



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Management Letter

Department of Transportation

Fiscal Year Ended June 30, 2002



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year and one best practices review.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of Representatives and Senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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All OLA reports are available at our Web Site: <http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

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Audit Participation

The following staff of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Tom Donahue, CPA	Audit Manager
Laura Peterson, CPA	Auditor-in-Charge
George Deden, CPA	Senior Auditor
Susan Mady	Senior Auditor

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Department of Transportation at an exit conference held on March 7, 2003:

Carol Molnau	Commissioner
Doug Differt	Deputy Commissioner
Dick Stehr	Engineering Services Division Director
Julie Skallman	State Aid Engineer
Scott Peterson	Office of Finance
Dick Swanson	Office of Finance
Dennis Herzog	Financial Reporting Supervisor
Terry Lemke	Financial Planning and Analysis
Ron Gipp	Director, Office of Audit
Larry Kienitz	Office of Audit

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Report Summary

Key Findings and Recommendations:

As a result of audit procedures performed by our office and the Department of Transportation (MnDOT) Office of Audit, we identified various weaknesses in internal control and instances of noncompliance. For each finding, we recommended that the department establish appropriate procedures or improve its oversight to ensure compliance with federal and state regulations. Areas of concern raised include:

- MnDOT did not adequately segregate duties in its right of way division. (Finding 1, page 4)
- MnDOT did not ensure that certain transportation financial activity was accurately presented on the state's financial statements. (Finding 2, page 5)
- MnDOT did not ensure compliance with federal and state reporting requirements for the removal and disposition of hazardous building materials or bridge lead paint residue. (Finding 3, page 6)
- MnDOT did not follow or ensure compliance with certain contract permit requirements. (Finding 4, page 7)
- MnDOT should improve certain project oversight procedures. MnDOT Office of Audit repeated several issues from its previous audit and identified several new areas where departmental procedures were inadequate or ineffective. (Finding 5, page 7)

Management letters address internal control weaknesses and noncompliance issues found during our annual audit of the state's financial statements and federally funded programs. The scope of work in individual agencies is limited. During the fiscal year 2002 audit, our work at the Department of Transportation focused on state highway construction expenditures, grants for airport improvement, and grants to local governments for road construction and maintenance. We also reviewed local bridge and transit project disbursements, rail service improvement loan balances, and highway user tax transfers. Finally, we reviewed two federally funded programs administered by the department to determine whether the department complied with certain federal requirements. Our work on the federal programs was performed in conjunction with the MnDOT Office of Audit. The department's response is included in the report.

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Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Carol Molnau, Lieutenant Governor/Commissioner
Department of Transportation

We have preformed certain audit procedures at the Department of Transportation (MnDOT) as part of our audit of the basic financial statements of the State of Minnesota as of and for the year ended June 30, 2002. We relied, in part, on the work of the MnDOT Office of Audit to ensure the state's compliance with the requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that were applicable to the department for the year ended June 30, 2002. We emphasize that this has not been a comprehensive audit of the Department of Transportation.

Table 1 identifies the financial activities within the department that were material to the state's financial statements. We performed certain audit procedures on the department programs as part of our objective to obtain reasonable assurance about whether the State of Minnesota's financial statements for the year ended June 30, 2002, were free of material misstatements.

Table 1
Department of Transportation
Programs Material to the State's Financial Statements
Fiscal Year 2002 (in thousands)

<u>Assets:</u>	<u>Amount</u>
Infrastructure	\$4,311,441
Right of Way	896,423
<u>Revenue:</u>	
Trunk Highway Federal Grant Revenue	299,569
<u>Expenditures:</u>	
Infrastructure Capital Outlay ⁽¹⁾	258,803
Right of Way Capital Outlay ⁽¹⁾	117,826
County State-Aid Highway Grants	354,875
Municipal State-Aid Street Grants	110,535

(1) The capital outlay amounts include ancillary type costs.

Source: State of Minnesota's *Comprehensive Annual Financial Report* and the Minnesota Accounting and Procurement System for fiscal year 2002.

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Table 2 identifies the State of Minnesota's major federal programs administered by the Department of Transportation. We performed certain audit procedures on these programs as part of our objective to obtain reasonable assurance about whether the State of Minnesota complied with federal requirements. Our work was performed in conjunction with the MnDOT Office of Audit.

Table 2
Major Federal Programs Administered by MnDOT
Fiscal Year 2002 (in thousands)

<u>Program Name</u>	<u>CFDA</u>	<u>Expenditures</u>
Highway Planning and Construction	20.205	\$427,455
Airport Improvement Grants	20.106	\$ 73,056

Source: Minnesota Accounting and Procurement System for fiscal year 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Conclusions

Our December 6, 2002, report included an unqualified opinion on the State of Minnesota's basic financial statements included in its Comprehensive Annual Financial Report for the year ended June 30, 2002. In accordance with *Government Auditing Standards*, we also issued our report, dated December 6, 2002, on our consideration of the State of Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. In March 2003, we will issue our report on compliance with requirements applicable to each major federal program and internal control over compliance in accordance with OMB Circular A-133.

As a result of our financial statement audit work and the federal compliance review performed by the MnDOT Office of Audit, we identified certain weaknesses in internal control and instances of noncompliance with federal and state regulations, which we discuss in the following findings.

1. The department did not adequately segregate duties in its right of way division.

Two employees in the department's right of way accounting division had the ability to both encumber funds and make disbursements in the state's accounting system (MAPS). In addition, these employees submitted requests to the Department of Finance to establish new vendors in MAPS. During fiscal year 2002, the department paid approximately \$103 million to property owners for right of way land. By giving an employee access to both the encumbrance and disbursement functions in MAPS, the risk of errors and irregularities increases. At a minimum, the department should have an independent person verify the employees' work to ensure the propriety of payments made through the accounting system.

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Recommendation

- *The Department of Transportation should enhance controls in its right of way accounting division by separating duties or providing for an independent review of the employees' work.*

2. The Department of Transportation did not ensure certain transportation financial activity was fairly presented on the state's financial statements.

The Department of Transportation (MnDOT) did not accurately compile certain financial information for the state's financial statements. We found the following errors:

- MnDOT did not include \$23.7 million of accounts payable in the county highway and municipal street state aid funds. Generally, the Department of Finance uses data from MAPS to calculate the June 30 accounts payable. However, in the case of these state aid programs, MnDOT uses a subsystem to track the detail of financial activity. The subsystem summarizes the detail transactions and interfaces the summarized data into MAPS. The summarized data in MAPS does not contain the appropriate dates to determine the June 30 accounts payable. The department did not consider information from the subsystem when determining the June 30 accounts payable in the fund financial statements.
- MnDOT did not identify the components of the trunk highway fund "other revenues" so that the information could be properly presented in the state's financial statements. Starting in fiscal year 2002, the State of Minnesota implemented a new financial reporting model in accordance with the Governmental Accounting Standards Board (GASB) Statement 34. The new reporting model requires identification of program revenues by functional areas (such as transportation or public safety) and type of revenue (such as charges for services, operating grants, and contributions, or capital grants and contributions). The department incorrectly included \$13.6 million of revenue in the other general revenues category rather than providing information so that the financial information could be classified by function and type.
- MnDOT did not accurately account for the trunk highway federal aid receivable and revenue. Many trunk highway projects are federally funded, and the U.S. Department of Transportation reimburses MnDOT for a percentage of expenditures incurred. Generally, the U.S. Department of Transportation reimburses MnDOT weekly. These federal participating projects, along with state funded projects, are accounted for in the trunk highway fund. To determine the federal aid receivable, MnDOT considered the accounts payable directly related to the trunk highway construction. However, MnDOT took into account all highway construction projects rather than only those that were federal participating. This resulted in an overstatement of the federal aid receivable. We recommended an audit adjustment that reduced the federal revenue by \$14.7 million.

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Recommendation

- *The Department of Transportation should work with the Department of Finance to ensure the financial statements are accurate.*

3. PRIOR FINDING NOT IMPLEMENTED: The department did not ensure compliance with federal and state reporting requirements for the removal and disposition of hazardous building materials or bridge lead paint residue.

The MnDOT Office of Audit found that the department did not exercise effective oversight to ensure that contractors filed the required reports or other documents related to the removal and disposition of asbestos and building removals. The Office of Audit identified various violations of reporting requirements in its review of one state project, which included two building demolitions. The audit report concluded that failure to comply with federal and state requirements exposed the department to potential fines and other penalties.

The MnDOT Office of Audit also found that testing documentation for lead paint residue continues to be a problem. The report indicated that the department did not document the Toxicity Characteristic Leaching Procedure (TCLP) test as required by the project agreement. The TCLP test is important because it indicates whether the amount of lead in the blasting residue exceeds the threshold for hazardous waste. The project also required the blasting residue to be managed as hazardous waste until after it had been tested and determined to be non-hazardous. The project proposal required the department to sample the blasting residue and have it independently tested. However, for one of the two bridges tested, the department did not document the TCLP test. For the second bridge, the contractor shipped the residue after it received TCLP test results based on its own samples, but before the TCLP results on samples submitted by the department were known. However, both test results indicated the residue was non-hazardous.

Finally, the contractor did not appropriately identify the address of the waste generation site on the shipping documents. As a result, the auditors could not verify the origin of the bridge lead paint-blasting residue.

Recommendations

- *The department should ensure that project engineers provide appropriate oversight of federal and state reporting requirements for the removal and disposition of hazardous building materials.*
- *The department should establish appropriate procedures to ensure compliance with federal and state requirements for the removal and disposition of lead paint blasting residue.*

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4. PRIOR FINDING NOT IMPLEMENTED: The department did not follow or ensure compliance with certain contract permit requirements.

According to the MnDOT Office of Audit report, the department did not always ensure compliance with National Pollutant Discharge Elimination System (NPDES) permit requirements. For 8 out of 11 construction projects, the contractor did not properly document weekly inspections. In addition, for one project, the department did not file an Erosion Control Plan with the Minnesota Pollution Control Agency. Finally, for 7 out of 13 construction projects, the NPDES permits expired before the project work began, and for 5 other projects, the department did not include the permits in the project proposals.

The Minnesota Pollution Control Agency requires the NPDES permits to provide control over construction activities for project erosion and sediment control. The MnDOT Office of Audit reported concerns regarding compliance with the NPDES permit requirements in its last three Single Audit reports beginning in fiscal year 2000. Noncompliance with permit requirements could result in potential fines and penalties.

Recommendation

- *The Department of Transportation should ensure compliance with NPDES permit requirements.*

5. PRIOR FINDING NOT IMPLEMENTED: The department should improve certain project oversight procedures.

The MnDOT Office of Audit report identified various concerns and issues where project management oversight could be strengthened. The following issues were identified in the current MnDOT Office of Audit's report and includes both new and prior audit concerns:

- For one delegated contract process project, a district state aid engineer inappropriately signed a supplemental agreement. MnDOT Office of Audit indicated that the district state aid engineer followed procedures outlined on an outdated delegated contract process checklist. MnDOT Office of Audit recommended revising DCP project supplemental agreement approval procedures and to provide training and guidance to the districts and to city and county engineers. (Prior issue)
- Additional management attention was needed for bituminous and concrete material testing requirements. The MnDOT Office of Audit report indicated that for one project, bituminous material testing requirements were not met, and that they were unable to verify that quality assurance aggregate quality testing requirements were met. Material testing requirements for concrete pavements were not met for two state projects. In addition, MnDOT Office of

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Audit identified a need to reevaluate practices and requirements for bituminous aggregate quality testing. (Prior issue)

- The department did not ensure an independent appraisal of quality assurance and quality control requirements. For one state project, MnDOT personnel performed both the concrete quality control and quality assurance testing, even though the contractor is responsible for quality control testing. Since the quality assurance testing serves to validate the quality control testing, these two tests should be performed by separate entities. (Prior issue)
- MnDOT Office of Audit also included in its report the results of a joint review conducted by the Federal Highway Administration and the MDOT Office of Land Management. That review cited multiple instances of non-compliance regarding right of way appraisals and acquisitions for a state project. MnDOT Office of Audit recommended timely follow-up to ensure that the report recommendations were carried out. (New issue)
- The department did not adequately monitor the geotechnical investigation work performed by one consultant. A geotechnical investigation helps determine the extent of muck excavation needed on certain construction sites. The department considers this information when drafting the project plan and proposal. As a result of the substandard work done by the consultant, the department needed to modify the original project plan and proposal. (New issue)
- The department did not accurately list in the construction diaries the contractors and subcontractors who worked on five construction projects. As a result, the department program personnel could not ensure it reviewed all payroll documentation. Contractors must submit detailed payroll records to support compliance with the federal minimum wage regulations (Davis-Bacon). The MnDOT Office of Audit could not verify compliance with the federal requirements without detailed payroll records. (Prior issue)
- For two projects, the department did not apply contractor disincentives, deductions, and reduced pay factors on a timely basis. If certain test results do not meet the requirements per the construction plan, the department has a right to reduce the amount paid to the contractor. Payments to contractors would be more consistent if disincentives were applied in a timely manner. (New issue)

Recommendation

- *The Department of Transportation should strengthen its project oversight procedures to ensure compliance with federal and state requirements.*

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This report is intended for the information of the Legislative Audit Commission and the management of the Department of Transportation. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 20, 2003.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 10, 2003

Report Signed On: March 17, 2003

Status of Prior Audit Issues As of February 10, 2003

March 26, 2002, Legislative Audit Report 02-19 examined the department's activities and programs material to the *State of Minnesota's Comprehensive Annual Financial Report* and the Single Audit for the year ended June 30, 2002. The scope included the trunk highway capital outlay, county highway and municipal street state-aid grants, county and municipality bridge projects, federal county road and bridge grants, and airport improvement grants. The report contained seven findings, and one finding has been resolved. Our prior findings 1 and 2 concerning federal and state reporting requirements over the removal and disposition of hazardous building materials and lead paint residue from bridges, respectively, are combined and repeated in our current Finding 3. Prior Finding 3, regarding the use of independent appraisals of quality assurance and quality control requirements, and prior Finding 4, concerning an inappropriate signature on a supplemental agreement under a delegated contract process, are repeated in Finding 5. Prior Finding 5, ensuring compliance with certain contract permit requirements, is repeated in our current Finding 4. Finally, prior Finding 6, concerning improvement for certain project oversight procedures, is repeated as current Finding 5.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the metropolitan agencies, or the State Agricultural Society, the state constitutional officers, or the judicial branch.



Minnesota Department of Transportation

Transportation Building

395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899

March 14, 2003

James Nobles, Legislative Auditor
First Floor – Centennial Office Building

Dear Mr. Nobles:

Thank you for your letter of March 4, 2003 and the attached report. We certainly appreciate all of the time and effort that went into your financial audit review for Fiscal Year 2002.

Regarding Finding 1 “The Department of Transportation did not adequately segregate duties in its right of way division,” Mn/DOT concurs with the recommendation and has taken steps to ensure adequate review and separation of duties in the right of way accounting area.

Responsible Person: Kevin Gray, Finance and Administration Director.

Resolution Date: Already implemented.

Regarding Finding 2 “The Department of Transportation did not ensure certain transportation financial activity was fairly presented on the state’s financial statements,” Mn/DOT agrees with the recommendation, but we would like to respond specifically to the three items mentioned. They are: 1) An accounts payable from the state aid subsystem was not included. Due to a miscommunication we were unaware that this item was not being provided to the Department of Finance (DOF). We will report this payable in the future. 2) Mn/DOT did not identify the components of the trunk highway fund “other revenues” so that the information could be properly presented in the state’s financial statements. Mn/DOT provided other revenue information to the DOF as usual. Due to GASB 34 changes in financial reporting this year, the DOF needed more detail to report by function and type but did not ask Mn/DOT for any further breakdown. We will work with DOF to resolve this situation in the future. 3) Mn/DOT did not accurately account for the trunk highway federal aid receivable and revenue. Mn/DOT will work with DOF and the Office of the Legislative Auditor to develop a better method for estimating federal aid receivable for future financial statements.

Responsible Person: Kevin Gray, Finance and Administration Director

Resolution Date: September, 2003.

Regarding Finding 3 (Prior finding not implemented) “The department did not ensure compliance with federal and state reporting requirements for the removal and disposition of hazardous building materials or bridge lead paint residue,” Mn/DOT concurs with the recommendations and will take the following actions: 1) Mn/DOT’s Office of Environmental Services will conduct/conducts “just-in-time” training for district projects that include building removal/demolition work to ensure that Mn/DOT is in compliance with federal and state reporting requirements; 2) Contractors will not be allowed to start

removal/demolition work unless the notice procedure has been followed per the contract; 3) District 3, Baxter, has developed a Quality Control plan to help ensure compliance. This plan will be shared with other Mn/DOT districts; 4) An internal team is reviewing the wording of compliance requirements to ensure clarity, responsibility and understanding; 5) Mn/DOT will conduct an advance review for state, city, and county projects to ensure that the appropriate entity is contacted, people are trained, and the contractor complies with requirements.

Responsible People: Richard Stehr, Engineering Services Division Director; Robert Winter, District Operations Division Director, and Julie Skallman, State Aid for Local Transportation Director.

Resolution Date: July, 2003

Regarding Finding 4 (Prior finding not implemented) "The department did not follow or ensure compliance with certain contract permit requirements," Mn/DOT concurs with the recommendations and has taken the following actions: 1) Mn/DOT is working with PCA staff to develop new standards and a new process; 2) Is developing a Memorandum of Understanding between PCA and Mn/DOT that defines and clarifies requirements as they relate to transportation projects; 3) Mn/DOT's State Aid Division advised cities and counties of neglected items at their annual meetings in January, reminding them of importance of performing weekly inspections and being mindful of permit expiration dates. That reminder will be repeated at District meetings and in the State Aid newsletter. In 2002, State Aid provided Erosion Control Handbooks, and encouraged training to ensure compliance with NPDES requirements. (Training benefits may not be totally evident until all agencies are trained); 4) Mn/DOT has directed project engineers to comply with MPCA permit requirements.

Responsible People: Richard Stehr, Engineering Services Division Director, Julie Skallman, State Aid for Local Transportation Director, and Robert Winter, District Operations Division Director.

Resolution Date: October, 2003

Regarding Finding 5 (Prior finding not implemented) "The department should improve certain project oversight procedures," Mn/DOT concurs with the recommendations and will take actions as indicated below each of the specific items mentioned.

- District State Aid Engineer inappropriately signed a supplemental agreement based on outdated delegated contract process (DCP).

1) The State Aid for Local Transportation (SALT) Division has updated the guidance for supplemental agreements and distributed the new guidance to all local agencies with Federal-aid projects. 2) District State Aid Engineers were reminded of the new process at a January, 2003 meeting.

Responsible Person: Julie Skallman, State Aid for Local Transportation Division Director.

Resolution Date: March 2003

- Additional management was needed for bituminous and concrete material testing.

1) SALT reminded local agencies of specification requirements to retest QC/QA samples that are out of tolerance during annual meetings in January 2003. That reminder will be repeated at District meetings and in the State Aid newsletter. 2) SALT reminded local agencies of specification requirements to include Bituminous Plant Recommendation numbers on bituminous tickets at annual meetings in January 2003. That reminder will be repeated at District meetings and in the State Aid newsletter. 3) SALT reminded local agencies of the specification requirements for concrete pavement testing at annual meetings in January 2003. That reminder will be repeated at District meetings and in the State Aid newsletter.

Responsible Person: Julie Skallman, State Aid for Local Transportation Division Director.

Resolution Date: June 2003

1) Mn/DOT's Mankato District Engineer will be advised by memo to comply with the Schedule of Materials Control Requirements for Concrete testing. 2) Engineering Services and District Operations Directors and appropriate staff will review current aggregate quality testing practices and revise as needed to ensure consistency in testing.

Responsible People: Robert Winter, District Operations Division Director, and Richard Stehr, Engineering Services Division Director.

Resolution Date: July, 2003

- Mn/DOT did not ensure an independent appraisal of QA/QC requirements.

The Mankato District Engineer will be advised by memo to comply with the Schedule of Materials Control Requirements for Concrete Testing.

Responsible People: Robert Winter, District Operations Division Director, and Richard Stehr, Engineering Services Division Director.

Resolution Date: June, 2003

- Office of Land Management non-compliance regarding right of way appraisals. (New issue)

Mn/DOT has convened work teams comprised of staff from FHWA, SALT, District Operations, and Engineering Services to cooperatively develop education and define expert resource roles.

Responsible People: Julie Skallman, SALT Division Director, Richard Stehr, Engineering Services Division Director, and Robert Winter, District Operations Director

Resolution Date: June 2003

- Mn/DOT did not adequately monitor geotechnical investigation work performed by one consultant. (New issue)

1) Districts will review proper procedures with consultants. 2) District Operations and Engineering Services will develop techniques to help ensure that geotechnical investigations identify the full extent of needed excavations. 3) The Geotechnical & Pavement Manual is currently being revised to incorporate the concerns of this finding.

Responsible People: Richard Stehr, Engineering Services Division Director, and Robert Winter, District Operations Division Director

Resolution Date: September, 2003

- Department personnel could not ensure it reviewed all payroll documentation.
- 1) SALT staff is investigating each cited project and will recommend corrective action to local agencies. 2) SALT staff reminded local agencies of the importance and their responsibility for keeping payroll records by making tracking tools and assistance available. That reminder will be repeated at District meetings and in the State Aid newsletter.

Responsible Person: Julie Skallman, SALT Division Director

Resolution Date: June 2003

- Disincentives and deductions and reduced pay factors were not applied on a timely basis.

Resolution Action: 1) State construction engineer has reissued the disincentive memo regarding prompt payment. 2) SALT staff reminded local agencies of the importance of prompt payments at annual meetings in January 2003. That reminder will be repeated at District meetings and in the State Aid newsletter. SALT will provide local agencies with any guidance developed by Mn/DOT on making incentive and disincentive payments. 3) A team has been convened to recommend policy and procedures that relate to timely disincentive/deduction issues.

James Nobles
March 14, 2003
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Responsible People: Julie Skallman, SALT Director, Richard Stehr, Engineering Services Director, and Robert Winter; District Operations Director.

Resolution Date: December, 2003

Progress toward implementation of specific recommendations will be monitored. The contact person for information on that follow-up activity will be Terry Lemke. He can be reached at (651) 296-7070.

Sincerely,

/s/ Carol Molnau

Carol Molnau,
Lieutenant Governor/Commissioner District Operations Division Director