



West Virginia Department of Transportation Policy: **Audit Replies**

Issued by the Secretary of Transportation

Policy No: DOT 1.8

Issue Date: 07/01/2006

Revised: 09/30/2022

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1.0 PURPOSE

This policy outlines the West Virginia Department of Transportation (WVDOT) Operational Audit Reply Policies and Operational Audit Reply Processes used by WVDOT.

2.0 SCOPE

This policy provides guidance to the Transportation Auditing Division, Internal Audit Section, Transportation Technology Services, and Audit Committee. It applies to all WVDOT agencies; the Parkways Authority will be audited upon request of the Secretary of WVDOT.

3.0 DEFINITIONS

- 3.1 **Agency**: means any authority, bureau, commission, or Division or similar cabinet subpart of the WVDOT.
- 3.2 **Agency head**: means the chief executive officer of an agency.
- 3.3 **Auditees**: means the manager(s) of the audited organization with responsibility of submitting responses and effecting resolution.
- 3.4 **Division Director**: means the administrative head of a WVDOT Division.
- 3.5 **DM**: District Engineer or District Manager.
- 3.6 **DOH**: means the Division of Highways.
- 3.7 **DOT**: means the Department of Transportation.
- 3.8 **Employee**: means a person who lawfully occupies a position in a WVDOT agency and who is paid a wage or salary and who has not severed the employee-employer relationship.
- 3.9 **Information Technology Division**: means the Division of the WVDOT that aids in determining requirements and feasibility of new automation functions, develops and supports new information systems, maintains, and supports existing information systems, establishes standards for equipment and software, acquires new software and equipment, and provides training on supported systems. The Chief Technology Officer is responsible for the information technology direction of the WVDOT.
- 3.10 **Secretary**: means the Secretary of Transportation.
- 3.11 **Transportation Auditing Division**: Means the Division of the WVDOT whose functions include, but are not limited to internal/procedural auditing, external auditing, and consultant overhead submittals.

4.0 INTERNAL AUDITS

4.1 GENERAL INFORMATION

As designated by the Secretary, Transportation Auditing Division is responsible for conducting audits of all operations and activities of the WVDOT. As part of this assignment, Transportation Auditing Division performs internal operational reviews, audits of financial transactions, accounts, and reports, reviews consultant proposals and overhead rates for contracts, and evaluates compliance with applicable laws, rules, regulations, and policies.

The audit function is an organized activity that provides an objective and independent evaluation of the audited operations. In conducting these audits, Transportation Auditing Division helps measure the WVDOT's performance against applicable laws, rules, regulations, policies, and procedures within government as well as the recognized standards of sound management.

Transportation Auditing Division also conducts reviews for consultants to determine whether the WVDOT is making the most efficient and economic use of its resources.

Transportation Auditing Division advises management of their efforts by issuing written audit reports. These reports express ratings and provide results of the reviews and offer recommendations concerning needed improvements and corrective actions for areas where weaknesses and deficiencies exist.

Following the issuance of the audit report, the managers cited in the recommendations prepare and submit their responses to Transportation Auditing Division within 10 business days of receipt of the draft audit report. Transportation Auditing Division performs a verification of the auditees' responses and resolutions, categorizes the status of each recommendation, and issues the final report that is distributed to Executive Management. Each calendar quarter, Transportation Auditing Division provides an Audit Status update as requested by Executive Management to advise of the resolution status of the recommendations. This report provides WVDOT level managers with the means to monitor the progress of corrective actions to processes and systems cited with deficiencies from previous audits.

Overseeing the audit function is the Audit Committee. The Audit Committee is comprised of voting members from the WVDOT managers, and one non-voting member all appointed by the Secretary. The committee is responsible for guiding the audit program as well as ensuring that the processes of response, follow-up, corrective action, and disagreement resolution are in place and being followed.

4.2 WVDOT OPERATIONAL AUDIT REPLY POLICIES

A. TRANSPORTATION AUDITING DIVISION will:

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1. develop an annual Audit Plan that reflects the concerns of the WVDOT Audit Committee as well as the WVDOT agency managers;
 2. perform each audit in accordance with "Government Auditing Standards"(GAS), to properly apply procedures and incorporate instructions from WVDOT management or the WVDOT Audit Committee;
 3. solicit management comments on the Draft Audit Report, offer and conduct, if requested, an Exit Conference and incorporate any comments into the Final Audit Report;
 4. submit all audit forms and instructions to the auditee and exchange information by email; and
 5. issue each Final Audit Report to the auditee(s), appropriate WVDOT managers and to the Audit Committee.
- B. AUDITEES of the audited organization are responsible for submitting responses and implementation of effective resolutions. This shall include:
1. cooperate with Transportation Auditing Division's auditors in their investigation and analysis efforts;
 2. review the Draft Audit Report and provide written management comments, request an Exit Conference, or both, if desired;
 3. submit written replies to the Final Audit Report recommendations within the specified time limits;
 4. prescribed response form along with copies of documentation to support any resolution action taken; and
 5. provide written responses for unresolved recommendations for the Audit Status Update;
 6. ensure that timely resolution of agreed upon recommendations is accomplished.
- C. The AUDIT COMMITTEE will:
1. participate in audit planning by receiving, reviewing, and recommending requests for audit services;
 2. ensure the systems of audit follow-up, resolution, and corrective action are documented and in place;
 3. review all Final Audit Reports and request clarifications of the report or issues from the appropriate organizations;
 4. review all Verification Reports to:

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- a. ensure that auditees that are delinquent in submitting written responses (Category 0) provide them;
 - b. issue decisions, in writing, for the resolution of recommendations to which the auditee(s) disagree (Category 4) or a policy decision or revision is required (Category 5); and
 - c. ensure that corrective actions are implemented.
5. review the Audit Status Update and issue sanctions or administrative action to individuals or to organizations that do not comply or do not resolve, in a timely manner (Category 3), the agreed upon recommendations; and
 6. conduct meetings of the committee to include representatives of Transportation Auditing Division, and others, when required to aid in the administration of the recommendations provided.
- D. The INFORMATION TECHNOLOGY DIVISION will:
1. establish a Web Application for Transportation Auditing Division to insert data from the issued audit report;
 2. develop a standard report summarizing the data using Power BI reporting functionality; and
 3. facilitate formatting changes for reports as requested by executive management for the audit committee.
- E. The SECRETARY will:
1. make appointments to the Audit Committee; and
 2. provide copies of the audit report to the appropriate federal agencies and the Office of the Inspector General (OIG) when federal funds are involved in the audit work area, if requested.

4.3 WVDOT OPERATIONAL AUDIT REPLY PROCESSES

A. PRELIMINARY AND FINAL AUDIT REPORT

1. Upon completing each audit, Transportation Auditing Division prepares and sends the Draft Audit Report to the auditee(s), Information Technology Division, and the WVDOT Audit Committee.
2. The recipients, within 10 calendar days from the date of the Draft Audit Report, will submit to Transportation Auditing Division any written comments or requests for an Exit Conference.

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3. Transportation Auditing Division will schedule and conduct an Exit Conference, if requested, within 14 calendar days after the end of the comment period and invite all interested parties.
4. Transportation Auditing Division will consider all written comments and Exit Conference comments for inclusion in the Final Audit Report, as required.
5. Transportation Auditing Division will prepare and issue a Final Audit Report and send a copy to the auditee(s), Information Technology Division and the WVDOT Audit Committee within 60 calendar days from the date of the preliminary report. All recommendations will be on Form BI-25A.

B. AUDITEE RESPONSE

1. The auditee(s) will prepare their responses and submit them by memo to Information Technology Division, with a copy to Transportation Auditing Division, within 30 calendar days from the date of the Final Audit Report.
2. All responses will be on Forms BI-25A as provided in the report and completed as follows:
 - a. identify the "Date of Reply" and "Reply Submitted By";
 - b. choose to agree or disagree for each recommendation or suggestion by inserting an "A" for agree or "D" for disagree in the appropriate column (Do not answer "A/D");
 - c. identify a reasonable implementation date for when corrective action was taken or when the recommendation will be resolved; and
 - d. in the "Organizational Response Section," state the specific action(s) that were or will be taken to resolve the recommendation if there is agreement or explain the reasons for disagreement.
3. A copy of appropriate (written) documentation will also be submitted to support resolution actions referenced in the responses.
4. Information Technology Division may return responses to the auditee that are incomplete or inadequately supported.

C. AUDIT VERIFICATION REPORT

1. Upon receipt of the Final Audit Report, Information Technology Division will establish a file to retain all documentation and enter the required information to establish the Operational Audit Reply Status Register records.

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2. Upon receipt of auditee responses to recommendations, Information Technology Division will perform verification by:
 - a. examining all responses and documentation for adequacy ensuring that the proper form (BI- 25A) was used and that all issues and form items were addressed;
 - b. contacting the auditee(s) and/or Transportation Auditing Division to request clarifications or additional information/documentation;
 - c. categorizing each recommendation as to its resolution status based upon analysis of the resolution evidence provided by the auditee, any follow-up investigation conducted by Information Technology Division and any consultations with WVDOT management and Transportation Auditing Division.

3. When responses are not received within 30 calendar days of the date of the Final Audit Report, Information Technology Division will:
 - a. issue a delinquent response memo to the auditee(s), with a copy to Transportation Auditing Division and the Audit Committee, to advise that 10 additional calendar days will be permitted for response;
 - b. if the response(s) is not sent after 10 days, the recommendation(s) will be categorized as "No Response". Category Zero and the Audit Verification Report will be issued.

An Amended Verification Report may be issued if the auditee submits responses after the original Category Zero report were issued.

4. If any disagreement responses were submitted, Information Technology Division will, upon request, schedule and conduct a meeting between Transportation Auditing Division and the auditee to discuss potential resolution.

5. Information Technology Division prepares the Audit Verification Report by:
 - a. completing Form BI-25B for each recommendation with an explanation of any resolution investigation conducted and the categorization assigned (see Appendix);
 - b. attaching a copy of completed Forms BI-25A and documentation submitted by the auditee(s); and

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c. attaching a memo for transmitting the Verification Report to all auditees, the Audit Committee, appropriate managers, and Transportation Auditing Division.

6. Upon completing and distributing the Audit Verification Report, Information Technology Division will update the records of the Operational Audit Reply Status Register.

D. BI-ANNUAL AUDIT STATUS REPORT

1. Information Technology Division will request, at least 21 calendar days prior to the end of each fiscal year period, an update in resolution status of all recommendations and suggestions which are listed as Category 2, Awaiting Implementation and Category 3, Implementation Overdue.

2. Information Technology will request the status update from each auditee by memo, with response forms attached, giving at least two weeks for response and documentation submission.

3. Information Technology Division will prepare the Bi-Annual Audit Reply Status Report by:

a. examining all responses and documentation for adequacy;

b. conducting any investigation/analysis to verify actions taken;

c. assigning the appropriate categorization; and

d. updating the Operational Audit Reply Status Register.

4. The Bi-Annual Audit Status Report will list all unresolved recommendations (Categories Zero, Three, Four and Five), all recommendations awaiting resolution (Category Two) and all resolved recommendations (Category One) for the reported quarter.

5. Information Technology Division will issue the Bi-Annual Audit Status Report by each January 15 and July 15 to the Secretary, all members of the Audit Committee and Transportation Auditing Division.

E. WVDOT AUDIT COMMITTEE MEETINGS

1. At the request of the Secretary, the WVDOT Audit Committee will meet to discuss the unresolved recommendations (Categories Zero, Three, Four and Five).

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2. Representatives from Transportation Auditing Division and from Information Technology Division will be invited as well as any other manager deemed necessary to the meeting.
3. Minutes of each meeting will be maintained and a written resolution plan for the unresolved recommendations will be prepared.
4. The Audit Committee's resolution plan will be submitted to the Secretary for approval.
5. Following approval, the plan will be issued to all members of the Audit Committee, Transportation Auditing Division, Information Technology Division, and the managers whose unresolved recommendations were addressed.

F. ANNUAL INTERNAL AUDIT PLAN

1. Transportation Auditing Division will prepare a draft Audit Plan and distribute to the appropriate WVDOT management for review and comment by June 1 of each fiscal year.
2. Transportation Auditing Division will consider all comments on the draft and prepare a final Audit Plan and submit for approval by the Secretary by July 15 of each year.

5.0 PROCEDURES COMPLIANCE EVALUATION SECTION

5.1 GENERAL INFORMATION

The following procedures apply to Corrective Action Replies (Form CZ-61, Form CZ-62 and Form CZ-63) to Procedures Compliance Evaluation Section Reports (PCES Reports). These reports concern reviews performed by Transportation Auditing Division in the Construction, Maintenance and District areas, and occasionally other areas of the WVDOT. Replies by responsible persons should be made to Transportation Auditing Division as noted herein.

The Corrective Action Reply (Form CZ-61) is a multipurpose form to be used by Contract Administration, Operations, District Organizations, or other WVDOT Divisions, in replying to PCES Reports. Form CZ-62 is to be used only by support organizations (primarily Divisions) in replying to PCES Reports with findings addressed to organizations other than the auditee. Form CZ-63 is to be used to reply to a District Shop Review. Forms CZ-61, CZ-62 and CZ-63 are to be completed and received by Transportation Auditing Division within 45 days after the reviewed organization receives the PCES Report.

Generally, processing and approvals of the Corrective Action Reply should progress from the auditee to the next level of management shown on the first page of the reply form. The normal approval channels will occasionally be different from normal when it is felt that additional approvals are needed. The reply process is all

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taken place electronically through the e-mail system. Each management level requiring a signature should review the reply and if approval is given, date and type their name on the first page of the CZ-61 and then save it before forwarding the e-mail to the next management level on the form. If an approving manager wants to add a comment, they should type their name with the comment so that the author is known. If an approving manager wants to send the reply back for additional information, the e-mail should be forwarded back to a previous authority (i.e., do not reply to an e-mail or the attachment CZ form will be lost).

Please keep all e-mail data intact by always forwarding the e-mail with the CZ form attached; since the WVDOT doesn't actually have electronic signatures yet, do not delete names on the e-mail so that an audit trail of the reply is available.

Note: The distribution of our reports may be limited if the reports contain privileged or confidential information. Distribution within your organization, or outside your organization, is discretionary. Legal Division or Transportation Auditing Division may need to be consulted prior to distributing reports to those not on the normal distribution shown on the last page of the audit report.

5.2 RESPONSIBILITIES

The manager of the audited organization, or the project supervisor or engineer of the construction project, is responsible for answering the audit report on the CZ form within the timeline given. After answering the reply, the manager should type and date the first page and then forward the CZ form (via e-mail) to the next management level indicated on the CZ form. Each subsequent level of management noted on the front page of the CZ form requiring approval is responsible for ensuring that the auditee's reply is appropriate. If the reply is acceptable, the manager should date and sign (type name) on the CZ form and forward to the next management level. However, if something is not acceptable or is unclear and requires additional information, the CZ form should be forwarded via e-mail back to a previous level for revision or additional information.

The District Engineer or Manager (DM) is responsible for all replies in their district to ensure they are answered in an appropriate and timely manner. The Deputy State Highway Engineer, Operations is ultimately responsible for the replies to maintenance and equipment shop audits and forwarding the completed reply to Transportation Auditing Division. The Deputy State Highway Engineer, Construction is ultimately responsible for the replies to the construction audits and forwarding the completed reply to Transportation Auditing Division.

Occasionally, an audit finding will recommend that upper-level management reply to the finding. Form CZ-62 (Correction Action Reply – Support Organizations) is utilized for these types of replies. Transportation Auditing Division will send the CZ-62 to the appropriate management level and the auditee will generally not be required to respond to that particular finding.

Once the appropriate authority answers the CZ-62, it should be either forward to a higher manager listed on the CZ-62 or returned to Transportation Auditing Division as applicable.

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6.0 RELEVANT MATERIALS/DOCUMENTS (or REFERENCES)

7.1 [Financial Audit Manual | U.S. GAO](#)

7.0 CHANGE LOG

September 30, 2022 –

- Added definitions.
- Removed obsolete references.
- Reformatted policy; changed Information Services Division to Information Technology Division throughout policy.
- Removed obsolete forms and reports.

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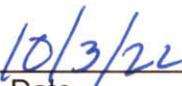
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Approved by:



Jimmy D. Wriston, P.E.
Secretary of
Transportation
Commissioner of
Highways



Date

*The Secretary of the West Virginia Department of Transportation or the Commissioner of Highways may, pursuant to the authority vested with the Secretary and Commissioner in W. Va. Code §5F-2-2, §17-2A-1 *et seq.*, and §17-2-1 *et seq.*, waive the requirements of this policy if the circumstances, in the Secretary or Commissioner's sole discretion, warrant such action.