** is the principal operating fund of the state, was established administratively to provide for the distribution of funds appropriated by the state legislature for the ordinary expenses of state government.  
*(LA Constitution Article 7, Section 9)*

**Grant Anticipation Revenue Vehicles (GARVEE)** is a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, U.S. Code. The GARVEE financing mechanism generates up-front capital for major highway projects and enables a state to construct a project earlier than if using traditional resources.  
*(https://www.fhwa.dot.gov/ipd/fact\_sheets/garvees.aspx; LA RS 48:27)*

**Unclaimed Property Leverage Fund** is a special fund that is funded by a portion of unclaimed property collected by the state. It contains two separate accounts, I-49 North and I-49 South, which can only be used to match federal funds for the costs associated with each respective project.  
*(LA RS 9:165)*

**Transportation Trust Fund (TTF)** is funded by a 16 cents gasoline tax, which is used exclusively for the construction and maintenance of the state and federal highway systems, the Statewide Flood-Control program, ports, airports, transit, and the Parish Transportation Fund.  
*(LA Constitution Article 7, Section 27)*

**State Highway Improvement Fund (SHIF)** collects registration and license fees and taxes to be used exclusively for funding projects that are part of the state highway system but not part of the federal system, and thus, is ineligible for federal highway funding assistance.  
*(LA RS 48:196)*

**Highway Planning and Construction Cluster (HPCC)** provides federal grants to states to assist in the construction, rehabilitation, and preservation of the National Highway System; to provide aid for the repair of federal-aid highways following disasters; to foster safe highway design and improve bridge conditions; to support community-level transportation infrastructure; and to provide for other special purposes.  
*(https://highways.dot.gov)*

The recommendation in this letter represent, in our judgment, that which will most likely to 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

RJD:LMN:RR:EFS:aa

DOTD 2021





## **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  
Shawn D. Wilson, Ph.D., Secretary

April 1, 2022

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 submitting these forms to the Construction Section to be compiled into the final project close out documentation. As this is currently a manual process, full implementation of the “HeadLight Materials and Sampling Plan” system will provide significant efficiencies 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 “late” 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 the audit finding and the requirements for timely submittal as an agenda item for the annual statewide meetings with District personnel.
- The Section will continue to pursue the development, testing, and implementation of the “HeadLight Materials and Sampling Plan” system. This system will allow real time sampling and testing results for all projects. Since all information is digital, this should aid in completing the Audit of Testing and Materials Form more timely. Additionally, the risk of late submittal is also minimized as the system will notify Construction once quantities and results are input into the system and immediate feedback can be given if additional testing of samples is required. Currently half of the Districts have been trained

and are using HeadLight for new projects. The remaining Districts are planned to be fully implemented statewide by December 31, 2022.

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 audit with specific instructions to give top priority to ensure all required work is completed on time. Additional follow-up will be made with the responsible staff accordingly.
- Management will continue to meet with Construction to discuss progress made on closing out older projects and to evaluate potential changes in the work process for those projects remaining to be completed outside of the “HeadLight” system. This includes Operations engaging additional personnel to assist in the Districts which have the most projects on the “late” report produced by Construction.
- Management will work with Construction to continue with the testing and full implementation of the “HeadLight” project in all Districts.

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 Barry Keeling, Undersecretary at (225) 379-1270 should you have any questions.

Sincerely,



Shawn D. Wilson, Ph.D.  
Secretary

SDW:MS:ch

cc: Mr. Chris Knotts, PE  
Mr. Barry Keeling  
Mr. Vince Latino, PE  
Mr. Don Johnson  
Mr. Mike Vosburg, PE  
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, 2020, through June 30, 2021, 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, were 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, 2021.

- 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, 2021, as a part of the 2021 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.