

# Massachusetts Highway Department

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## Massachusetts Highway Department Background

The Massachusetts Highway Department (Department), within the Executive Office of Transportation and Construction, plans, constructs and maintains the state highway system which consists of approximately 12,600 lane miles of highway, 60,000 acres of roadside and 2,900 bridges. To accomplish this, the Department operates approximately 400 maintenance facilities located throughout the state, including administrative offices, garages, repair and storage buildings. Most of the facilities are small and serve maintenance needs.

During fiscal year 1999, the Department administered appropriated funds of approximately \$88 million. In addition, about \$606 million was provided by the federal government on a reimbursement basis.

The federal funding to the Department is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Department's major program was:

CFDA #	Federal Program Description
20.205	Highway Planning and Construction

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## Findings on Reportable Conditions

### Finding Number 13: Need to Update Many Standard Operating Procedures

The Massachusetts Highway Department (Department) needs to update many of their standard operating procedures (SOPs). Some date as far back as the late 1960's, prior to the Department implementing systems such as MMARS, BARS, and PMIS. The SOPs vary in format from one area to another. Some consider manuals, policy directives and correspondence as part of the SOPs. There is no central depository or index of SOPs for an employee to use. Various SOPs are disbursed throughout the Department, district offices and Central Artery/Third Harbor Tunnel project offices.

During the year significant efforts were made by the Construction Division, Research and Materials and Fiscal Management to update their SOPs. Although no significant internal control problems were noted in other areas, SOPs for the Capital Expenditure and Program Office, Audit Operations, Highway Engineering, Bureau of Transportation, Planning and Development, and Federal Aid were not current. The use of outdated SOPs in processing information could result in inaccurate project accounting and reporting. Issues are more likely to arise in areas where there is turnover in staff or staff is out on extended leave. The delay in updating existing SOPs was due to the increased volume of activity in

federal aid projects and a reduction in staff over the past few years. Currently, the Department bills the Federal Highway Administration approximately \$606 million annually. (*Department of Transportation – Highway Planning and Construction 20.205; Fiscal Year 1994; 1998 Single Audit Finding 19*)

### **Recommendation**

The Department should require all units that have not yet done so to review and revise their SOPs and update their index of current SOPs. A master index of all SOPs should be maintained by the Internal Control Officer. SOPs should be integrated and coordinated with the Department's internal control plan, which is required by the Massachusetts General Law Chapter 647.

### **Department Corrective Action Plan**

Each section in the Department is required to maintain financial and administrative procedures that support their internal control structure. The Department's internal control structure consists of established policies, directives and operating procedures at each organizational level in the Department. As noted in the fiscal year 1999 finding significant efforts were made by many sections within the Department to update their SOP's. Additionally, no significant internal control problems were noted in any sections of the Department. The Department will emphasize to those sections noted in the finding to review and revise their SOP's for their section. Also, as part of the Department's internal control plan, a master index of the SOP's contained at the various sections will be implemented over the course of the next three years.

Department Contact Person: Kara Viola, Director of Administrative Services

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## **Findings on Compliance with Rules and Regulations**

### **Finding Number 14: Prevailing Wages not Paid**

Some subcontractors hired by the Massachusetts Highway Department (Department) did not pay prevailing wage rates to construction workers in accordance with the Davis-Bacon Act and Massachusetts General Law.

The Department is responsible for ensuring that the higher of U.S. Department of Labor or Massachusetts prevailing wages rates are paid to all construction workers on federally-funded projects when the construction contract exceeds \$2,000. It was noted that the hourly rates paid to three of five workers tested on project STP-050 (003), ranged from less than a dollar to \$8 per hour below the prevailing wage rates set for their job classifications. All of the individuals worked for subcontractors on that project.

According to the Department's Standard Operation Procedure #CSD-28-03-1-000, dated April 10, 1998, the resident engineer at a site is responsible for systematic spot checks, payroll checks and local investigations as required. A labor check report must be submitted when discrepancies are found. The resident engineer stated at that he had not noted any instances of noncompliance at that site. (*Department of Transportation – Highway Planning and Construction 20.205*)

## Recommendation

The Department should review the hourly wage rates paid to all employees of subcontractors working at that site to ensure the prevailing wages are paid throughout the contract as submitted by the general contractor. The Department should also instruct the resident engineers to monitor subcontractor wage rates.

## Department Corrective Action Plan

The Construction Division views this finding as an isolated incident. However to ensure that MassHighway is diligent in enforcing these provisions, the follow actions will be taken:

- All District Highway Directors will be informed that an audit has revealed that the prevailing wage was not paid on a particular project. (This took place at a District Highway Director's Meeting on October 14, 1999).
- A letter will be sent from the Chief Engineer to each District Highway Director (Attention District Construction Engineer) reiterating MassHighway's Standard Operating Procedures relative to the Davis Bacon Act and Massachusetts General Law.

Department contact person:

David Anderson, Deputy Chief of Construction

## Findings on Compliance with Rules and Regulations

### Finding Number 15: \$689,689 in Excess Fringe Benefit Costs has not been Credited Back to the Federal Highway Administration

During fiscal year 1999, the federally-approved fringe benefit rate for retirement and group insurance decreased from 30% to 17%. The Federal Highway Administration (FHWA) requested that the Massachusetts Highway Department (Department) credit federal projects with the difference in the rates beginning on February 1, 1999. A credit to FHWA for the full difference in the rates has not been made and it is estimated that \$689,689 in excess fringe benefit costs was charged.

The Office of the Comptroller (Office) negotiated a change in the fiscal year 1999 fringe benefit rate for retirement and group insurance, for federal programs from 30% to 17% during the year due to a projected decrease in benefit costs. FHWA, which funds the Department's federally-funded projects, requested that federal projects be credited with the difference in the rates beginning on February 1, 1999. The rate that was programmed in to the Project Accounting and Reporting System (PARS) on February 1, was the state fringe benefit rate of 24% not the federally-approved rate of 17%. As a result, only a partial credit was given for the period from February 1 until June 30, 1999. An additional credit between the 24% rate and the 17% rate due is estimated at \$689,689. The Department did request the Comptroller's Office in writing to make the rate reduction to the appropriate accounts. (*Department of Transportation – Highway Planning and Construction 20.205*)

## Recommendation

The Department should work with the Office of the Comptroller to calculate the credit due to FHWA and either credit it back through the current bill or adjust the fiscal year 2000 payroll additive rate. The Department should also monitor more closely the charges made to its accounts.

### **Department Corrective Action Plan**

The Department has completed the Expenditure Transfer Documents in order to credit the Federal Highway Administration for the amount due as per the Office of the Comptroller. The total credit due MHD from the Office of the Comptroller from the rate not being changed in the Comptroller's system from 24% to 17% as reported from the Comptroller's Office was \$853,745, the total credit to Federal Highway based on actual percentages was \$689,689. The Department's Project Accounting and Reporting Section in connection with the Office of the Comptroller will monitor the appropriate tables in the PARS system to ensure that the fringe benefit rates are recorded correctly.

Department contact person: Lina Arria, Director of Project Accounting and Reporting

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## **Findings on Compliance with Rules and Regulations**

### **Finding Number 16: Subrecipient Contracts do not Contain Adequate Single Audit Information**

The Massachusetts Highway Department (Department) subrecipient contract with planning organizations do not include all of the information that is required by the Single Audit Act Amendments of 1996.

Section 7502 (f)(2) of the Single Audit Act Amendments of 1996, states that each pass-through entity shall provide subrecipients with the program name and identifying number, which is obtained from the *Catalog of Federal Domestic Assistance* (CFDA). In addition, that section also requires that the Department specifically communicate to subrecipients that the Single Audit Act applies to the federal funds awarded.

Contracts executed by the Department for fiscal year 1999, did not identify that the funds awarded were from the Highway Planning and Construction Program, or include any information concerning the CFDA number or the provisions of the Single Audit Act. The contracts did state that "audits shall fully satisfy OMB" (Office of Management and Budget) "requirements". Department personnel indicated they thought the reference to general OMB guidance was sufficient, as Single Audit requirements keep changing. No deficiencies were noted in reviewing Single Audit reports submitted by subrecipients. (*Department of Transportation – Highway Planning and Construction 20.205*)

### **Recommendation**

The Department should revise the format of its contracts with subrecipients to include specific mention of the federal program name, *Catalog of Federal Domestic Assistance* number and that an audit is required under the Single Audit Act as amended.

### **Department Corrective Action Plan**

In order to be in compliance with the Single Audit Act Amendments of 1996 The Bureau of

Transportation Planning and Development (BTP&D) will include the following information on any new subrecipient contracts as of January 1, 2000:

- Under Attachment I, Article II, Section 2A the BTP&D will include a statement that the Single Audit Act applies to the federal funds awarded.
- Under Attachment I, Article II, a new Section 2E will be added by the BTP&D that will include specific mention of the program name and the identifying number, which is obtained from the Catalog of Federal Domestic Assistance (CFDA#).

Department contact person:Luisa Paiewonsky, Director of BTP&D

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### **Findings not Repeated from Prior Years**

1. The Federal Highway Administration no longer requires the Massachusetts Highway Department to submit final vouchers after completion of a project. As a result, there is not longer a delay in submitting those reports. (*Fiscal Year 1998 Single Audit Finding 20*).

[More on Mass. Highway](#)

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