

# DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Management Letter**  
**Issued May 8, 2024**

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
MICHAEL J. "MIKE" WAGUESPACK, CPA

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
BETH Q. DAVIS, CPA

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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of Transportation and Development



May 2024

Audit Control # 80230084

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## Introduction

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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, 2023, we performed procedures at the Department of Transportation and Development (DOTD) to provide assurances on financial information that is 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.

We also determined whether management has taken actions to correct the finding reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the DOTD management letter dated April 26, 2023. 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 Findings

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

For the fifth 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 Program. 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 16 projects out of a population of 160 projects receiving final acceptance during fiscal year 2023, DOTD did not ensure the Summary of Samples and Test Results Form was completed within 90 days of the project's final acceptance for nine (56%) of the projects tested.

- For four (25%) of these projects, the form was completed untimely, ranging from 107 to 175 days after final acceptance.
- For five (31%) projects, the form was not completed as of November 2023, with final acceptances ranging from October 2022 to June 2023.

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 the Summary of Samples and Test Results 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 provided a corrective action plan (see Appendix A, pages 1-3).

### **Inadequate Controls over and Noncompliance with Wage Rate Requirements**

DOTD did not adhere to policies designed to ensure compliance with federal wage rate requirements for construction projects funded through the Highway Planning and Construction program (Assistance Listing 20.205). In addition, DOTD did not comply with a portion of the federal wage rate requirements.

The Davis-Bacon Act (40 USC 3141-3147) requires that all laborers and mechanics employed by contractors or subcontractors on construction work performed on federally-funded highway projects with construction contracts in excess of \$2,000 must be paid wages at rates not less than those prevailing on the same type of work on similar construction in the immediate locality as determined by the U.S. Department of Labor (23 USC 113). The contractor or subcontractor must submit

weekly certified payrolls for each week any covered work is performed [29 CFR 5.5(a)(3)(ii)(A)] and a statement of compliance. Employee interviews should also be conducted to ensure that the work performed by construction workers and mechanics is consistent with the corresponding job titles and wages being reported on the certified payrolls [29 CFR 5.6(a)(3)].

To ensure compliance with wage rate requirements, DOTD's policy is to approve payment of the contractors' partial estimates after all required certified payrolls for the estimate period are submitted to DOTD. In addition, DOTD's Engineering Directives and Standards Manual (EDSM) requires that a minimum of one site interview per project be conducted by the Project Engineer on all federally-funded projects with a wage decision.

Our procedures disclosed the following:

- Two (4%) of the 56 federally-funded projects tested, which are in the construction phase with expenditures during fiscal year 2023, had partial estimates that were approved for payment prior to DOTD reviewing the required weekly certified payrolls from the contractor.
- Three (21%) of the 14 federally-funded projects tested, which were completed during fiscal year 2023, did not have an adequate review of the site interviews, including two projects that did not have evidence of review on the site interview form, and one project where the site interview form could not be located, resulting in noncompliance with wage rate requirements. In addition, we reviewed three projects in addition to those sampled above and noted one individually important project did not have evidence of review on the site interview form.

Failure to follow established internal controls and guidelines set forth in DOTD's EDSM resulted in noncompliance with department policy and with the federal wage rate requirements; this could potentially result in contractors not paying laborers and mechanics the prevailing wage rates.

Management should enforce internal controls and the policies established within DOTD's EDSM to ensure compliance with federal wage rate requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 4-6).

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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, 2023, 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)
- Unearned Revenue for State and Local Fiscal Recovery Funds (Construction Subfund)

**Engineering and Operations**

- Capital grant revenues (classification)

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested are 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, 2023, we performed internal control and compliance testing 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 DOTD's major federal programs, as follows:

- Highway Planning and Construction (Assistance Listing 20.205)
- Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027)

Those tests included evaluating the effectiveness of DOTD's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether DOTD complied with applicable program requirements. In addition, we performed certain procedures on information submitted by DOTD to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of a prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Untimely Submission of Summary of Samples and Test Results Form and Inadequate Controls over and Noncompliance with Wage Rate Requirements. These findings were also included in the Single Audit for the year ended June 30, 2023. In addition, 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.

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

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

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DOTD 2023





## **APPENDIX A: MANAGEMENT'S RESPONSES**

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March 7, 2024

Mr. Michael J. “Mike” Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**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 single 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 timely which could cause a delay in validating that the sampling and test results were completed in accordance with our requirements. Document submittal must be made by either the DOTD Project Engineers; District Lab Engineers; Construction, Engineering & Inspection (CEI) Consultants; or local entities, depending on contract. DOTD will investigate and pursue the following possible corrective actions as a plan to address the issues identified for each contract type.

- The Local Public Agency (LPA) training will be developed as an online training that can be accessed remotely, in addition to the in person training currently offered. All entities and CEI Consultants will be required to provide proof of completion of this mandatory LPA training prior to CEI contract award. This will ensure all responsibilities for the contract holder are defined prior to project, including the requirement to submit all paperwork in a timely manner and potential ramifications.
- DOTD will update the Louisiana Standard Specifications for Roads and Bridges book to document that the Department reserves the right to not pay for quantities installed if all required paperwork is not submitted by the contractor.

Michael J. "Mike" Waguespack

March 7, 2024

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- Project Engineers will be instructed to hold future payments for projects where appropriate paperwork was not received.
- LPA contracts will be adjusted to include language that DOTD will be allowed to withhold retainage until all Final estimates and 2059 packages are submitted.
- DOTD Construction will continue to pursue improvements to fully implement Headlight Materials and all accompanying modules to automate and oversee real time status updates of the QA/QC process.
- DOTD Construction will review the Construction Contracts Administration Manual to determine appropriate internal timeline requirements for document submittals based on the legal requirements for all documents types.
- All action plan items will be discussed at the District Administrator meetings and at all Shade Tree meetings with Consultants.
- District Project Engineers who routinely appear on the project aging report disseminated by Construction will have performance goals and metrics added to their Performance Evaluation System (PES) and/or the soon to be rolled out SuccessFactors documentation.

Mr. Michael Vosburg, Deputy Chief Engineer, will be responsible for pursuit of the Construction related initiatives above and implementation of those which are deemed feasible. Mr. M. Todd Donmyer, Assistant Secretary of Operations, will be responsible for pursuit of the Operations related initiatives above and implementation of those deemed feasible. Implementation dates will be ongoing as we review the related internal policies, processes and procedures to determine viability and will be tracked internally once established.

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 Don Johnson, Undersecretary, at (225) 379-1270, should you have any questions.

Sincerely,



Terrence J. Donahue  
Secretary

JD:MWS:ch

Michael J. "Mike" Waguespack

March 7, 2024

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- c: Mr. Barry Keeling, DOTD Deputy Secretary
- Mr. Don Johnson, DOTD Undersecretary
- Mr. M. Todd Donmyer, DOTD Assistant Secretary of Operations
- Mr. Michael Vosburg, DOTD Deputy Chief Engineer
- Mr. Chad Roubique, DOTD Deputy Assistant Secretary of Operations
- Mr. Augustus M. Davis, DOTD Internal Auditor
- Mr. Mark St Cyr, DOTD Audit Director
- Mr. Chad Winchester, DOTD Chief Engineer

February 27, 2024

Mr. Michael J. “Mike” Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**RE: Department of Transportation and Development  
Audit Finding – Inadequate Controls over and Noncompliance with Wage Rate  
Requirements**

Dear Mr. Waguespack:

The Department is in receipt of your single audit finding entitled “Inadequate Controls over and Noncompliance with Wage Rate Requirements”. 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.

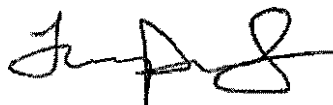
We plan to implement all corrective actions by April 30, 2024. Ms. Paula Roddy, Compliance Programs Director, will be responsible for ensuring implementation for all Compliance related matters. Mr. M. Todd Donmyer, Assistant Secretary of Operations, will be responsible for ensuring implementation for all Operations related matters. The following are our corrective action plans for each of the issues noted:

- To address the exceptions identified with DOTD’s compliance with the Copeland Act ensuring that contractor’s estimates are only approved after all required payrolls for the service period are submitted, we offer the following control enhancements:
  - Compliance Programs will update the Labor Compliance Manual to add the Estimate Approval Process with specific instructions for the following Construction phases of a project:
    - Assembly Period 1<sup>st</sup> estimate
    - Zero Dollar estimate
    - Project estimate (payroll coverage needed to approve)

- 30-day estimate
  - 30 plus day estimate
  - Closeout estimate
  - Responsible Compliance Programs employee and backup will be trained on Manual updates
  - Compliance Programs will discuss these requirements at any Project Engineer and District Administrator meetings section personnel attend, as well as at the annual shade tree meetings, when possible.
- To address the exceptions identified with compliance with DOTD's policy for site interviews for Davis-Bacon eligible projects, we offer the following control enhancements:
    - The Office of Operations will develop a District by District process to schedule, coordinate, and follow-up with their respective Project Engineers to ensure site interviews are performed, signed, and scanned into the system of record. Additionally, part of this process will be to develop an internal audit process to ensure the controls implemented are working effectively.
    - Compliance Programs will work with the Enterprise Support Services to develop a report identifying all Davis-Bacon eligible projects. This list will be communicated on an ongoing basis to the responsible District personnel and will be used by the Labor Compliance Manager to perform spot audits for compliance. Any areas of deficiency should be addressed or exceptions documented accordingly.
    - Compliance Programs will discuss these requirements at any Project Engineer and District Administrator meetings section personnel attend, as well as at the annual shade tree meeting when possible.

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 Don Johnson, Undersecretary, at (225) 379-1010, should you have any questions.

Sincerely,



Terrence J. Donohue  
Secretary

JD: MWS:ch

- c: Mr. Barry Keeling, DOTD Deputy Secretary
- Mr. Don Johnson, DOTD Undersecretary
- Mr. M. Todd Donmyer, DOTD Assistant Secretary of Operations
- Mr. Chad Roubique, DOTD Deputy Assistant Secretary of Operations
- Ms. Paula Roddy, DOTD Compliance Programs Director
- Mr. Augustus M. Davis, DOTD Internal Auditor
- Mr. Mark St Cyr, DOTD Audit Director



## APPENDIX B: SCOPE AND METHODOLOGY

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We performed certain procedures at the Department of Transportation and Development (DOTD) for the period from July 1, 2022, through June 30, 2023, 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, are 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, 2023.

- 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 Highway Planning and Construction (Assistance Listing 20.205) and the Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027) federal programs for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We performed certain procedures on the status of a prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2023, as a part of the 2023 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.