



# **INTERNAL AUDIT REPORT**

## **Davis-Bacon Compliance Follow-Up**

**R-17-1**

**February 15, 2017**

# Executive Summary

## Introduction

A follow-up of the Davis-Bacon Compliance Internal Audit, issued on July 8, 2016, has recently been completed. This report is based on the results of the follow-up audit.

## Objectives and Scope

The primary objective of the audit was to determine the status of management actions to address the findings reported in the 2016 audit report, reference R-16-5. The period of the audit testing was from November 1, 2016 to December 31, 2016.

The following areas were reviewed:

- Contracting
- Contractor Compliance Monitoring
- Record Management

As the focus of the audit was on assessing progress with management actions to address the previously reported finding, controls that were evaluated as adequate and effective in 2016, were not tested and were assumed to be operating as they had at the time of the 2016 audit.

## Audit Conclusion

<b>Audit Report Rating*</b>	
<p>The overall rating has been determined based on the results of the follow-up audit.</p> <p>The audit revealed that UTA now does have a formal process for monitoring contractor compliance with the Davis-Bacon Act and retaining related documentation.</p> <p>While this report details the results of the follow-up audit based on limited sample testing, the responsibility for the maintenance of an effective system of internal control and the prevention and detection of irregularities and fraud rests with management.</p>	

\*Rating is defined in Appendix 2

Internal Audit would like to thank the management and staff for their co-operation and assistance during the audit.

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# APPENDIX 1

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# APPENDIX 1

## 1. Standard Operating Procedures

Finding R-16-5-1	HIGH
<p>UTA should design, document, and implement standard operating procedures for Davis-Bacon Act (DBA) contractor compliance monitoring and record management. Standard operating procedures (SOPs) provide an organization with uniform performance expectations for routine tasks. The SOPs' design should be based on DBA guidance provided by the Department of Labor and aligned with any related UTA policies. It is essential to formally document SOPs to ensure their consistent performance over time even when personnel change or due to the overall complexity of the procedures. While not aware of all exceptions identified by the audit, UTA Management recognized challenges related to its Davis- Bacon compliance program and were in the initial stages of internally evaluating the function at the time of the audit.</p> <p>Not having SOPs for compliance monitoring and record management may result in the incorrect or inconsistent performance of the related control activities. Non-compliance with the DBA may result in project delays, increased administrative costs, and reputational damage to UTA.</p> <p>The following are exceptions noted from the audit procedures performed:</p> <ul style="list-style-type: none"><li>• The responsible person was unaware of any related process or procedures pertaining to monitoring DBA compliance.</li><li>• The responsible person was unable to determine the population of UTA's federally funded projects requiring DBA compliance.</li><li>• There was no methodology of how often monitoring activities should be performed or what sample sizes should be used.</li><li>• The responsible person was unable to provide documentation evidencing the receipt of all certified payrolls from the contractors.</li><li>• The responsible person was unable to provide documentation evidencing the request or receipt of contractors' employee benefit plans for both of the projects tested.</li><li>• There was no documentation evidencing the reviews of certified payrolls for any of the projects during the period.</li><li>• Only 3 contractor payroll interviews were performed during the audit period- all were from 1 of the 11 applicable projects.</li><li>• The method for selecting interviews did not allow for testing the completeness and occurrence assertions for the certified payrolls.</li><li>• There was no documentation evidencing a reconciliation of stated pay rates from interviews to certified payrolls.</li><li>• No process or procedure was in place for a periodic review of DBA monitoring activities.</li></ul>	
Recommendation	
<p>The Manager of Civil Rights Compliance should work with the Title VI Compliance Officer to design, document, and implement standard operating procedures for Davis-Bacon Act contractor compliance monitoring and record management</p>	

# APPENDIX 1

Management Agreement	Owner	Target Completion Date
Yes	Manager of Civil Rights Compliance	November 1, 2016
The Manager of Civil Rights Compliance will design, document and implement standard operating procedures for Davis-Bacon Act contractor compliance monitoring and records management, including the periodic review of DBE monitoring activities.		

Final Status	Implemented
The follow-up audit revealed that the Manager of Civil Rights Compliance has designed, documented and implemented an SOP for Davis-Bacon Act contractor compliance monitoring and records management, and that the SOP is addressing the audit finding noted in the 2016 audit report.	

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

# APPENDIX 2

## \* REPORT RATING MATRICES

### OVERALL REPORT RATING

The overall report ratings are defined as follows, applicable to the audit scope as defined

Descriptor	Guide
<b>Fully effective</b>	Controls are as good as realistically possible, both well-designed and operating as well as they can be.
<b>Substantially effective</b>	Controls are generally well designed and operating well but some improvement is possible in their design or operation.
<b>Partially effective</b>	Controls are well designed but are not operating that well. OR While the operation is diligent, it is clear that better controls could be devised.
<b>Largely ineffective</b>	There are significant gaps in the design or in the effective operation of controls – more could be done.
<b>Totally ineffective</b>	Virtually no credible controls relative to what could be done.

### DETAILED FINDING PRIORITY RATING

Descriptor	Guide
<b>High</b>	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
<b>Medium</b>	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
<b>Low</b>	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.
<b>Implemented</b>	Adequate and effective management action taken to address the finding noted in the audit report.

# APPENDIX 3

<b>DISTRIBUTION LIST</b>			
<b>Name</b>	<b>For Action<sup>1</sup></b>	<b>For Information</b>	<b>Reviewed prior to release</b>
President/CEO		*	*
General Counsel		*	*
Manager of Civil Rights Compliance		*	*
Civil Rights Compliance Officer		*	
VP of Finance		*	
VP of External Affairs		*	

<sup>1</sup>For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.