

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Columbia County January 1, 2017 through December 31, 2017

2017-001 The County did not have adequate internal controls in place to ensure compliance with federal procurement and suspension and debarment requirements of the Highway Planning and Construction grant.

CFDA Number and Title:	20.205 Highway Planning and Construction Grant
Federal Grantor Name:	Federal Highway Administration
Federal Award/Contract Number:	LA-8944
Pass-through Entity Name:	Federal Highway Administration Department Of Transportation (via WA State Dept. of Transportation)
Pass-through Award/Contract Number:	LA-8944
Questioned Cost Amount:	\$ 0

Background

During fiscal year 2017, the County spent \$924,725 in federal grant funds awarded by the Federal Highway Administration and passed through by the Washington State Department of Transportation. The County used Program funding on seven projects, managed by its Public Works Department.

Federal grant regulations require grant recipients to follow the more restrictive of state or federal bid laws. Federal requirements for procuring architectural and engineering services are more restrictive than state law. Competitive proposal procedures must be used for qualification-based procurement of architectural and engineering services whereby competitors' qualifications are evaluated and the most qualified competitor is selected. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. The County must have a written method for conducting its technical evaluations of the proposals it receives and for selecting recipients. Once it selects a firm, the County must negotiate a contract allowing for fair and reasonable compensation.

Federal regulations prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The County must verify that all contractors receiving \$25,000 or more in federal funds have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor or inserting a clause into the contract where the contractor states it is not suspended or debarred. Alternatively, the County may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.

The County is responsible for determining the suspension and debarment status for primary contractors. A primary contractor is required to check the status of any covered transactions it enters into with a subcontractor. The County must inform primary contractors of this responsibility.

Description of Condition

The County did not have adequate controls in place to ensure it complied with the most restrictive procurement requirements or to ensure consultants were not suspended or debarred before awarding a contract.

The County used its Consultant Roster to select a consultant firm to provide architectural and engineering (A&E) services rather than advertising publicly to allow open competition as required by federal regulations. The County did not have a written method for conducting technical evaluations of proposals received or retain documentation supporting its decision in selecting the consultant. In addition, the County could not demonstrate it verified the consultant it selected was not suspended or debarred.

We consider these control deficiencies to be a material weakness.

These issues were not reported as findings in the prior audit.

Cause of Condition

The County's Public Works Department staff were not aware of the federal requirements that apply when procuring A&E services.

While the County's Public Works Department was aware of the requirement to verify the suspension and debarment status of its contractors, staff were not aware the documentation needed to be retained to show the verification of the contractor's eligibility had been performed.

Effect of Condition and Questioned Costs

Without sufficient internal controls to ensure compliance with federal procurement requirements, the County did not provide open competition for the A&E services it needed. Further, the County cannot demonstrate it selected the most qualified firm or negotiated reasonable compensation for the services.

In addition, the County paid \$53,879 for A&E services to a consultant it could not show it verified as not having been suspended or debarred before making the payment. Any payments made to an ineligible party are unallowable and would be subject to recovery by the funding agency.

The services the A&E consultant provided were allowable under the federal program. In addition, the County subsequently verified the consultant was not suspended or debarred. Therefore, we are not questioning these costs.

Recommendations

We recommend that the Public Works Department establish internal controls to ensure federal procurement requirements are met by ensuring:

- Requests for proposals of A&E consultants are advertised and identify all evaluation factors and their relative importance;
- Methods for conducting technical evaluations of A&E proposals received and selecting recipients are written;
- Consultants paid more than \$25,000 are not suspended or debarred before awarding of the contract; and
- Documentation is retained to support compliance with federal procurement and suspension and debarment requirements.

County's Response

In response to our recent Columbia County Public Works Audit we offer the following information addressing the inadequate internal controls in place to ensure compliance with federal procurement and suspension and debarment requirements of the Highway Planning and Construction grant.

Correction action by Public Works will be as follows:

- Public Works staff are now aware of the federal requirements for all consulting work to be published and identify all evaluation factors used in the award of contract. We will create a written method for conducting technical evaluation of the proposals we received.

- Public Works staff are now aware of the WADOT LAG manual debarment procedure requirement. Our department will only use the forms provided in the LAG manual as Certification regarding debarment, suspension and other responsibility matter – primary covered transactions, currently form number “Exhibit G-2.” Consultant agreements will have WADOT local programs concurrence.
- Public Works staff will retain suspension and debarment information with each project.

Auditor’s Remarks

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)* establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

Title 2 CFR Part 200, Uniform Guidance, section 320 Methods of procurement to be followed, describes the competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services.