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### SINGLE AUDIT FINDINGS

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

April 15, 2011

Dear Mr. Pickering:

For your review, I submit the Mississippi Department of Transportation's (MDOT) response and corrective action plan to the recently completed audit of the Department's major federal programs for the fiscal year ending June 30, 2010. I would like to personally thank you and your staff for the professionalism exhibited during the course of this audit. The corrective action plan as a result of this audit should ensure that effective internal controls over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs continue to be maintained.

#### AUDIT FINDINGS:

CFDA Number(s) and Program Name(s):  
20.205 Highway Planning and Construction

DAVIS-BACON ACT Other Control Deficiency

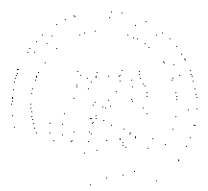
#### Oth-02 Controls over Davis-Bacon Act Requirements Should Be Strengthened

##### Response:

MDOT agrees with the audit finding and fully intends to continue strengthening our internal controls by implementing additional corrective actions, however it should be noted, corrective actions already undertaken as a result of previous fiscal year audits by your staff are yielding positive results.

As a result of the single audit for the fiscal year ending June 30, 2009, MDOT incorporated the following corrective actions to our program regarding Davis-Bacon Act internal controls:

1. The MDOT Construction Manual was updated by as follows with language emphasizing the process for Project Engineers (PE) receiving, reviewing and submitting contractor's payrolls. This language was sent to all PEs in letter form to stress its importance.



Construction Manual Update

**Section 1.3.2 -- Keeping Project Records Up-To-Date.** The following was added after the last paragraph of this section:

*“Section 110 of the Standard Specifications addresses the Contractor’s requirements in regards to payrolls and wage rates. The Project Engineer or his/her designee shall thoroughly review all payrolls submitted by the Contractor with special emphasis given to the initial submission and when employees are added or change classifications. This review is to verify that the submitted wages rates are equal to or exceed the wages rates listed in the contract proposal.”*

2. MDOT Contract Administration staff began continuously random sampling 5% of all payrolls submitted weekly by MDOT Project Office staff, checking them for Davis-Bacon Act compliance. Project Offices that submit incorrect payrolls are notified and instructed to contact the contractor in non-compliance with the Davis-Bacon requirements of the contract. Any deficiencies noted by the MDOT Contract Administration Division during this 5% “quality assurance” check are corrected immediately.

Subsequent to the implementation of these additional controls, the single audit findings by your staff yielding the following results regarding Davis-Bacon Act payroll deficiencies:

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Payrolls Tested</u>	<u>Payrolls w/deficiencies</u>	<u>% w/deficiencies</u>
2009	ARRA	25	3	12%
2009	Non-ARRA	40	9	22.5%

After implementation of the controls noted above, the single audit findings by your staff for fiscal year 2010 Davis-Bacon Act compliance resulted in the following deficiencies:

<u>Fiscal Year</u>	<u>Funding Source</u>	<u>Payrolls Tested</u>	<u>Payrolls w/deficiencies</u>	<u>% w/deficiencies</u>
2010	ARRA	59	2	3.4%
2010	Non-ARRA	57	8	14%


MDOT will implement the following additional internal controls to continue to enhance Davis-Bacon Act compliance:

- A. Corrections to those payrolls identified as deficient during the course of the FY 2010 audit will be made and correctly remitted if necessary.
- B. The MDOT Contract Administration Division will make the organizational changes necessary to increase the 5% sampling to a 10% random sampling of all payrolls submitted weekly by MDOT Project Office staff, checking them for Davis-Bacon Act compliance. Project Offices that submit incorrect payrolls will be notified and instructed to contact the contractor in non-compliance with the Davis-Bacon requirements of the contract. Any deficiencies noted by the MDOT Contract Administration Division during this 10% “quality assurance” check will be corrected immediately.

- C. MDOT is reinstituting the "In Depth Project Office Inspection" program, which will effectively serve as a "third" layer of quality assurance for Davis-Bacon Act compliance. This program, on an annual basis, will randomly select two (2) project offices in each of MDOT's six Districts. An inspection team from within MDOT will review the selected project office's compliance with all policies and procedures, including but not limited to Davis-Bacon Act requirements.

It is MDOT's belief, the incorporation of these additional controls will serve to continue to strengthen MDOT's ability to comply with the requirements of laws, regulations, contracts and grants applicable to all federal programs.

Sincerely,

  
Melinda L. McGrath  
Interim Executive Director/Chief Engineer  
Mississippi Department of Transportation

Cc: Jackie Duckworth – Deputy Executive Director / Administration  
Mark McConnell – Assistant Chief Engineer – Field Operations  
Randy Battey – Assistant Chief Engineer – Operations  
Lisa Hancock – Director of Financial Management  
Diane Gavin – Director of Audit  
B.B. House – State Contract Administration Engineer  
Brad Lewis – State Construction Engineer