

Presentation to Joint Legislative Oversight Committee-DOT



Advance Construction Report

Department of Transportation

Performance Audit

May 2021

June 9, 2021

Advance Construction Report



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- ✓ **Session Law 2020-91 Section 5.11:**
 - ✓ **Required DOT to Submit Detailed Report on Use of Advance Construction Authorizations**
 - ✓ **Method for Financing Road Construction Projects w/ Federal-Aid Highway Funds**
 - ✓ **Required Office of State Auditor to Conduct Performance Audit of the Report**

Advance Construction Report



✓ Session Law 2020-91 Report to Include:

- 1) Benefits/Risks Associated w/ Advance Construction Practices
- 2) Advance Construction Balances by Funding Source
- 3) List of Projects Currently Utilizing Advance Construction
- 4) Listing of Projects Anticipated use of Advance Construction
- 5) List of Projects Currently Utilizing GARVEE Bond Funding

Advance Construction Report



- ✓ Per DOT Advance Construction Report Dated **September 30, 2020** Advance Construction Balance Was **\$4.05B**

Advance Construction Report



✓ Audit Objectives:

- 1) Did the Report Comply w/ Session Law 2020-91 Section 5.11.(a)
- 2) If Not, Identify the Causes & Impact on Users
- 3) If the Information in the Report was Accurate

✓ Results/Conclusions:

- 1) The Report Did Not Comply w/ Session Law 2020-91;
- 2) Information in the Report was Inaccurate

Advance Construction Report



Finding 1. Not All Required Information Was Included*:

Projects “**Currently**” Using Advance Construction. Required Report #3 In Session Law.

Required to Include:

- Listing of All Projects
- Initial Advance Construction Amount*
- Contract Amount
- Amount Of Expenditures Converted Expecting **Reimbursement ***
- Amounts “**Planned**” to be Converted*
 - **Schedule of Conversions and Reimbursements**

Advance Construction Report



Finding 2. Department's Report on Advance Construction Was Inaccurate.

- ✓ **Advance Construction Balance *Overstated* by \$114M**
- ✓ **Amount of Principal to be Repaid to Trustee for GARVEE Bonds was *Understated* by \$142M**
- ✓ **Amount of Premium Applied to Projects for GARVEE Bonds was *Overstated* by \$7.7M**

After DOT became aware of errors found by Auditors, the 2 GARVEE Bond errors were corrected and new report was issued February, 2021.

Advance Construction Report



Effect: Errors in the Report could result in users making erroneous decisions/judgements.

Advance Construction Report



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- ✓ **Matters for Further Consideration:**
 - ✓ **Potential Issues, uncovered during the course of the audit, that outside the audit objective, but need to be presented to those charged with governance.**

Advance Construction Report Matters For Further Consideration



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- ✓ **Report on Advance Construction is Limited in Use Without Additional Explanations**
 - ✓ **Presentation of GARVEE Bond Information Did Not Meet the Intent of the Law**

Office of State Auditor



Questions?

