



## Minnesota Department of Transportation

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### Memo

**Office of Audit**  
Mail Stop 190  
395 John Ireland Blvd  
St. Paul, Minnesota 55155

Office Tel: 651-296 3254  
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January 29, 2007

To: Carol L. Molnau, Lt. Governor/Commissioner  
Robert C. Winter, Acting Deputy Commissioner/Chief Engineer

From: Daniel E. Kahnke, CGFM  
Audit Director

A handwritten signature in black ink that reads "Daniel E. Kahnke".

Subject: Audit of OMB Circular A-133  
Single Audit Compliance Requirements  
Fiscal Year 2006  
Audit Report No. 07-800-54  
(Responses Included)

This is the final audit report of the above stated subject. This includes the original audit report and the written responses from appropriate assistant commissioners.

This is being released in accordance with Administrative Procedure 84-3-P-1 on audit follow-up. Requests for copies of the audit report will be responded to by furnishing this final version of the audit report.



Minnesota Department of Transportation

Memo

Office of Audit
Mail Stop 190
395 John Ireland Blvd
St. Paul, Minnesota 55155

Office Tel: 651-296 3254
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December 13, 2006

To: Carol L. Molnau, Lt. Governor/Commissioner
Douglas H. Differt, Deputy Commissioner/Chief Engineer

From: Daniel E. Kahnke, CGFM
Audit Director

Handwritten signature of Daniel E. Kahnke

Subject: Audit of OMB Circular No. A-133
Single Audit Compliance Requirements
Fiscal Year 2006
Audit Report No. 07-800-54

As agreed upon with the Office of the Legislative Auditor, we have audited the Minnesota Department of Transportation's (Mn/DOT's) compliance with specific Single Audit Compliance Requirements for the following federal financial assistance programs for the year ended June 30, 2006.

Table with 3 columns: Program, CFDA, Amount (Millions). Rows include Highway Planning and Construction (\$488.8M) and Airport Improvement Program (\$79.2M).

In auditing compliance with regulations relating to federal award expenditures for the Highway Planning and Construction Program and Airport Improvement Program, we conducted a financial audit as described in the Government Auditing Standards 2.05(e), published by the Comptroller General of the United States.

The management of the Mn/DOT is responsible for Mn/DOT's compliance with these requirements. The Mn/DOT Office of Audit is responsible to express an opinion on compliance with these requirements based on the audit.

We audited the Single Audit Compliance Requirements for the following: Highway Planning and Construction and Airport Improvement as outlined in the Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The audit was conducted per discussion and agreement with the Office of the Legislative Auditor. This included a review for compliance with the Letter of Agreement and Stewardship Plan between the Federal Highway Administration and Mn/DOT.

The requirements and principles of OMB Circular No. A-87 (Cost Principles for State, Local, and Indian Tribal Governments) and 49 CFR Part 18, the "Common Rule" were part of the audit. The audit of compliance with these requirements was conducted in accordance with generally accepted government auditing standards; the Government Auditing Standards; and OMB Circular No. A-133.

Those standards and OMB Circular No. A-133 Compliance Supplement require the planning and performance of the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Mn/DOT's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The audit included an assessment of internal controls over the collection and use of federal funds related to the following areas: Construction and Contract Administration, Federal Aid, Right of Way, Aeronautics, and selected Mn/DOT district and city/county highway construction projects.

In planning and performing the audit, we evaluated Mn/DOT's internal controls over compliance with requirements for the two federal financial assistance programs. The Mn/DOT management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

A sound internal control structure should provide management with reasonable, but not absolute, assurance that OMB Circular No. A-133 Compliance Supplement requirements are met and Mn/DOT policies and procedures are followed. The internal control structure can become inadequate or ineffective because of either changes in operating conditions or deterioration of the effectiveness of the design or implementation of policies and procedures.

Our audit finding statements relate specifically to the A-133 Compliance Supplement. The following discussion describes the applicability of the A-133 Compliance Supplement to the Single Audit in general and Findings I through V for this year specifically. These findings and other audit results were discussed as applicable with project management and personnel from Mn/DOT districts, as well as cities and counties.

We also discussed the findings and other audit results as applicable with management and personnel from the following offices: Aeronautics, Construction and Innovative Contracting, Environmental Services, Finance, Land Management, Materials and Road Research, and the State Aid for Local Transportation Division.

The A-133 Compliance Supplement Part 1 indicates that the audit should recognize that there may be provisions of contract and grant agreements that are not specified in law or regulation and, therefore, the specifics of such are not included in the Compliance Supplement. Accordingly, the audit includes reasonable procedures to ensure that compliance requirements are current and to determine whether there are any additional provisions of contract and grant agreements that should be covered by the audit. Reasonable procedures consist of discussion with Mn/DOT personnel and review of contract and grant agreements and compliance with the associated requirements.

A-133 Compliance Supplement suggested audit procedures apply to many different federal programs and are necessarily general in nature. We are expected to exercise judgment to determine whether the Compliance Supplement suggested audit procedures are sufficient, or whether additional or alternative audit procedures are needed. We can only consider the Compliance Supplement to be a "safe harbor" if we identify and consider any additional provisions of contract and grant agreements that should be covered by the audit.

A-133 Compliance Supplement Part 1 also states that we have responsibility under Generally Accepted Government Auditing Standards (GAGAS) for other requirements when specific information comes to our attention that provides evidence concerning the existence of possible noncompliance that could materially affect Mn/DOT's major programs. American Institute of Certified Public Accountants (AICPA) Audit Guide - Government Auditing Standards and Circular A-133 Audits, requires us to include in the findings and questioned costs material noncompliance (\$10,000 or more) with laws, regulations, and contracts related to the Highway Planning and Construction and Airport Improvement programs.

### **A-133 Compliance Supplement Part 3**

The A-133 Compliance Supplement Part 3 reiterates that suggested audit procedures are provided to assist auditors in planning and performing the audit, and advises us to exercise judgment to determine if additional or alternative audit procedures are needed.

#### **A-133 Compliance Supplement Part 3 A. Activities Allowed or Unallowed**

The A-133 Compliance Supplement Part 3, A. Activities Allowed or Unallowed requires us to identify the types of activities which are either specifically allowed or prohibited by the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. On this basis, the conditions cited in all of the Findings are considered to be activities unallowed.

#### **A-133 Compliance Supplement Part 3 B. Allowable Costs/Cost Principles**

The A-133 Compliance Supplement Part 3 B. Allowable Costs/Cost Principles, through OMB Circular A-87, requires us to evaluate if costs are reasonable and necessary; conforming to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements, or other governing regulations; and adequately documented. On this basis, the conditions cited in all of the Findings are not considered to constitute allowable costs and are described in Attachment III as questioned costs.

### **A-133 Compliance Supplement Part 3 M. Subrecipient Monitoring**

The A-133 Compliance Supplement Part 3 M. Subrecipient Monitoring requires the monitoring of subrecipient activities to provide reasonable assurance that subrecipients of federal funding (airports, cities, and counties) administer Federal awards in compliance with requirements. The Single Audit includes an evaluation of compliance with requirements for the Airport Improvement Program, in addition to the Highway Planning and Construction Program.

For the Highway Planning and Construction Program, the Letter of Agreement and Stewardship Plan between Federal Highway Administration (FHWA) and Mn/DOT indicates that Mn/DOT retains its responsibilities under federal law and regulations for all activities delegated to cities and counties. The Letter of Agreement and Stewardship Plan also indicates that Mn/DOT will provide the necessary processes, approvals, oversight, and review to ensure that delegated projects receive adequate supervision and inspection, and that they are completed in conformance with approved plans and specifications and applicable federal requirements.

The State Aid for Local Transportation Division provides technical assistance to cities and counties for highway construction, including an initiative for training to improve compliance with Right of Way requirements. The State Aid for Local Transportation Division also conducts highway construction project compliance reviews focusing on projects with a high risk of noncompliance. These measures have the potential to improve compliance with requirements for bituminous production and materials control.

Subrecipient monitoring has improved, with some best practices noted in the findings. Ongoing subrecipient monitoring is needed to achieve compliance with requirements by cities and counties, especially since personnel with less experience and knowledge regarding the requirements are becoming increasingly involved in project management. Findings I, III, and V fall under this part of the Compliance Supplement.

### **A-133 Compliance Supplement Part 3 N. Special Tests and Provisions**

The A-133 Compliance Supplement Part 3 N. Special Tests and Provisions states that specific requirements unique to each Federal program are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. Part 3 N. Special Tests and Provisions requires us to identify any additional compliance requirements which could be material, and indicates that reasonable procedures to identify such compliance requirements would be inquiry of non-Federal entity management and review of the contract and grant agreements pertaining to the program. Any such requirements which may have a direct and material effect on a major program shall be included in the audit.

The A-133 Compliance Supplement Part 3 N. Special Tests and Provisions also directs us to the A-133 Compliance Supplement Part 4, Agency Program Requirements, for specific compliance requirements, audit objectives, and suggested audit procedures.

The A-133 Compliance Supplement Part 4 requires Mn/DOT to have a sampling and testing program for construction projects to ensure that materials and workmanship generally conform to approved plans and specifications. The Part 4 also requires us to evaluate that sampling and testing program. Findings III and IV fall under this part of the Compliance Supplement.

We also considered whether the department was managing or utilizing its resources in an economical and efficient manner and whether the department was effective in achieving its program objectives.

Exhibit I provides a list of the construction projects reviewed during the audit. Exhibit II describes specific items included in the construction project material testing review portion of the audit.

Overall, the department's compliance with requirements has improved from last year, with some best practices noted in the findings. Audit results not considered findings or observations but still meriting specific mention in the audit report are detailed in Attachment I, Other Internal Control Issues Discussed With Management.

We do not audit the same projects from the previous year's audit a second time when conducting follow-up on findings from the previous year's Single Audit. Instead, we audit different projects each year. If we identify the same findings, they are considered repeat findings at the Highway Planning and Construction Program or Airport Improvement Program level, applicable and of relevance to the entire department and state. Concerns repeated from the Fiscal Year 2005 Single Audit Report No. 06-800-48 are noted within and at Attachment II, Audit Follow up of Prior Year's Findings. Four findings from last year were fully corrected and four were repeated this year.

Attachment III lists questioned costs, which totaled \$14.6 million. We questioned project costs for instances of significant noncompliance with requirements per state or federal law, project proposals, Mn/DOT requirements, or a combination thereof. Questioned costs do not fully describe the significance of compliance with requirements, maintaining the public trust, and good public relations.

In our opinion, except for the above concerns and the issues discussed in Findings I through V, the Minnesota Department of Transportation substantially complied with the provisions referred to in the scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota Department of Transportation had not complied, in all material respects, with those provisions.

Carol L. Molnau  
Douglas H. Differt  
December 13, 2006  
Page 6

cc: K. Z. Gray  
J. A. Skallman  
R. L. Arnebeck  
D. W. Allan  
D. L. Dorgan  
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T. K. Sorel, FHWA  
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Audited by:  
Brian Cherry  
Dave Christensen  
Mike Johnson  
David Wolvert

## EXHIBIT I

### Highway Construction Projects Reviewed Fiscal Year 2006

State Project Number	Federal Project Number	Project District	Location	Engineer	Contract Amount	Amount in FY 2006
<b>TRUNK HIGHWAY PROJECTS</b>						
6917-119	NH 0053 (300)	1	TH 53	Ted Sexton	\$5,486,432	\$4,624,064
4908-18	BAP-NH 0371 (305)	3	TH 115	Kevin Kosobud	\$15,856,301	\$11,049,651
2180-94	IM 0941 (302)	4	TH 94	Jeffrey Perkins	\$7,463,362	\$7,309,751
2310-22	NH 0052 (306)	6	TH 52	Gary Lovelace	\$15,183,022	\$14,066,576
8103-47	NH 0014 (316)	7	TH 14	Chad Fowlds	\$34,263,132	\$16,329,762
8205-100	HPP-NH MN34 (120)	ME	TH 61	Elizabeth Benjamin	\$16,982,578	\$6,315,479
6212-9212	NH 0036 (304)	ME	TH 36	Steve Kordosky	\$395,549	\$223,229
1301-91	HPP MN50 (115)	ME	TH 8	Steve Kordosky	\$3,115,105	\$3,021,379
2785-304	IM-NH 494 4(254)	MW	TH 494	Kevin Anderson	\$135,623,997	\$68,541,419
7008-45	NH 0169 (313)	MW	TH 169	Michael Beer	\$15,948,974	\$7,007,171
2783-110	BH IM 0353 (304)	MW	TH 35	Steve Barrett	<u>\$2,452,420</u>	<u>\$2,452,420</u>
<b>TRUNK HIGHWAY PROJECT TOTALS</b>					<b>\$252,770,872</b>	<b>\$140,940,901</b>
<b>CITY/COUNTY PROJECTS</b>						
31-663-15	STP 3105 (216)	1	Itasca County	Dave Christy	\$5,517,741	\$4,872,692
69-623-30	STPX 6904 (072)	1	St. Louis County	Marcus Hall	\$2,757,572	\$1,621,760
58-630-11	STPX 5805 (149)	1	Pine County	Mark LeBrun	\$1,338,003	\$1,278,803
39-601-22	STPX 3905 (150)	2	Lake of the Woods County	Bruce Hasbargen	\$1,558,251	\$1,278,852
04-612-13	STPX 0405 (099)	2	Beltrami County	Jim Worcester	\$1,064,282	\$1,119,036
49-652-03	STPX 4904 (009)	3	Morrison County	Steve Backowski	\$2,766,509	\$2,378,246
66-602-06	STP 6602 (167)	6	Rice County	Dennis Luebbe	\$6,330,094	\$3,222,579
08-610-24	BROS 0805 (044)	7	Brown County	Wayne Stevens	\$2,631,193	\$2,038,611
43-715-02	STP 4304 (021)	8	McLeod County	John Brunkhorst	\$1,199,000	\$929,388
141-165-15	BRSTP 2702 (102)	MW	City of Minneapolis	Jack Yuzna	<u>\$1,500,694</u>	<u>\$1,026,078</u>
<b>CITY/COUNTY PROJECT TOTALS</b>					<b>\$26,663,339</b>	<b>\$19,766,045</b>
<b>ALL PROJECTS REVIEWED GRAND TOTAL</b>					<b>\$279,434,211</b>	<b>\$160,706,946</b>

The above 21 highway construction projects were all field audited. State Projects 6212-9212 and 2783-110 involved bridge lead paint removal and residue disposition only. The 10 City/County Projects audited were all Delegated Contract Process (DCP) projects.

## EXHIBIT II

### Material Testing Review By Project By Bid Item Fiscal Year 2006

State Project Number	Location	Project Bid Items Reviewed
<b>TRUNK HIGHWAY PROJECTS</b>		
6917-119	TH 53	Type SP 12.5 Wearing and Non Wearing Course Mixtures
4908-18	TH 115	Type SP 12.5 Wearing and Non Wearing Course Mixtures
2180-94	TH 94	Aggregate Base Class 6 Concrete Pavement Standard and Irregular Width Structural Concrete Concrete Coring
2310-22	TH 52	Concrete Pavement Standard and Irregular Width Structural Concrete Concrete Coring
8103-47	TH 14	Dowel Bars Structural Concrete Concrete Coring Dowel Bars
8205-100	TH 61	Bridge Slab Concrete
1301-91	TH 8	Bridge Slab Concrete Curb Railing Concrete P-2 Railing Concrete
2785-304	TH 494	Concrete Pavement
7008-45	TH 169	Structural Concrete Select Granular Borrow Modified 10% Aggregate Base Class 5
<b>CITY/COUNTY PROJECTS</b>		
31-663-15	Itasca County	Type LV3 Non Wearing Course Mixture
69-623-30	St. Louis County	Embankment Special Embankment Special I
58-630-11	Pine County	Type LV4 Wearing Course Mixture Type LV3 Non Wearing Course Mixture
39-601-22	Lake of the Woods County	Type LV3 Non Wearing Course Mixture
04-612-13	Beltrami County	Type LV3 Wearing and Non Wearing Course Mixtures
49-652-03	Morrison County	Type LV3 Wearing Course Mixture
66-602-06	Rice County	Type SP 12.5 Wearing and Non Wearing Course Mixtures
08-610-24	Brown County	Structural Concrete
43-715-02	McLeod County	Standard and Irregular Width Concrete Pavement Structural Concrete
141-165-15	City of Minneapolis	Bridge Slab Concrete

The above items were reviewed for compliance with materials testing requirements. Concerns were discussed with the State Aid Engineer, State Construction Engineer, Office of Materials and Road Research Director, and project personnel. State Projects 6212-9212 and 2783-110 involved only bridge lead paint removal and residue disposition; material testing requirements were not reviewed for these two projects.

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For trunk highway projects and subrecipient monitoring of city and county projects, improvements were noted and further improvements were needed for compliance with environmental requirements related to NPDES permit Inspection Logs; disposition of treated wood; asbestos abatement and submittal of Notices of Intent to Perform a Demolition; and erodible acres. **Finding I: Pages 1 through 9**

For trunk highway projects, supplemental agreements need to be coded properly for federal participation. **Finding II: Page 10**

Improvements in subrecipient monitoring of city and county projects for bituminous materials control were needed. Further improvements were needed in the following areas: QC and verification testing; sampling for verification testing; specification special provisions; contractor-agency test result tolerances, Test Summary Sheets, paving restrictions, ticket information, and plant diaries. fundamental contract administration items such as control of quantities and construction diaries were not met. **Finding III: Pages 11 through 16**

For trunk highway projects, concrete air, slump, and moisture tests were not taken as required, and Weekly Concrete Reports were not completed as required. **Finding IV: Pages 17 through 19**

Improvements in subrecipient monitoring of city and county projects for contract administration were needed. Further improvements were needed in the following areas: geotechnical investigations; payment timeliness; and control of quantities. **Finding V: Pages 20 through 23**

**Attachment I: Other Internal Control Issues Discussed With Management - Pages 24 to 25**

**Attachment II: Audit Follow up of Prior Year's Findings - Page 26**

**Attachment III: Questioned Costs - Page 27**

## **FINDINGS**

The following findings are considered financial and compliance in nature. Findings are intended to assess if financial operations are properly conducted; if financial data is presented fairly; and if all applicable laws, regulations and administrative requirements are followed.

<b>FINDING I - IMPROVEMENTS NEEDED FOR COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS</b>
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### **Best Practices**

For State Projects 39-601-22, 69-623-30, 49-652-03, and 66-602-06, National Pollutant Discharge Elimination System (NPDES) Permit Erosion Control Inspection Logs were submitted as required. For State Project 49-652-03, contaminated soil removal and disposition appeared appropriate. For State Project 31-663-15, a Notification of Intent to Perform a Demolition was submitted to the Minnesota Pollution Control Agency (MPCA) as required. For State Projects 69-623-30, 8103-47, 4908-18, and 2310-22, erodible acres withholding was taken as required.

### **NPDES Permit Compliance**

For 8 trunk highway projects and 3 city/county projects, we identified concerns with NPDES Permit compliance. The following list describes these concerns:

State Project 2785-304: project records included an MPCA inspection report documenting several permit violations. Project personnel did not follow up to ensure compliance.

State Projects 6917-119 and 31-663-15: contractors did not complete and submit all required NPDES Permit Erosion Control Inspection Logs to project personnel every 2 weeks as required. State Project 6917-119 personnel indicated that the inspection logs were posted in the construction trailer and the trailer and inspection logs were no longer available. The personnel also felt that considerable effort had been expended on erosion control for this project and characterized the absence of the inspection logs as an oversight. State Project 31-663-15 personnel had one inspection log sheet on file for the entire project listing 12 weekly inspections, an indication that the inspection logs were not submitted every 2 weeks as required.

State Project 43-715-02: the inspection logs consisted of weather printouts from the internet; these printouts did not include corrective action taken as required by the NPDES Permit. State Project 43-715-02 personnel indicated that the omission of required information on the inspection log was an oversight.

State Projects 8103-47, 4908-18, 2310-22, 2180-94, 1301-91, and 8205-100: some, but not all required inspection logs were submitted by the contractor to the engineer as required. Project personnel did not always submit Work Orders to contractors instructing them to complete and forward the inspection logs as required.

State Project 08-610-24: the county received a Letter of Alleged Violation from the Minnesota Pollution Control Agency (MPCA) for failing to submit a Stormwater Pollution Prevention Plan and for starting construction prior to having coverage under the National Pollutant Discharge Elimination System (NPDES) Permit.

Compliance concerns with NPDES permit requirements were previously noted in Single Audit Reports for Fiscal Years 2000 through 2005. Also, a June 13, 2001 Audit Advisory Memorandum addressed the importance of complying with NPDES permit requirements. Compared to last year, we noted more projects where all or at least some required inspection logs were done.

Minnesota Pollution Control Agency (MPCA) personnel emphasized that it was important to perform and document the weekly inspections required by the permit. The personnel explained that these actions would help agencies decrease exposure to MPCA fines and enforcement action as well as Clean Water Act Section 505 lawsuits.

### **Asbestos Abatement and Building Demolitions**

For State Project 31-663-15, an Asbestos Containing Material Transport and Disposal Manifest identified an asbestos abatement contractor for a bridge. We contacted this contractor and they indicated that they only picked up the asbestos containing material after it had been removed from the bridge; they did not perform the abatement. The project weekly construction diary indicated that the asbestos abatement for the bridge was performed by a different contractor.

We were unable to verify that either contractor was licensed by the Minnesota Department of Health to perform asbestos abatements as required by the OES "Asbestos and Regulated Waste Manual for Structure Demolition or Relocations for Construction Projects." Project personnel indicated that they were not familiar with the requirement.

The manifest also listed the Minnesota Pollution Control Agency (MPCA) as the responsible agency. MPCA personnel confirmed that this was incorrect; the county should have been listed as the responsible agency.

For State Project 66-602-06, a Notification of Intent to Perform a Demolition was not submitted to the Minnesota Pollution Control Agency (MPCA) for removal of a garage and a bridge. Project personnel indicated that they now submit the required notices but were not doing it during the project. Also, an inspection of the bridge was not performed and documented prior to the demolitions by a Minnesota Department of Health licensed asbestos inspector (the garage was inspected).

For State Project 2785-304, a Notification of Intent to Perform a Demolition was not submitted to the MPCA for removal of a bridge. Project personnel indicated that inspection reports were not received, so the notice was sent after the demolition was completed. The inspection reports describe bridge materials and are needed to determine if an abatement is needed prior to demolition. Office of Environmental Services documentation indicated that Mn/DOT would receive a Letter of Warning from the MPCA.

For State Project 08-610-24, the contractor received a Letter of Warning from the MPCA for failing to submit a Notification of Intent to Perform a Demolition 10 days prior to demolishing a bridge.

The Asbestos National Emission Standards for Hazardous Air Pollutants (NESHAP), 40 Code of Federal Regulations (CFR) Part 61.145, requires submittal of a Notification of Intention to Perform a Demolition 10 days prior to demolition and an inspection for asbestos prior to demolition. 40 CFR Part 61.145 also requires a Notification of Asbestos Related Work 10 days prior to the start of that work. Minnesota Rules Chapter 4620.3330, Certification of Asbestos Inspector, indicates an inspection for asbestos in buildings to be demolished must be accomplished by a Minnesota Department of Health licensed asbestos inspector. Minnesota Rules Chapter 4620.3460, Inspection and Assessment of Asbestos Containing Materials, indicates that a written report must be produced by the inspector.

The Asbestos NESHAP is based on Section 112 of the federal Clean Air Act. The Environmental Protection Agency (EPA) promulgated the Asbestos NESHAP in 40 CFR Part 61. The EPA has delegated responsibility for enforcement and implementation of the Asbestos NESHAP to the Minnesota Pollution Control Agency (MPCA). Concerns regarding inspection for asbestos in buildings and building removals were also noted in the Fiscal Year 2005 Single Audit Report.

### **Erodible Acres**

For State Projects 43-715-02, 66-602-06, 31-663-15, 49-652-03, and 6917-119, project personnel did not withhold for erodible acres on partial payments as required by Standard Specifications for Construction Specification 2105.5. The maximum potential withholding missed ranged from \$22,000 to \$390,000.

State Project 43-715-02 personnel indicated that they did not withhold on partial payments for erodible acres for this or their other projects. State Project 66-602-06 project personnel stated that the withholding had been taken under contract bid item Common Excavation; however, no withholding was documented. State Project 31-663-15 personnel indicated that withholding was discussed but not applied; they felt they did apply it on other projects.

State Project 6917-119 personnel explained that there were not many erodible acres until the end of the project. State Project 49-652-03 personnel indicated that they did consider withholding for erodible acres but then felt that it was not necessary because the amount withheld would have been less than the 5% they were already withholding as retainage for the project as a whole.

### **Recommendation**

District Operations Division Director and State Aid for Local Transportation Division Director, in consultation with Engineering Services Division Director:

- a. Encourage cities, counties, and districts to continue and emulate best practices.
- b. Continue to instruct districts, cities and counties to comply with environmental requirements described by contract special provisions as well as State and Federal regulations.

## Responses to Recommendation

### District Operations Division

District 1 – NPDES SP 6917-119

Response: The contractor did complete and submit the inspection logs as required; however they were posted on the field office wall rather than filed. At the end of the project the field office was removed with the logs still posted on the wall.

Winter meetings with all Chief Inspectors will include a discussion of the need to copy the logs every 2 weeks keeping the copies in the field office and forwarding the original logs to the Project Engineer for filing in the Project file.

District 1 – Erodible Acres SP 6917-119

The Contractor for this project followed best management practices in that they did not strip the topsoil until it was absolutely necessary to complete the project until near the completion of the project. In addition, the contractor stripped less than the plan quantity of topsoil. The timeframe for erodible soils was thus minimized (approximately 3 weeks) until seeding and mulching was completed. Thus the intent of the erodible soils portion of Standard Specification 2105 was met in that the contractor minimized the potential of erosion on the project. In this instance staging the work so that the erosion opportunity was limited to the very end of the project seemed to meet the intent of the specifications without withholding.

District 3 – NPDES SP 4908-18

NPDES Inspection Logs completed under this contract are in the project file for the following dates.

4/26/05 thru 4/29/05  
5/2/05, 5/9/05, 5/13/05, 5/18/05, 5/19/05  
6/1/05, 6/4/05, 6/6/05, 6/8/05, 6/13/05, 6/20/05, 6/22/05, 6/27/05, 6/29/05, 6/30/05  
7/1/05, 7/5/06, 7/11/05, 7/18/05, 7/25/05  
8/3/05, 8/9/05, 8/17/05, 8/24/05, 8/26/05, 8/30/05  
9/7/05, 9/13/05, 9/21/05, 9/26/05  
10/10/05, 10/19/05, 10/26/05  
5/10/06, 5/19/06

As detailed in the NPDES permit:

*Except where work has been suspended due to frozen ground conditions, the Permittee(s) shall inspect the construction site once every seven (7) days and within 24 hours after every rain event, which results in runoff leaving the construction site or entering waters of the state.*

## **Responses to Recommendation (continued)**

### District Operations Division (continued)

Our construction staff felt that our contractor was in compliance. Erosion was covered at our weekly meetings, the inspection logs were in a binder in the field office and we had a pay item for an Erosion Control Supervisor. All information was available to the Engineer upon request. There are periods of time when we are not working or are considered stabilized when reports were not submitted.

### District 4 – NPDES SP 2180-94

During the audit exit interview the Auditor explained the reason he felt the project was not in compliance with permit requirements. He cited the failure to perform routine inspections as required by the NPDES permit. Permit language states the following:

*“The Permittee(s) (either the owner or operator, whoever is identified in the SWPPP) must routinely inspect the construction site once every seven (7) days during active construction and within 24 hours after a rainfall event greater than 0.5 inches in 24 hours.”*

The Auditor stated that on a “couple of occasions” the duration between successive routine inspections exceeded the seven day requirement listed in the permit. On those occasions the inspections were performed 8 or 9 days from the previous inspection. According to the language of the NPDES permit, this violates permit requirements.

Project personnel explained the situation as ambiguities in the NPDES permit language and the wording on the Storm Water Permit Inspection Log form provided by the MPCA (a copy of the inspection log is enclosed with this memo). The inspection log form provides for two types of inspections to be performed in the field; “Routine Weekly” and “24 hours after a rain event”. These are the same terms that have typically been used in Mn/DOT Erosion/Sediment Control Site Management certification classes. The inspection log form is also included in the Mn/DOT Erosion/Sediment Control Site Management course book.

The Auditor stated that if an inspection was performed on a Monday, the next inspection must be performed by the following Monday to comply with the seven day frequency requirement of the NPDES permit. However, due to the “Routine Weekly” wording of the inspection log form, the Contractor, as well as Mn/DOT field personnel, understood the requirement to be one inspection per calendar week. Based on this interpretation, an inspection performed on Monday of one week followed by an inspection performed on Tuesday the following week would be in compliance.

In the preparation of this response letter, the issue was discussed with staff members of the Mn/DOT Office of Environmental Services. They agreed that Mn/DOT has interpreted the “routine weekly” wording on the MPCA inspection log form to mean one inspection per calendar week. They also emphasized that the most critical type of inspection is the requirement to review the site within 24 hours following a rain event.

## **Responses to Recommendation (continued)**

### District Operations Division (continued)

In addition, they confirmed that the MPCA Storm Water Permit Inspection Log form, with the “Routine Weekly” language, is still in use today and that, to the best of their knowledge, MPCA has never noted a concern with inspections being performed once per calendar week.

### Summary

Despite the understandable confusion resulting from the ambiguities in the two documents, the Auditor is correct that the frequency of inspections did not comply with the seven day requirements of the NPDES permit. A letter has been sent to all District field personnel to clarify the situation in an effort to prevent similar occurrences in the future.

As stated previously, this issue has been discussed with staff members of the Mn/DOT Office of Environmental Services. A copy of this response letter has been submitted to their office for their review and follow-up.

### District 6 – NPDES SP 2310-22

At the start of the second year of construction, the contractor did not submit the inspection logs to the engineer. A Work Order was issued to the contractor on May 1, 2006 directing the contractor to submit the logs to the engineer as required. The engineer noted the contractor was performing the inspections, but did not submit them to the engineer as required. In the future, the engineer will ensure compliance with the specifications and issue additional work orders to the contractor for submittal of the logs. The District construction personnel will also emphasize the importance of logs with all project personnel and with the contractor during the pre-construction conference.

### District 7 – NPDES

State Project 8103-47 was referenced in the paragraph pertaining to NPDES Permit Compliance. In specific, it notes that some of the inspection logs that were completed by the contractor were not in Mn/DOT possession at the time of the Audit. The recommendations in Finding I encourage and instruct districts to continue best practices and ensure compliance with environmental requirements. Project staff have copies of the inspections in the project file and are aware of the need to comply with environmental requirements. Compliance with environmental regulations was reviewed at a recent staff meeting as well.

### Metro – NPDES SP 2785-304

1. State Project 2785-304 project records included an MPCA inspection report documenting several permit violations. Project personnel did not follow up to ensure compliance. Violations were noted for the Fall of 2005 and Spring of 2006.

## **Responses to Recommendation (continued)**

### District Operations Division (continued)

These violations were mainly due to the non-performance of work by a subcontractor who was hired to perform the temporary and permanent erosion control and turf establishment on the project. Prime contractor Granite-McCrossan worked with the subcontractor throughout the project to try to have them complete the work in a timely and satisfactory manner, but ultimately terminated their subcontract in the Summer of 2006 and hired another subcontractor to complete the work.

Project personnel did in fact follow up to ensure compliance on many occasions including withholding payment, revising the design of several drainage structures, and holding meetings with the contractor and subcontractor to determine action plans to ensure protection of the environment.

Lastly, it should be noted that the project faced very unusual and unforeseeable weather conditions in the Fall of 2005 and Spring of 2006. September and October of 2005 was the wettest September and October on record in the Minnetonka and Eden Prairie area. This record moisture contributed to saturated ground conditions and excess rainfall runoff on the project into the Summer of 2006.

Mn/DOT's Metro District will work with the Mn/DOT Office of Environmental Services and the Mn/DOT Office of Construction and Innovative Contracting to revise the Design-Build RFP Template to improve the contract requirements for erosion control and turf establishment and ensure the protection of the environment.

2. State Project 1301-91 was the reconstruction of Hwy 8 in Center City. This project began in the spring of 2005 and was to be completed in the fall of 2005. This Project included a NPDES Permit that requires the contractor perform once a week inspections of erosion control devices and an inspection within 24 hours after a rain event. Not all of the necessary erosion control inspections were documented.

This project was located immediately adjacent to North Center Lake, South Center Lake, and other wetlands. Project staff worked closely with the DNR, Lake Associations, and Mn/DOT's Office of Environmental Services to develop quality erosion control measures for the project. Although, some inspections were not properly documented, it is believed that proper erosion control devices were installed and maintained. In the future, a documented process will be followed at weekly meetings to ensure that inspections are properly performed and documented.

3. State Project 8205-100 included provisions for Erosion Control Logs and Schedules. Some, but not all required inspection logs were submitted by the contractor to the engineer as required. Project personnel did not always submit Work Orders to contractors instructing them to complete and forward the inspection logs as required.

## **Responses to Recommendation (continued)**

### District Operations Division (continued)

The weekly and rain event inspections were conducted by the Contractor and the logs were on site and available for the Engineer's review. They were not collected as regularly as indicated in the provisions. The contractor was informed of the missing Erosion Control Logs and is submitting all missing information to Mn/DOT. Erosion control schedules and procedures were discussed at weekly project meetings. In the future all logs will be collected as indicated in the provisions on a timely basis.

### Asbestos Abatement and Building Demolitions

For State Project 2785-304, a Notification of Intent to Perform a Demolition was not submitted to the MPCA for removal of a bridge. Project personnel indicated that inspection reports were not received, so the notice was sent after the demolition was completed. The inspection reports describe bridge materials and are needed to determine if an abatement is needed prior to demolition. Office of Environmental Services documentation indicated that Mn/DOT would receive a Letter of Warning from the MPCA.

Requiring inspection of bridges for hazardous material was a new project requirement that came up after the project began and demolitions were scheduled. Inspections were completed on a fast-track process to minimize impacts to project schedule. Preliminary information had been given verbally that the bridge in question was free of asbestos. Notification of Intent to Perform a Demolition was sent immediately after printed inspection report was received.

### Summary for Finding I

Prior to the start of the 2007 construction season, Metro construct staff will review the NPDES permit process and policies with construction personal. We will emphasis the requirements for erosion control inspection and documentation. Metro will also review our procedures concerning inspections of bridges for hazardous material.

### Division Response

The District Operations Division Director will review these Audit findings and recommendations with the District Engineers at the monthly meeting and reinforce the importance of compliance with environmental requirements.

In consultation with the Engineering Services Division Director a memo will be prepared and sent to the District Engineer to share with the District staff emphasizing the importance of compliance with environmental requirements and reminding them of the tools and training that the Department offers.

## **Responses to Recommendation (continued)**

### State Aid for Local Transportation Division

First, I would like to acknowledge the auditor's "Best Practices" documentation for six (6) county projects this past year. While I understand the audit is primarily to identify non-compliance, it is nice to acknowledge the good work being done and the positive reinforcement will help build even better compliance in the future.

The following actions will be taken:

- As mentioned earlier, SALT will take every opportunity to acknowledge the "Best Practices" documentation (Annual Conferences, District meetings, Newsletters, and Training sessions).
- SALT will also use the same forums (Annual Conferences, District meetings, Newsletters, and Training Sessions) to communicate non-compliant findings.
- SALT has worked this past year with the Office of Environmental Services to identify projects needing special attention in this area and to provide "pro-active" training as needed to prevent non-compliant findings. We are continuing this strategy at this time with Bridge and Building Removals statewide and will continue it as needed in the future.

## **FINDING II – NEED TO ENSURE SUPPLEMENTAL AGREEMENT COSTS ARE CODED PROPERLY FOR FEDERAL PARTICIPATION**

For State Project 2785-304, Supplemental Agreement No. 9 valued at \$1.9 million and paid on August 31, 2005 should have been cost coded as non-participating in federal funding but instead was coded as participating in federal funding. The department's internal controls require strengthening to ensure that cost coding is correct.

Project personnel indicated that the supplemental agreement was paid as a backsheet adjustment and was not described as participating or non-participating in federal funds. Office of Finance personnel felt that they did not have the authority to change cost coding done by districts. Office of Finance personnel corrected the coding on September 18, 2006 after it was brought to their attention.

Office of Finance files included a printed copy of the supplemental agreement with an annotation that it was non-participating in federal funds. Office of Finance files also included a note dated January 18, 2006 indicating that the supplemental agreement costs should be coded as non-participating in federal funding. Office of Finance files also included a copy of Partial Estimate Voucher No. 25 dated July 14, 2006; the voucher did not document that any costs (including costs for Supplemental Agreement No. 9) had been coded non-participating in federal funding.

Federal Highway Administration (FHWA) personnel explained that the following requirement applies: the FHWA and Mn/DOT Letter of Agreement and Stewardship Plan states, in accordance with 23 CFR 1.9(a), Federal aid funds shall not participate in any cost which is not incurred in conformity with applicable Federal and State Law, the regulations in 23 CFR, and policies and procedures prescribed by FHWA.

### **Recommendation**

Finance and Administration Division Director and District Operations Division Director, to ensure that supplemental agreement cost coding is correct, develop an internal control process that allows Office of Finance personnel to evaluate supplemental agreement cost coding for federal participation and communicate with districts as deemed necessary to address and resolve any errors detected.

### **Responses to Recommendation**

#### Finance and Administration Division

The Finance Office currently does not have sufficient information to determine whether a cost is coded correctly or not and relies exclusively on the information provided by the Construction Office.

#### Finance and Administration Division and District Operations Division

The Finance Office and the Construction Office will meet and determine the best approach to ensure that supplemental agreements are properly classified on all construction payments. Procedures will be written as to how federal supplemental agreements should be handled in the future to prevent a re-occurrence of this problem. The procedures will be completed and implemented by July 1, 2007.

## **FINDING III – FURTHER IMPROVEMENTS NEEDED IN SUBRECIPIENT MONITORING FOR BITUMINOUS MATERIALS CONTROL**

### **Best Practices**

Project personnel correctly applied reduced pay factors for bituminous mixture for State Projects 58-630-11 and 49-652-03. This represents a significant improvement in compliance with the bituminous specifications compared to previous Single Audits.

For State Project 49-652-03, Test Summary Sheets included contractor QC and agency test results, as well as review signatures as required. For State Project 58-630-11, bituminous tickets included all required information.

### **Ongoing Efforts**

The State Aid for Local Transportation Division is providing an increasing level of communication and follow up to cities and counties regarding past audit findings and the need to comply with bituminous materials control requirements. As a result, improvements in compliance were noted.

Most of the specific exceptions identified this year were also noted in the Fiscal Year 2005 Single Audit Report. State Aid Division personnel indicated that bituminous materials control is ultimately the responsibility of city and county project personnel.

Continued and increasing communication and follow up is needed to ensure ongoing improvements in compliance with bituminous materials control requirements for the following exceptions to requirements.

### **Quality Control, Quality Assurance, and Verification Testing**

For State Project 66-602-06, Coarse Aggregate Angularity (CAA) verification tests required by the bituminous specifications were not done for the SP 12.5 Wearing and Non Wearing Course Mixtures valued at \$1.2 million. For the same project, Fine Aggregate Angularity (FAA) tests were not done daily for the SP 12.5 Wearing Course Mixture, a requirement since FAA test results did not exceed requirements by at least 5%. Rochester District personnel agreed that the CAA and FAA tests should have been done.

For State Project 31-663-15, 2 required verification CAA tests were not done and the Voids in Mineral Aggregate (VMA) percentage was not calculated for 6 of 10 paving days for LV 3 Non Wearing Course Mixture valued at \$677,000. Project personnel indicated that they were not familiar with requirements for the CAA test or VMA percentage calculation. Project personnel possessed the applicable bituminous technical certifications.

For State Project 58-630-11, CAA Quality Control (QC) and verification tests were not done for LV 4 Wearing and LV3 Non Wearing Course Mixtures valued at \$1 million. The completed Materials Certification Exception Summary did not list this condition. Project personnel did not know why the tests were not done or why this was not listed in the Materials Certification Exception Summary.

For State Project 04-612-13, QC mix moisture content tests required by the bituminous specification and Schedule of Materials Control were not done for LV 3 Wearing and Non Wearing Course Mixtures valued at \$932,000. The bituminous mix was produced under rainy conditions on 2 of 17 days. Project personnel indicated that they did not exempt the contractor from performing mix moisture tests as allowed by the bituminous specifications. Office of Materials personnel explained that producing mix under rainy conditions could lead to a 'tender' mix that moves around, making density difficult to achieve. The completed Materials Certification Exception Summary did not list the missed QC tests.

For State Project 39-601-22, a Quality Assurance (QA) sample of asphalt for Performance Grade (PG) testing was not taken for Type LV 3 Wearing Course Mixture valued at \$101,000. Project personnel indicated that the contractor might have taken the sample but they were not sure. The Schedule of Materials Control requires the agency to take the sample, not the contractor.

Bituminous mix for State Project 39-601-22 was obtained from a plant producing bituminous mix for another project using PG 58-28 asphalt. The bituminous mix specification special provisions for State Project 39-601-22 called for PG 58-34 asphalt. PG 58-34 asphalt is more flexible and more expensive than PG-58-28 asphalt and is designed to better resist thermal cracking of bituminous pavement caused by lower temperatures more frequently encountered in the northern part of Minnesota. Project personnel indicated that they did not obtain the asphalt invoices from the contractor as required by bituminous specifications.

For State Project 49-652-03, a Quality Assurance (QA) sample of asphalt for Performance Grade (PG) testing was also not taken for Type LV 3 Wearing Course Mixture valued at \$253,000. Project personnel attributed the missed sample to oversight.

### **Sampling for Verification Testing**

For State Project 39-601-22, agency verification testing samples were documented on test reports as taken from the truck box. Bituminous specifications call for the verification samples to be taken behind the paver, not from the truck box. Project personnel felt that the verification samples were taken from behind the paver as a standard practice. Office of Materials and Road Research personnel explained that sampling from the truck box could lead to a segregated sample, a condition which could impact the gradation and bulk specific gravity test results.

State Project 39-601-22 personnel indicated that because it was late in the year, the contractor took agency verification testing samples. The Schedule of Materials Control calls for the agency to take verification testing samples. This practice helps to ensure that verification testing results can be effectively used to verify contractor Quality Control (QC) testing results.

### **Specification Special Provisions**

For State Projects 49-652-03 and 39-601-22, the bituminous specification special provisions called for the contractor to transport verification testing samples to the Mn/DOT District Laboratory. Control over verification testing samples by project personnel is needed to ensure that the samples are representative and unaltered en route to the Mn/DOT District Laboratory.

State Project 49-652-03 personnel indicated that in calling for the contractor to take verification samples to the Mn/DOT District Laboratory, they were trying to save money and had carried over this requirement from other projects. State project 39-601-22 personnel indicated that Bemidji District personnel had emphasized the need to get verification samples to the district quickly and indicated that they would eliminate this special provision language.

### **Contractor-Agency Test Result Tolerances**

For State Project 31-663-15, 4 retests required due to contractor Quality Control (QC)-agency verification asphalt content and gradation test result differences exceeding specification tolerances for the bituminous LV 3 Non Wearing Course Mixture were not done. Project personnel indicated that the retests were missed due to oversight.

For State Project 58-603-11, 3 retests required due to QC-verification asphalt content, gradation, and maximum specific gravity test result differences exceeding specification tolerances for the bituminous LV 4 Wearing Course Mixture were not done. Project personnel indicated that the contractor left and took the material needed to do the retests with them before project personnel became aware of the need for the retests.

Retests required per specification for QC-verification test result differences exceeding specification tolerance were also missed for State Projects 66-602-06 and 39-601-22.

Office of Materials and Road Research personnel indicated that the purpose of retesting when QC-verification test result differences exceed specification tolerance is to confirm the results of the original verification test. Upon confirmation by retesting, verification test results are used for acceptance of bituminous mixture. Otherwise, QC test results are used for acceptance of bituminous mixture.

### **Test Summary Sheets**

For State Projects 66-602-06, 31-663-15, 58-630-11, and 39-601-22 the Test Summary Sheets were not completed as required. Not all of the Test Summary Sheets included agency test results and review signatures. The Test Summary Sheets provide an immediate, visual reference regarding if contractor QC and agency verification test results fall within JMF limits and if QC-verification test result differences fall within tolerance.

State Project 66-602-06 personnel didn't know about the Test Summary Sheets. State Project 58-630-11 personnel indicated that this was their first time using the bituminous 2350/2360 specification.

### **Paving Restrictions**

For State Project 58-630-11, most of the Wearing Course Mixture was placed after November 1, 2005 without the Engineer's written permission. This is contrary to bituminous specification requirements. Project personnel felt that the requirement for the Engineer to approve wearing course paving done after November 1 was a change to the bituminous specifications.

In addition, the special provisions called for the Ordinary Compaction method to achieve density on the Wearing Course Mixture. Normally, the bituminous specifications call for Maximum Density method to achieve density.

The Maximum Density method requires use of the density of pavement cores for acceptance. The Ordinary Compaction method does not require use of the density of pavement cores for acceptance. Project personnel also explained that they had always used Ordinary Compaction because it was an option under the bituminous 2340 specifications.

Office of Materials and Road Research personnel indicated that in general, paving wear course using ordinary compaction was not recommended, and especially because cold air temperatures would make it difficult to achieve and verify density. Office of Materials and Road Research personnel explained that achieving and verifying density would make the bituminous pavement less permeable and more durable.

### **Ticket Information**

For State Project 66-602-06, 31-663-15, and 04-612-13, bituminous tickets did not include the mix designation (including the asphalt binder grade) and mixture design report number. This information is required by the bituminous specifications. For State Project 49-652-03, bituminous tickets did not include the mix designation. For State Project 39-601-22, bituminous tickets did not include the mixture design report number or street inspector's initials.

Project personnel did not authorize the exclusion of this information from bituminous tickets in writing; the specifications require written authorization. Additional project oversight was needed to ensure that bituminous tickets included the required information.

The mix designation (including the asphalt binder grade) or mixture design report number provides attestation that the correct mix design, including Job Mix Formula (JMF) changes, and the correct asphalt binder are incorporated into the bituminous mix. No JMF changes were noted for the projects in question.

In Fiscal Year 2004, State Aid for Local Transportation Division personnel coordinated with the Minnesota Asphalt Paver's Association (MAPA) in sending out a letter to MAPA members advising them of the need to include all required information on bituminous tickets.

### **Plant Diaries**

For State Projects 31-663-15 and 04-612-13, a bituminous plant diary was not kept. State Project 04-612-13 personnel indicated that in the past, they had not kept bituminous plant diaries and would have to begin doing so. State Project 31-663-15 asked if the electronic Weekly Construction Diary being kept would also suffice as a bituminous plant diary. The Contract Administration Manual, 5-591.390, requires each technician assigned as an inspector of a major phase of a contract such as grading, street, or plant inspection to keep a daily diary.

## **Recommendations**

1. State Aid for Local Transportation Division Director encourage cities and counties to continue and emulate best practices.
2. State Aid for Local Transportation Division Director provide specific direction to cities and counties to ensure that requirements are met for: quality control, quality assurance, and verification testing; sampling for verification testing; bituminous specification special provisions; contractor-agency test result tolerances; test summary sheets; bituminous paving restrictions; bituminous ticket information; and bituminous plant diaries.
3. State Aid for Local Transportation Division Director meet with city and county project personnel prior to the start of work on projects and discuss compliance with requirements for areas found to be at high risk of noncompliance with requirements.

## **Responses to Recommendations**

Recommendations 1, 2, and 3

### State Aid for Local Transportation Division

General comments: This past year was the first full year that all counties and cities were asked to use the MnDOT 2350/2360 Bituminous Specifications (instead of using many different mixes in the past). For the most part the transition went smoothly but there were some indications of “growing pains”. In addition, we have a contractor (RT Vision) developing a One Office computer application for contract management which, when fully implemented, should prove useful for field personnel in identifying and complying with contract documentation and testing requirements (for all contract items).

The following action will be taken:

- Jim Koivisto, SALT Federal Aid Program Manager will prepare an “Audit Memo” on the audit findings which will be sent to all County and City Engineers in advance of the next construction season (by March) with the request the information be shared with their field personnel.
- Ron Bumann, SALT Construction Practices Specialist, will highlight Recommendation 1 and address all of the requirements mentioned in Recommendation 2 at bituminous and other training sessions throughout the state this winter and next spring (this action step has started with initial training sessions in early January).
- SALT would like to meet with city and county project personnel prior to the start of work on projects to discuss areas found to be at high risk of noncompliance with requirements. But resources are not available to do this on all the projects (1,000 plus state aid projects and 100 plus federal aid projects) administered every year. Nevertheless, SALT will take the following action:

## Responses to Recommendations (continued)

### State Aid for Local Transportation Division (continued)

The SALT Project Delivery Unit, with input from the DSAEs, will qualitatively identify the areas deemed to be at high risk of noncompliance with requirements for 2007. Similarly, a list of projects which are most likely to have occurrence of noncompliance with the high risk areas will be identified. Various tactics will be used to mitigate the risks. Some of them are:

1. As time permits, SALT representatives (unit members, DSAEs, or DSAE Assistants) will meet at the start of work on high risk projects to address the high risk areas.

Note: This tactic has routinely been used by Ron Bumann, SALT Construction Practices Specialist in the past. Often he is asked by county and city personnel (who know they are at “high risk” for noncompliance with requirements in “high risk” areas) to visit them prior to the project.

2. Statewide and/or county/city specific training will be developed to address high risk areas.

Notes: Two examples of this tactic are underway:

Building Demolition has been determined (by audits in recent years and by SALT staff) to be a high risk area for noncompliance. Mark Vogel, State Program Administrator, Office of Environmental Services will be conducting training throughout the state for all interested city and county employees on all the requirements for building or bridge demolition.

Also Kelvin Howieson, DSAE, D3 is planning to work with the D3 Materials Office to provide Bituminous Summary Sheet interpretation training for cities/counties in D3.

3. Communications (SALT e-Scene newsletter, “Construction Bulletins”) on high risk areas for non-compliance will be sent to County/City Engineers to discuss with their project personnel.

## **FINDING IV – NEED TO IMPROVE COMPLIANCE WITH CONCRETE MATERIALS CONTROL REQUIREMENTS**

### **Weekly Concrete Reports**

For State Project 2310-22 Concrete Pavement and Structural Concrete valued at \$4.4 million, 7 of 9 Weekly Concrete Reports were not completed. The Concrete Manual 5-694.744(1) requires submittal of the Weekly Concrete Report to the Concrete Engineering Unit weekly. Concerns with Weekly Concrete Reports were also noted in the Fiscal Years 2004 and 2005 Single Audit Reports.

Project personnel attributed the missed Weekly Concrete Reports to the following three factors: the mobility of project inspectors; project personnel not familiar/experienced with concrete projects; and no separate form on which to record Quality Assurance air and slump values (these values are also recorded on the Weekly Concrete Report).

The Concrete Manual 5-694.701 explains that reports (including the Weekly Concrete Report) submitted to the Mn/DOT Concrete Engineering Unit provide information regarding the progress of the work and become a part of the construction history of the Project. The reports are also used to track source history to verify changes in sources. On this basis, the Weekly Concrete Report appears to be an important management control for production and placement of concrete mixtures.

Office of Materials personnel indicated that they were developing a method for project personnel to enter Weekly Concrete Report information into handheld devices, eliminating the need to manually complete Weekly Concrete Reports. Office of Materials personnel indicated that the Weekly Concrete Report information would be kept in a database from which exception reports could be generated.

### **Air and Slump Testing**

Also for State Project 2310-22 Bridge Slab Concrete, air and slump tests required by the Schedule of Materials control were not documented on Weekly Concrete Reports. Project personnel felt the tests had been documented in an inspector diary. The inspector diary documented air and slump tests for only 4 of 30 days of concrete production.

### **Aggregate Sources**

We noted numerous failures on the #200 sieve for coarse aggregate for concrete from a concrete plant located in the Metropolitan District. Standard Specifications for Construction Specification 3137.2D1(i) sets a maximum of 1% passing the #200 sieve. The coarse aggregate in question came from a limestone source and was handled multiple times without adequate washing, creating a dust coating on the aggregate and the subsequent failures on the #200 sieve.

Standard Specifications for Construction Specification 1503, Conformity with Plans and Specifications, states that it is the intent of the Specifications that the materials and workmanship shall be uniform in character and shall conform to the prescribed target value. Metropolitan District personnel indicated that the aggregate source in question was used for about 50% of the metropolitan area project concrete aggregate.

Office of Materials and Road Research (OMRR) personnel explained that failures on the #200 sieve for coarse aggregate for concrete could leave less space for air entrainment and could also affect admixtures. OMRR personnel also indicated that research had been done for several years to address the question of material passing the #200 sieve for coarse aggregate for concrete. OMRR personnel felt that the condition was being handled satisfactorily from an engineering standpoint.

FHWA personnel estimated that the payment reductions being applied comprised only one to two percent of the value of the placed concrete, and felt that the reductions were not sufficient to cause contractors to take corrective action. FHWA personnel felt that Mn/DOT should study the payment reductions and adjust them so that contractors take action to correct the failures.

### **Dowel Bar Certificate of Compliance**

For State Project 8103-47 Dowel Bars valued at \$470,000, a Certificate of Compliance required by the Schedule of Materials Control was not obtained. Project personnel were not able to locate the Certificate of Compliance. Office of Materials and Road Research personnel indicated that no dowel bars had been submitted for testing for State Project 8103-47.

### **Recommendations**

1. District Operations Division Director advise districts to:
  - a. Complete Weekly Concrete Reports and forward them to the Concrete Engineering Unit as required.
  - b. Perform air and slump testing for concrete mixtures as required.
  - c. Obtain Certificates of Compliance for Dowel Bars.
2. District Operations Division Director and Engineering Services Division Director complete development of an alternative method to accomplish the same management controls as Weekly Concrete Reports.
3. Engineering Services Division Director reevaluate requirements for coarse aggregate for concrete #200 sieve gradations that fail to meet specifications, considering changes in either the specifications or the amount of payment reductions.

### **Responses to Recommendations**

#### District Operations Division

Recommendations 1 and 2

#### DISTRICT RESPONSES

District 6 – Concrete Materials Control Requirements SP 2310-22

## **Responses to Recommendations (continued)**

### District Operations Division (continued)

#### Recommendations 1 and 2

The Weekly Concrete Reports were not completed in a timely manner. They have now been completed by project personnel. The Weekly Concrete Reports were not completed due to confusion between the field inspectors and the plant inspector. Each inspector assumed the other was completing the reports. In the future, the engineer will assign the field inspector the responsibility to complete the weekly reports.

The air and slump tests on the project were performed in accordance with the Special Provisions. The inspector did not properly document the test results. The engineer has discussed this with the inspectors and they are aware of their requirement to do so. In the future, the engineer will ensure compliance with the specifications by reminding project personnel of the requirement and randomly checking project files to ensure all reports are being filed and kept up to date.

#### District 7 – Dowel Bar Certificates SP 8103-47

State Project 8103-47 was referenced in the paragraph pertaining to Dowel Bar Certificate of Compliance. In specific, the Certificates of Compliance for the dowel bars were not in the project file at the time of the Audit. The recommendations in Finding IV advise the district to obtain the Certificates of Compliance for Dowel Bars. The Certificates of Compliance for Dowel Bars are located in the project file.

#### Division Response

The District Operations Division Director will review these Audit findings and recommendations with the District Engineers at a monthly meeting and will reinforce the importance to (1) complete and submit weekly concrete reports (2) perform air and slump testing for concrete mixes and (3) obtain certificates of compliance for dowel bars. A memo will be sent to the District Engineers to share with the District staff emphasizing those 3 points. See Engineering Services Division for Response to Recommendation 2.

### Engineering Services Division

#### Recommendation 2

Nearly half of the Resident Offices are actively participating in the development of the automated data collection for concrete during the 2006 season. Refinements continue to be made. More widespread use is anticipated in 2007. Adoption as a standard practice will be reviewed in the fall of 2007.

#### Recommendation 3

Changes to the specification will be made including a significant increase in the amount of payment reductions for non-compliant materials.

**FINDING V – FURTHER IMPROVEMENTS NEEDED IN SUBRECIPIENT MONITORING FOR COST OVERRUNS, PAYMENT TIMELINESS, AND CONTROL OF QUANTITIES**

The State Aid for Local Transportation Division is providing an increasing level of communication and follow up to cities and counties regarding past audit findings and the need to comply with requirements. As a result, improvements in compliance were noted. An increased level of communication and follow up is needed to produce improvements in control over costs overruns; compliance with requirements for payment timeliness; and control of quantities. Most of the specific exceptions described below were also noted in the Fiscal Year 2005 Single Audit Report and in some cases previous Single Audit Reports.

**Cost Overruns**

A State Project 43-715-02 supplemental agreement for removal of unsuitable road building material included 35,000 cubic yards of Common Borrow (EV) priced at \$5.13 per cubic yard, compared to the \$2.65 per cubic yard contract bid price. The \$2.48 per cubic yard increase in costs applied to the 35,000 cubic yards increased project costs by \$87,000.

For State Project 43-715-02, a bituminous reconstruction project 7,824 feet in length, only 13 soil borings were performed, including only 3 soil borings in a 2,700 foot stretch in a low lying marsh area near a river. Project personnel were not familiar with the Geotechnical and Pavement Manual recommendation to space soil borings at 100 foot intervals.

Increased project costs occurred because the supplemental agreement work was not included in competitive bidding for the project. More thorough geotechnical investigations will provide more accurate data on which to base the project plan, decreasing the likelihood of supplemental agreements and associated project cost increases.

The Geotechnical and Pavement Manual 4-1.01 explains that the purpose of geotechnical investigations is to define the in-situ soil, rock, ground water, and existing pavement/subgrade conditions, including the material types and their engineering character, to the extent necessary for the design of the most economical, uniform, and stable roadway. On this basis, geotechnical investigations appear to be an important internal control that helps to prevent cost overruns.

The Federal Highway Administration has emphasized the importance of control over cost overruns in recent years. The A-133 Compliance Supplement Part III B. Allowable Costs/Cost Principles, indicates that costs must be reasonable and necessary; and requires us to evaluate whether costs are reasonable and necessary as part of the Single Audit. The apparent inadequacy of the geotechnical investigation for State Project 43-715-02 raised questions regarding whether the \$87,000 increase in project costs is reasonable and necessary.

State Project 43-715-02 personnel commented that they followed the recommendations of an outside consultant hired to perform the geotechnical investigation and for soil borings that were taken, no concerns were noted. The agreement between the county and the outside consultant hired to perform the geotechnical investigations did not reference recommendations from the Geotechnical and Pavement Manual. Inadequate geotechnical surveys were also noted for 5 other county projects audited.

### **Payment Timeliness**

In employing best practices, project personnel ensured that partial payments were timely for State Projects 04-612-13; 58-630-11; 39-601-22; 31-663-15; and 49-652-03. Minnesota Statute 471.425 requires cities and counties to pay contractors every 35 days.

For State Project 66-602-06, \$1.3 million of \$5.3 million (25%) in partial payments exceeded 35 days from either the previous payment or the start of work per the Change in Contract Construction Status, with a range of 50 to 108 days for the late payments. Project personnel related that they were on leave during some of the periods involving the late payments.

For State Project 43-715-02, \$674,000 of \$1.5 million (45%) in partial payments exceeded 35 days from either the previous payment or the start of work, with a range of 82 to 122 days. Project personnel felt that the contractor was not accomplishing that much work and on that basis questioned the need to pay them.

For State Project 69-623-30, \$859,000 of \$1.6 million (54%) in partial payments exceeded 35 days from either the previous payment or the start of work, with a range of 42 to 44 days. Project personnel indicated that they had been working with county administrative personnel to reduce payment processing time.

### **Control of Quantities**

A \$26,000 value engineering incentive payment for State Project 08-610-24, reflected in Supplemental Agreement No. 1 and paid on April 26, 2006, should not have been paid. The value engineering incentive payment considered cost savings attributable to State Project 08-610-26, a project that had not yet been let for bid. FHWA personnel indicated that the payment of a value engineering incentive based on a future contract did not follow their general accounting practices due to lack of control over future unknown costs.

Project personnel explained that the value engineering payment included savings attributable to State Project 08-610-26 because there would be no savings (and therefore no value engineering incentive) if only costs for State Project 08-610-24 were considered. Project personnel also felt that the contractor for State Project 08-610-24 was properly paid.

For State project 66-602-06, project personnel entered the unit price of \$780 per ton as the quantity for contract bid item Hydraulic Soil Stabilizer on Partial Payment No. 7 dated August 12, 2005, leading to a \$606,000 overpayment. The correct quantity was 1.5 tons rather than the 780 tons entered. After the contractor brought this error to their attention, project personnel corrected the overpayment on Partial Payment No. 8 dated October 26, 2005. The Highway Costing System used to create the partial payment did not include edits to prevent the entry of the unit price as the quantity.

For State Project 39-601-22, withholding for erodible acres was taken under contract bid item Common Excavation. Project personnel felt it was easier to do it this way, but agreed that erodible acres withholding could be done separately from Common Excavation payments to address control of quantity concerns.

For State Projects 39-601-22 and 04-612-13, supplemental agreement payments were documented in the contract bid item section of partial payments. For State Project 04-612-13, project personnel documented incentive and disincentive payments, as well as price reductions, with contract item payments instead of separately from contract item payments. State Project 04-612-13 personnel indicated that they had always recorded these payments together with contract items in partial payments, but are now able to show them separately.

Mn/DOT Office of Construction and Innovative Contracting personnel explained that in order to comply with Standard Specifications for Construction Specification 1501, which states that the Engineer will decide all questions regarding control of quantities, it is necessary to document erodible acres withholding separately as a partial estimate backsheet adjustment. Office of Construction and Innovative Contracting personnel pointed out that the unit of measure for erodible acres withholding is acre, and Common Excavation is a Plan Quantity item measured in cubic yards. This is why quantities for the two items need to be controlled separately.

For State Projects 31-663-15, 39-601-22, and 49-652-03, material on hand payments were documented in the contract bid item section of partial payments, with quantities calculated by dividing material on hand invoice total costs by contract bid item placed prices. No incorrect payment totals were noted, but quantities paid as placed into the project work were incorrect because the quantities in question had not been placed into the project work.

State Project 31-663-15 personnel explained that this method of making material on hand payments was used because it worked. State Project 39-601-22 personnel indicated that paying for material on hand in this manner was easier and was standard practice. State Project 49-652-03 personnel felt that future software changes would address this issue.

Office of Construction and Innovative Contracting personnel indicated that material on hand payments, as well as incentive and disincentive payments, should be documented separately from contract bid item payments in order to comply with Standard Specifications for Construction Specification 1501. Office of Construction and Innovative Contracting personnel also indicated that in order to achieve compliance with Specification 1501, material on hand quantities should be paid as material on hand quantities, not as quantities placed into the project work.

## **Recommendations**

1. State Aid for Local Transportation Division Director encourage cities and counties to continue and emulate best practices.
2. State Aid for Local Transportation Director consult with Engineering Services Division Director in advising cities and counties to perform geotechnical investigations as recommended.
3. State Aid for Local Transportation Division Director provide specific direction to cities and counties to ensure that requirements are met for payment timeliness and control of quantities.

## **Responses to Recommendations**

Recommendations 1, 2, and 3

### State Aid for Local Transportation Division

Action which will be taken:

- SALT will communicate “best practices” to city and county personnel (Annual meetings, Newsletters, District Meetings, and Training Sessions).
- Although taking borings every 100 feet (Geotechnical and Pavement Manual) is most often impractical and very expensive, SALT will recommend counties and cities increase the number of borings taken for better quantity and cost control. SALT will recommend that counties and cities take enough borings to assure themselves contract quantities will not substantially overrun. We will issue a Technical Memorandum to address this finding.
- SALT will address the payment timeliness and control of quantities findings with city and county personnel. This will be done through the “Audit Memo” to all County and City Engineers and Training Sessions throughout the state. (See the first two action steps for FINDING III above).

**ATTACHMENT I**  
**OTHER INTERNAL CONTROL ISSUES**  
**DISCUSSED**  
**WITH MANAGEMENT**

**Field Compliance Review on Labor Provisions**

For State Projects 39-601-22, 43-715-02, and 49-652-03, project personnel interviewed only prime contractor personnel when conducting Field Compliance Reviews on Labor Provisions. On several other projects we audited, the field compliance reviews were either missed entirely or done for some months and missed for others. Contract Administration Manual 5-591.320, Labor, requires project personnel to ensure compliance with the contract provisions by randomly interviewing employees (including subcontractor employees) each month and including the required information on the Field Compliance Review on Labor Provision form.

**Poster Board**

For State Project 31-663-15, the labor compliance poster board with labor notices had not been reinstalled as of May 15, 2006. The Change in Contract Construction Status indicated that work had resumed on May 8, 2006. Project personnel indicated that the poster board went with the field laboratory. Project personnel also indicated that there was no reason why the poster board had not been reinstalled. We also noted that the poster board was removed before work was completed for State Project 1301-91. Contract Administration Manual 5-591.320 requires that the poster board be posted from project start to the completion of all work.

**Request to Sublet**

For 2 projects reviewed, Requests to Sublet were not submitted for all subcontractors as required. This condition was also noted in the Fiscal Year 2005 Single Audit Report No. 06-800-48. Standard Specifications for Construction, Specification 1801 requires the Contractor to submit Requests to Sublet at least 10 days before subcontractors intend to start work.

**Mobilization**

Contract bid item mobilization was not paid as required for 3 highway construction projects reviewed. This condition was also noted in the Fiscal Year 2005 Single Audit Report No. 06-800-48. For example, for State Project 31-663-15, mobilization was paid by individual jobs within the highway construction project contract, rather than by the contract. As a result, payment for mobilization was late. Project personnel indicated that they were not familiar with the requirements for paying mobilization.

Standard Specifications for Construction, Specification 2021, requires the payment of the first 50% of mobilization when a major bid item is worked and the remaining 50% when either all major bid items are worked or on the partial estimate following the partial estimate with at least 25% of the contract amount is earned, exclusive of mobilization and material on hand payments.

## ATTACHMENT I

### OTHER INTERNAL CONTROL ISSUES DISCUSSED WITH MANAGEMENT

Page 2

#### **Bituminous Application Record**

For State Projects 31-663-15, 43-715-02, and 66-602-06, project personnel did not use Bituminous Application Records (Form 21841) to document Bituminous Material for Tack Coat quantities at 60 degrees Fahrenheit as required by Standard Specifications for Construction, Specification 2357. Project personnel attributed this condition to oversight.

#### **Grading and Base Report**

For State Project 69-623-30, project personnel did not comply with the requirement to complete and submit to the Grading and Base Unit a Preliminary Grading and Base Report. Project personnel completed a hand written estimate of gradations needed for grading and base items and did not send it to the Grading and Base Unit. State Aid Division personnel reiterated the need to complete the report and send it to the Grading and Base Unit. This condition was also noted in Fiscal Year 2005 Single Audit Report No. 06-800-48.

#### **Weekly Construction Diaries**

For State Project 1301-91, 19 of 48 (40%) Weekly Construction Diaries were not completed. Specification 1806.1 of the Standard Specifications for Construction requires the Engineer to furnish the Contractor a weekly statement showing working days charged to the Project.

#### **Building Demolition**

For State Project 2310-22, the Minnesota Pollution Control Agency (MPCA) indicated that the demolition contractor should not have been performing demolitions. This condition could recur on future projects, as we were unable to substantiate communication between MPCA and Mn/DOT regarding the fact that the demolition contractor in question should not have been performing demolitions. The department and MPCA need to communicate to ensure that this condition does not recur.

#### **Treated Wood**

For State Project 31-663-15, project personnel did not document disposal of 47,132 foot board measure of creosote treated wood for contract item Remove Old Bridge. A Notification Form on Ownership Transfer of Creosote Treated Material, required by the Office of Environmental Services (OES) "Asbestos and Regulated Waste Manual for Structure Demolition or Relocations for Construction Projects", was not completed.

The OES manual and the need to follow its requirements were referenced in the project proposal. Project personnel explained that they were not familiar with the Notification Form on Ownership Transfer of Creosote Treated Material, and indicated that the treated wood was given to a contractor for use in building logging bridges.

## ATTACHMENT II

### AUDIT FOLLOW UP OF PRIOR YEAR'S FINDINGS

<b>Identified Concern in Fiscal Year 2005</b> <b><u>Single Audit Report No. 06-800-48</u></b>	<b>Status</b>	
	<b><u>Code</u></b>	<b><u>Notes</u></b>
Project and Contractor Actions	1	
Quality Control (QC) and Quality Assurance (QA) Testing	1	
Subrecipient Monitoring	2	A
Geotechnical Investigations	2	B
Environmental Compliance	2	C
Weekly Concrete Reports	2	D
Airport Improvement Bituminous Testing	1	
Federal Billing Reconciliation	1	

#### Notes:

- A - Subrecipient Monitoring is discussed this year in Single Audit Report No. 07-800-54, Findings III and V.
- B - Geotechnical Investigations are discussed this year in Single Audit Report No. 07-800-54, Finding V.
- C - Environmental Compliance is discussed this year in Single Audit Report No. 07-800-54, Finding I.
- D - Weekly Concrete Reports are discussed this year in Single Audit Report No. 07-800-54, Finding IV.

#### Explanation of Status Codes

- 1 - Findings have been fully corrected.
- 2 - Findings not corrected or only partially corrected; discussed in this year's Single Audit Report.
- 3 - Findings not corrected or only partially corrected; discussed verbally with management.
- 4 - Findings are no longer valid or do not warrant further action.

### ATTACHMENT III QUESTIONED COSTS

<b>Finding(s)</b>	<b>State Project</b>	<b>Contract Items</b>	<b>Amount</b>	<b>Reasons</b>
I	8103-47	Hazardous Waste Disposition		Note 15
I	Various	NPDES Permit Requirements		Note 2
I	2785-304	NPDES Permit Requirements	\$157,000	Note 2
I	66-602-06	Remove Old Bridge	\$4,000	Note 3
		Building Removal	\$4,000	Note 3
I	Various	Building and Regulated Waste Removals		Note 3
I	Various	Various		Note 8
II	2785-304	Supplemental Agreement No. 9	\$1,900,000	Note 4
III	66-602-06	Type SP 12.5 Wearing Course Mixture	\$680,000	Note 5
		Type SP 12.5 Non Wearing Course Mixture	\$568,000	Note 5
III	31-663-15	Type LV3 Non Wearing Course Mixture	\$677,000	Notes 5, 7
III	58-630-11	Type LV4 Wearing Course Mixture	\$532,000	Notes 5, 6
		Type LV3 Non Wearing Course Mixture	\$498,000	Notes 5, 6
III	04-612-13	Type LV3 Wearing Course Mixture	\$459,000	Notes 5, 6, 7
		Type LV3 Non Wearing Course Mixture	\$473,000	Notes 5, 6, 7
III	39-601-22	Type LV3 Non Wearing Course Mixture	\$101,000	Notes 5, 6
III	49-652-03	Type LV3 Wearing Course Mixture	\$253,000	Note 6
IV	2310-22	Structural and Pavement Concrete	\$4,420,000	Note 6
IV	8103-47	Dowel Bars	\$470,000	Note 6
IV	Various	Concrete		Note 13
V	08-610-24	Supplemental Agreement No. 1	\$26,000	Note 14
V	66-602-06	Late Payments	\$1,194,000	Note 10
V	69-623-30	Late Payments	\$859,000	Note 10
V	43-715-02	Late Payments	\$674,000	Note 10
V	43-715-02	Hydraulic Soil Stabilizer Type 5	\$606,000	Note 11
V	43-715-02	Common Borrow (EV)	\$87,000	Note 12
<b>Total</b>			<b>\$14,642,000</b>	

**Notes:**

1. The amount column represents the contract total for each questioned cost item. Usually the federal amount is 80-90% of this total.
2. Noncompliance with General National Pollutant Discharge Elimination System (NPDES) requirements was considered to apply to entire projects for State Projects 6917-0119; 31-663-15; 8103-47; 4908-18; 2310-22; 2180-94; 8205-100; 1301-91; and 43-715-02; we were unable to isolate specific contract item costs related to noncompliance. For State Project 2785-304, we were able to isolate specific contract item costs related to noncompliance.
3. Noncompliance with Federal and State requirements regarding building inspection, asbestos abatement, and building removal. Potential fines for noncompliance far exceed contract item amounts that could be questioned.
4. Noncompliance with Code of Federal Regulations and Federal Highway Administration (FHWA) requirements outlined in the FHWA & Mn/DOT Letter of Agreement and Stewardship Plan.
5. Noncompliance with Bituminous Specifications as detailed in the Finding.
6. Noncompliance with the Schedule of Materials Control as detailed in the Finding.
7. Noncompliance with the Contract Administration Manual.
8. Noncompliance with the Standard Specifications for Construction as detailed in the Finding. We were unable to determine the exact amount impacted; the finding lists a range of \$22,000 to \$390,000. Multiple contract items could be impacted, each to an indeterminate degree.
9. Noncompliance with Concrete Manual requirements for Weekly Concrete Reports.
10. Noncompliance with Minnesota Statute 471.425 regarding the need to make payments every 35 days.
11. Overpayment corrected after the contractor brought it to the county's attention as described in the Finding.
12. Noncompliance with Geotechnical and Pavement Manual recommendations as described in the Finding.
13. Concerns regarding the quality of aggregates for concrete described in Finding IV could affect the quality of concrete produced for multiple projects not audited; therefore, no specific questioned cost amount is given.
14. Overpayment as described in the Finding.
15. Noncompliance regarding contractual requirements for disposition of hazardous waste. The potential for fines and adverse public relations could be considerable.