

 STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES	POLICY AND PROCEDURE NUMBER 01.04.040	PAGE 1 of 3
	EFFECTIVE DATE September 20, 2005	
SUBJECT Audits of Utility Relocation Agreements		SUPERSEDES DPDR 01.04.030
		DATED May 8, 1996
CHAPTER Office of the Commissioner	SECTION Internal Review	APPROVED BY Signature on File

PURPOSE

This formalizes the policy and procedure of the department on audits of utility relocation agreements.

POLICY

Responsibility for conducting audits of utility relocation agreements between the department and utility companies is assigned to the Office of Internal Review. Internal Review will audit these agreements by establishing and accomplishing a program of systems audits of the utility companies.

Definition

A systems audit of a utility company is a review of the company's accounting and work order systems. Overhead rates for indirect expenses (general and administrative, construction, engineering, materials handling, transportation and ballast, as applicable) are established based on the company's most recently completed year.

Frequency

Subject to the availability of audit resources, the Office of Internal Review will perform annual systems audits of electric, telephone, water and wastewater, gas, cable, and railroad companies that provide a significant volume of work annually for the department. Utility companies with a small volume of work will be subject to audit as requested or as considered necessary in the circumstances. In addition, Internal Review will select completed utility projects for detailed testing and closeout review as part of the systems audit.

Agreement Language

Department employees who initiate utility relocation agreements will insure that these agreements contain:

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- provisions to allow department or federal auditors the right to audit applicable company records and receive appropriate supporting documents to verify that contractual requirements are met and only eligible costs have been billed and paid, and
- requirements that the utility company's methodology and financial data comply with 23 CFR Part 645, whether the agreement is state or federally funded.

PROCEDURE

Standards

Standards in 23 CFR Part 645 provide the primary audit guidelines. Rural Electrification Administration accounting standards for electrical or telephone borrowers and 47 CFR Part 32 (Rules and Regulations, Uniform System of Accounts for Class A and B Telecommunications Companies) will also be used.

Requirements

Audit programs contained in the Office of Internal Review audit manual will be used for the conduct of the examination. Alternate procedures may be used depending on the circumstances.

The conduct of systems audits will allow for testing of costs back to source documents for major projects but will not require that all work orders under each agreement be reviewed. However, the department's utility sections may request audits of individual agreements. The Office of Internal Review reserves the right to audit individual agreements if considered necessary.

The Office of Internal Review will rely on the utility sections to perform thorough, detailed, and documented reviews of agreement costs and billings in accordance with the department's utilities manual.

Reports

The chief of the Office of Internal Review will issue an audit report on completion of the systems audit or review. The report will be provided to the regional director, with copies to the regional utilities engineer and the commissioner. The report will identify overhead rates and final costs on completed projects covered by the audit or review, the related federal aid project numbers, and the eligible costs. If the audit or review discloses deficiencies, the dollar impact will be related to the individual agreements.

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Internal department concerns identified during utility audits or reviews will not be discussed with the external entity during the conduct of the audit or review or in the exit conference. A separate management advisory memorandum will be issued to the affected department manager to address such concerns.

Responses to Reports

Routine reports that contain no adverse findings, questioned costs, or other matters requiring action by the affected department manager do not require a response.

If the report indicates that corrective or other followup action is necessary, the affected department manager will advise the Office of Internal Review in writing on what corrective actions were taken or are anticipated. The manager will provide this response within 42 days after the report is issued. Time extensions to respond may be granted on a case-by-case basis.

The Office of Internal Review will generally advise the federal funding agencies through the Office of the Commissioner of any federally related exceptions that cannot be satisfactorily resolved within 60 days.

AUTHORITY

P&P 01.04.010 and DPOL 07.08.010

IMPLEMENTATION RESPONSIBILITY

Chief of the Office of Internal Review, managers of DOT&PF utility relocation agreements

DISTRIBUTION

All department employees via the DOT&PF website