



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

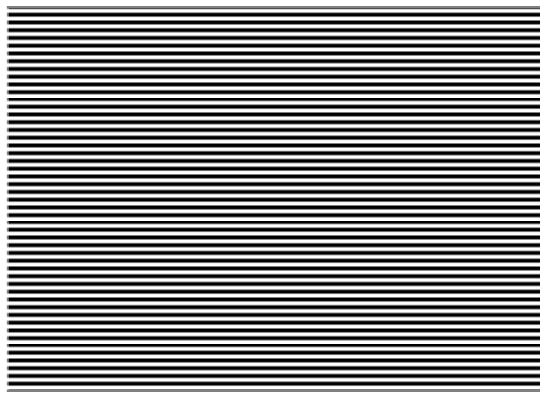
FOR RELEASE _____ September 22, 2006 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Transportation for the year ended June 30, 2005

The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

A copy of the report is available for review in the Iowa Department of Transportation, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###



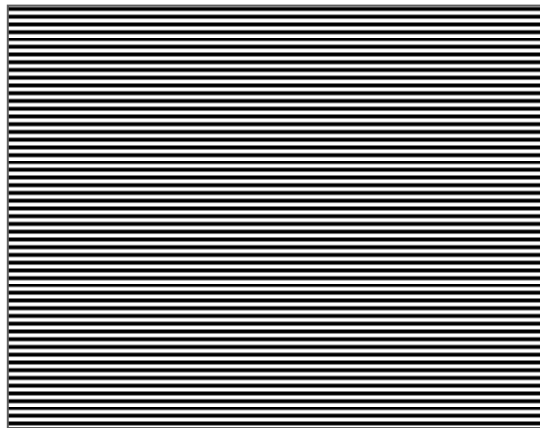
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF TRANSPORTATION**

JUNE 30, 2005

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

September 19, 2006

To Nancy J. Richardson, Director of the
Iowa Department of Transportation:

The Iowa Department of Transportation is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2005.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the State's Single Audit Report, as well as other recommendations pertaining to the Department's internal control. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 8 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Department of Transportation

June 30, 2005

Findings Reported in the State's Single Audit Report:

CFDA Number: 20.205 – Highway Planning and Construction

Agency Number: None

Federal Award Year: 2005

State of Iowa Single Audit Report Comment: 05-III-DOT-645-1

Davis-Bacon – Wage Rate Interviews – The Department established policies and procedures to be followed regarding Davis-Bacon wage rate requirements. The Department's Construction Manual, Chapter 2.24 requires the project engineer to document findings of the wage rate interview for the EEO Project Site Inspection/Wage Rate Interview form (Form No. 650170). This form was not on file for three of ten projects tested.

Recommendation – The Department should ensure the established procedures are followed so the Employee Wage Rate Interview forms are completed and filed in the project files.

Response and Corrective Action Planned – The residency will be counseled on the established procedures and required documents

Conclusion – Response accepted.

CFDA Number: 20.205 – Highway Planning and Construction

Agency Number: None

Federal Award Year: 2005

State of Iowa Single Audit Report Comment: 05-III-DOT-645-2

Davis-Bacon – Certified Payrolls – OMB Circular A-133 requires the contractor or subcontractor to submit to the non-federal entity a certified payroll each week in which any contract work is performed. The Department's established policies and procedures contained within the Department's Construction Manual, Chapter 2.24 states this requirement is to be included in the proposal for a federally-funded project. Chapter 2.24 also states the Department may, after written notice to the contractor, suspend further payments. However, the policies and procedures do not specify how quickly the action should be taken.

A contractor began to perform work for the Chariton/Ottumwa Resident Construction Engineer on March 8, 2004, and provided no weekly certified payrolls. The Department suspended payments to the contractor on February 22, 2005, after sending the required written notice to the contractor. The Department paid \$92,948 to the contractor before suspension of payments. No certified payrolls have been provided. The Chariton/Ottumwa Resident Construction Engineer recommended bidding privileges for this contractor be revoked until certified payrolls are provided.

Recommendation – The Department should establish policies and procedures to specify how quickly to send written notice of non-submission of certified payrolls to a contractor and to suspend further payments.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2005

Response and Corrective Action Planned – Chapter 2.24 of the Construction Manual states the “Transcript is submitted within one week after the end of a payroll period.”

To address issues of untimely submittal of payrolls of subcontractors, the following was included in the January 31, 2006 revision;

“If payrolls are not received, the residency staff should advise the prime contractor, in writing, which payrolls have not been submitted and that progress payments for the subcontracted items will be withheld.”

It is proposed to include the following time limits in the next Construction Manual revision:

“If payrolls of the prime contractor are not received within 2 weeks of the period covered, the residency staff should advise the prime contractor, in writing, which payrolls have not been submitted and that progress payments for the work will be withheld. If payrolls of subcontractors are not received within 3 weeks of the period covered, the residency staff should advise the prime contractor, in writing, which payrolls have not been submitted and that progress payments for the subcontracted items will be withheld. In either case, communication with the contractor sooner than these time limits may be appropriate to inquire on the status of payrolls.”

Prompt payment has been an emphasis area of the Department and Federal Highway Administration the past two years. The lack of payrolls from the contractor was overlooked in the pursuit of promptly making payment for work performed.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2005

CFDA Number: 20.509 – Formula Grants to Other Than Urbanized Areas

Agency Number: None

Federal Award Year: 2005

State of Iowa Single Audit Report Comment: 05-III-DOT-645-3

Federal Transit Administration (FTA) – Subrecipient Monitoring of Davis-Bacon – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract or grant. The Department delegated responsibility for compliance with federal requirements related to the Davis-Bacon Act to the director of the transit agency, who is the subrecipient for these projects. The Department has no written policies and procedures to ensure subrecipient monitoring includes compliance with the Davis-Bacon Act.

Recommendation – The Department should develop and implement written policies and procedures to determine and ensure compliance with Davis-Bacon requirements on federally participating FTA projects. The written policies and procedures should require oversight activities be performed during the course of the project to ensure federal requirements are met and corrective action is taken when non-compliance is noted.

Response and Corrective Action Planned – The Office of Public Transit (OPT) agrees there has been a gap in formal oversight procedures concerning its subrecipients' responsibilities to monitor contractors' implementation of Davis-Bacon provisions. OPT proposes to incorporate into its Iowa Transit Managers' Handbook a description of the monitoring procedures that are required of its subrecipients when they have Davis-Bacon covered construction projects and also to develop a training session to discuss the full range of responsibilities related to Davis-Bacon administration. OPT Program Administrators will: 1) require designation of the specific trained individual responsible for Davis-Bacon monitoring on behalf of the subrecipient before concurring in the award of any construction contract, 2) require documentation of wage survey results before processing any payment request that would result in a cumulative reimbursement exceeding 50% of approved costs on any construction line item, and 3) require a recap showing Davis-Bacon compliance before closing out any construction project.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2005

Finding Related to Internal Control:

Receipts Control – All mail receipts at the Department’s Park Fair Mall offices (Motor Vehicle Enforcement, Vehicle Services, Drivers Services and Motor Carrier Services) are opened in the centralized mail room, sent to the individual offices for processing and then delivered to a central location for deposit. An initial listing of mail receipts is not prepared by the centralized mail room staff. Checks are not restrictively endorsed until just prior to being deposited.

Recommendation – To maintain adequate control over cash receipts and checks not restrictively endorsed until just prior to deposit, the Department should have the mailroom staff prepare a daily listing of all cash received and a random listing of checks received in the mail. Someone independent of the initial listing preparation, recording and deposit of mail receipts should trace the items on the initial listing to subsequent recording and deposit.

Response – The Office of Finance will work with the Motor Vehicle Division to implement the appropriate procedures to maintain adequate controls.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2005

Staff:

Questions or requests for further assistance should be directed to:

Kay F. Dunn, CPA, Manager
Patricia J. King, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Steven O. Fuqua, CPA, Senior Auditor
Stephanie A. Bernard, Staff Auditor
Scott P. Boisen, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
Jeffrey L. Lenhart, Staff Auditor
Trevor L. Theulen, Staff Auditor
Shawn R. Elsbury, Assistant Auditor
Carey L. Fraise, Assistant Auditor
Tiffany A. Gossweiler, Assistant Auditor
Nathan H. Kalkwarf, Assistant Auditor
Chad D. Lehman, Assistant Auditor
Bradley A. Meisterling, Assistant Auditor
Ryan J. Sisson, Assistant Auditor
Marta M. Sobieszkoda, Assistant Auditor
Brenda Schwickerath, Intern