
**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS**

**REPORT TO JOINT COMMITTEE ON GOVERNMENT AND FINANCE
WEST VIRGINIA LEGISLATURE**

AND

**MANAGEMENT OF THE
WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS**

OCTOBER 13, 2023



A Professional Limited Liability Company



**Suttle &
Stalnaker** PLLC

Certified Public Accountants

October 13, 2023

Joint Committee on Government and Finance
West Virginia Legislature
Charleston, West Virginia

and

Management of the West Virginia Department of Transportation
Division of Highways
Charleston, West Virginia

We are pleased to present this report related to our audit of the financial statements of the West Virginia Department of Transportation, Division of Highways (the Division) for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Division's financial reporting processes.

This report is intended solely for the information and use of the Joint Committee on Government and Finance and management, and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service.

A handwritten signature in cursive script that reads "Suttle & Stalnaker, PLLC".

Suttle & Stalnaker, PLLC
Charleston, West Virginia

The Virginia Center
1411 Virginia Street, East
Suite 100
Charleston, WV 25301

MAIN (304) 343-4126
FAX (304) 343-8008

The Rivers Office Park
200 Star Avenue
Suite 220
Parkersburg, WV 26101

MAIN (304) 485-6584
FAX (304) 485-0971

Suncrest Towne Centre
453 Suncrest Towne Centre Drive
Suite 201
Morgantown, WV 26505

MAIN (304) 485-6584
FAX (304) 485-0971

The Somerville Building
501 5th Avenue
Suite 1
Huntington, WV 25701

MAIN (304) 525-0301
FAX (304) 522-1569

Contents

	Page
Required Communications	4 - 6
Summary of Accounting Estimates	7
Summary of Recorded Audit Adjustments	8 - 12
Summary of Uncorrected Misstatements	13
Communication Regarding Material Weaknesses and Significant Deficiencies	14 - 26
Certain Written Communications Between Management and Our Firm	27
Engagement Letter	
Management Representation Letter	

Required Communications

Professional standards require the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	<p>We have audited the financial statements of the governmental activities and each major fund of the Division for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and <i>Government Auditing Standards</i>, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2023.</p>
Qualitative Aspects of Accounting Practices	<p>Adoption of, or Change in, Accounting Policies</p> <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements. During 2023, the Division implemented GASB Statement No. 91, <i>Conduit Debt Obligations</i>, GASB Statement No. 94, <i>Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)</i>, GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements (SBITA)</i>, and parts of GASB Statement No. 99, <i>Omnibus 2022</i>, none of which had a material impact on the financial statements. The application of other existing policies was not changed during the year ended June 30, 2023. We noted no transactions entered into by the Division during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>

Area	Comments
	<p data-bbox="748 247 1393 279">Management’s Judgments and Accounting Estimates</p> <p data-bbox="748 300 1435 684">Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Division’s financial statements are summarized in the attached <i>Summary of Accounting Estimates</i>.</p> <p data-bbox="748 705 1138 737">Financial Statement Disclosures</p> <p data-bbox="748 758 1435 821">The financial statement disclosures are neutral, consistent, and clear.</p> <p data-bbox="191 842 659 905">Difficulties Encountered in Performing the Audit</p> <p data-bbox="748 842 1435 905">We encountered no significant difficulties in dealing with management in performing and completing our audit.</p> <p data-bbox="191 926 521 989">Corrected and Uncorrected Misstatements</p> <p data-bbox="748 926 1435 1136">Professional standards require us to accumulate all known and likely misstatements indentified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. See the attached <i>Summary of Recorded Audit Adjustments</i> and <i>Summary of Uncorrected Misstatements</i>.</p> <p data-bbox="191 1157 607 1188">Disagreements with Management</p> <p data-bbox="748 1157 1435 1398">For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.</p> <p data-bbox="191 1419 561 1451">Management Representations</p> <p data-bbox="748 1419 1435 1524">We have requested certain representations from management that are included in the management representation letter dated October 13, 2023.</p> <p data-bbox="191 1545 667 1608">Management Consultations with Other Independent Accountants</p> <p data-bbox="748 1545 1435 1932">In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Division’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.</p>

Area	Comments
Other Audit Findings or Issues	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Division's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Communication Regarding Material Weaknesses and Significant Deficiencies	See attached <i>Communication Regarding Material Weaknesses and Significant Deficiencies</i> .
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the Division are attached as Exhibits.
Required Supplementary Information	We applied certain limited procedures to Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, Schedule of Proportionate Share of the Net OPEB Liability (Asset), Schedule of OPEB Contributions, and the related Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

West Virginia Department of Transportation
Division of Highways
Summary of Accounting Estimates
Year Ended June 30, 2023

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Division’s June 30, 2023 financial statements:

Area	Accounting Policy	Estimation Process	Comments
Depreciation of capital assets	Straight – line method	Based upon cost, or, estimated historical cost. Depreciation is calculated using the straight-line method over the estimated useful life. Annually, management reviews capital assets for impairment.	We concur with this process.
Valuation of receivables	Net realizable value	Based upon review of net amounts of anticipated collections, established grants, contracts, and loans and historical collection information.	We concur with this process.
Compensated absences	Estimated	Based upon management’s calculation of the ultimate liability to be paid.	We concur with this process.
Other postemployment benefit liability/asset	Estimated	Based upon third-party report of the proportionate share of the actuarially determined OPEB liability/asset of the RHBT plan.	We concur with this process.
Net pension liability/asset	Estimated	Based upon third-party report of the proportionate share of the actuarially determined net pension liability/asset of the PERS plan.	We concur with this process.
Claims and judgments	Estimated	Based upon the legal department’s calculation of anticipated environmental and legal liabilities relating to circumstances present at the end of the fiscal year.	We concur with this process.
Inventory	Weighted average cost	Based on weighted average cost generally using the consumption method.	We concur with this process.
Due to Federal Highway Administration	Estimated	Based upon management’s calculation of the ultimate liability to be paid.	We concur with this process.
Lease liability and lease asset	Present value	Based on the present value of lease payments expected to be made during the lease term (less any incentives) with consideration for any payments made at or before commencement and certain direct costs.	We concur with this process.

West Virginia Department of Transportation
Division of Highways
Summary of Recorded Audit Adjustments
Year Ended June 30, 2023

During the course of an audit, we accumulate adjustments that are determined by management to be material to the financial statements and to the related financial statement disclosures, or management otherwise determines are appropriate to make. Following is a summary of the adjustments made to the original trial balance we received.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<u>Government Wide Journal Entries</u>			
Adjusting Journal Entries JE # 3			
To adjust legal claims to actual at year-end.			
2801	LTL CONTINGENT LIABILITIES	25,000,000.00	-
2814	LTL CLAIMS EXPENDITURES	-	25,000,000.00
Total		<u>25,000,000.00</u>	<u>25,000,000.00</u>
Adjusting Journal Entries JE # 10			
To adjust equipment balances to actual for amounts recorded in accounts payable.			
1941	CA ROLLING EQUIPMENT	2,402,675.00	-
5532	CA CAPITALIZED EXPENSE - ROLLING EQUIPMENT	-	2,402,675.00
Total		<u>2,402,675.00</u>	<u>2,402,675.00</u>
Adjusting Journal Entries JE # 11			
To correct allocation of OPEB expense for unfunded liability related to the special funding situation.			
9017.4251	9017SRFG-ACCRUAL Intergovernmental - State aid and other agencies	12,343,694.00	-
9017.5050	9017SRFG-ACCRUAL 27700 Admin - General Operations	-	12,343,694.00
Total		<u>12,343,694.00</u>	<u>12,343,694.00</u>
Adjusting Journal Entries JE # 12			
To adjust paving credits unearned revenue at the government wide level.			
4350	CA Other Program Revenue	8,630,756.00	-
2900	CA Unavailable Revenue - Paving Credits	-	8,630,756.00
Total		<u>8,630,756.00</u>	<u>8,630,756.00</u>

West Virginia Department of Transportation
Division of Highways
Summary of Recorded Audit Adjustments
Year Ended June 30, 2023

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<u>Government Wide Journal Entries (Continued)</u>			
Adjusting Journal Entries JE # 16			
To adjust fixed assets to actual after accruing for additional accounts payable invoices.			
1993	CA INFRASTRUCTURE LAND	570,000.00	-
1996	CA INFRASTRUCTURE ROADS - WIP	5,654,015.00	-
1997	CA INFRASTRUCTURE BRIDGES - WIP	1,253,616.00	-
5601	CA INFRASTRUCTURE EXPENSE - APPALACHIAN	-	3,631,792.00
5603	CA INFRASTRUCTURE EXPENSE - FED. INTERSTATE	-	506,946.00
5605	CA INFRASTRUCTURE EXPENSE - OTHER FED. AID	-	1,118,238.00
5606	CA INFRASTRUCTURE EXPENSE - SMALL BRIDGE	-	389,000.00
5607	CA Infrastructure Expense - Nonfederal	-	1,831,655.00
Total		<u>7,477,631.00</u>	<u>7,477,631.00</u>

Fund Level Journal Entries

Adjusting Journal Entries JE # 1

PBC - To correct payroll accrual.

9017.2720	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL DUE TO OTHER STATE AGENCIES	121,952.00	-
9017.5050	9017SRFG-ACCRUAL 27700 Admin - General Operations	-	121,952.00
Total		<u>121,952.00</u>	<u>121,952.00</u>

Adjusting Journal Entries JE # 2

To adjust PED liability to actual at year-end.

9017.2543	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL DUE TO FEDERAL HIGHWAYS ADMINISTR	501,238.00	-
9017.4202	9017SRFG-ACCRUAL Federal Aid - Other federal aid programs	-	501,238.00
		<u>501,238.00</u>	<u>501,238.00</u>

Adjusting Journal Entries JE # 4

PBC - To correct billed and unbilled allowance for doubtful accounts.

9017.1581	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL ALLOWANCE FOR DOUBTFUL BILLED REC	15,000.00	-
9017.4350	9017SRFG-ACCRUAL Miscellaneous revenues	-	15,000.00
Total		<u>15,000.00</u>	<u>15,000.00</u>

West Virginia Department of Transportation
Division of Highways
Summary of Recorded Audit Adjustments
Year Ended June 30, 2023

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Fund Level Journal Entries (Continued)			
Adjusting Journal Entries JE # 5			
To record additional inventory.			
9017.1611	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL INVENTORY MATERIALS & SUPPLIES	3,000,000.00	-
9017.5003	9017SRFG-ACCRUAL 27500 Admin - Inventory Revolving	-	3,000,000.00
Total		3,000,000.00	3,000,000.00
Adjusting Journal Entries JE # 7			
PBC - To adjust due from other state agencies to actual.			
8351-1703	8351GFH Due from other state agencies	43,342.00	-
8351-4350	8351GFH Miscellaneous revenue	32,659.00	-
9017.4350	9017SRFG-ACCRUAL Miscellaneous revenues	43,342.00	-
8351-1703	8351GFH Due from other state agencies	-	32,659.00
8351-4350	8351GFH Miscellaneous revenue	-	43,342.00
9017.1720	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL DUE FROM OTHER STATE AGENCIES	-	43,342.00
Total		119,343.00	119,343.00
Adjusting Journal Entries JE # 8			
To record due from Parkways relating to paving credits.			
9017.1720	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL DUE FROM OTHER STATE AGENCIES	8,630,756.00	-
9017.2900	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL Unavailable Revenue – Paving Cred	8,630,756.00	-
9017.1600	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL Paving Credits	-	8,630,756.00
9017.4350	9017SRFG-ACCRUAL Miscellaneous revenues	-	8,630,756.00
Total		17,261,512.00	17,261,512.00
Adjusting Journal Entries JE # 9			
To adjust cash and accounts payable balances to actual.			
9017-1020	9017SRFG-CASH Cash	3,966,238.00	-
9017.2501	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL ACCRUED INVOICES PAYABLE - DOH	-	3,531,471.00
9017.2511	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL ACCRUED INVOICES PAYABLE - DMV	-	434,767.00
Total		3,966,238.00	3,966,238.00

West Virginia Department of Transportation
Division of Highways
Summary of Recorded Audit Adjustments
Year Ended June 30, 2023

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Fund Level Journal Entries (Continued)			
Adjusting Journal Entries JE # 13			
To adjust hauling permit revenue and receivables to actual at year-end.			
9017.1511	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL ACCOUNTS RECEIVABLE - OUTSTANDING	476,781.00	-
9017-6615	9017SRFG-CASH Hauling Permits	-	476,781.00
Total		476,781.00	476,781.00
Adjusting Journal Entries JE # 14			
To adjust miscellaneous revenue to actual at year-end.			
9017.5000	9017SRFG-ACCRUAL 23700 Road Maintenance	980,850.00	-
9017.5050	9017SRFG-ACCRUAL 27700 Admin - General Operations	800.00	-
9017.5252	9017SRFG-ACCRUAL 27900 Road construction - Other federal aid	5,199,888.00	-
9017.4350	9017SRFG-ACCRUAL Miscellaneous revenues	-	6,181,538.00
Total		6,181,538.00	6,181,538.00
Adjusting Journal Entries JE # 17			
To adjust accounts payable balances on the fund level.			
9017.5000	9017SRFG-ACCRUAL 23700 Road Maintenance	2,677,584.00	-
9017.5002	9017SRFG-ACCRUAL 27600 Admin - Equipment Revolving	243,018.00	-
9017.5003	9017SRFG-ACCRUAL 27500 Admin - Inventory Revolving	138,969.00	-
9017.5050	9017SRFG-ACCRUAL 27700 Admin - General Operations	1,141,558.00	-
9017.5250	9017SRFG-ACCRUAL 27800 Road Construction - Interstate highways	1,016,264.00	-
9017.5251	9017SRFG-ACCRUAL 28000 Road construction - Appalachian highways	4,212,132.00	-
9017.5252	9017SRFG-ACCRUAL 27900 Road construction - Other federal aid	6,888,061.00	-
9017-3206. 23700	9017SRFG-CASH CONTRACTUAL SE	2,793,379.00	-
9017-8200. 27900	9017SRFG-CASH CNTRCTR PMT CAP	504,231.00	-
9032-8200	9032GOB2018 CNTRCTR PMT CAP	694,836.00	-
9035-6202	9035RTP2019 LAND PURCHASES	570,000.00	-
9035-8200	9035RTP2019 CNTRCTR PMT CAP	762,737.00	-
9036-8200	9036TRANSBOND CNTRCTR PMT CAP	252,287.00	-
9037-8200	9037SRCAS2021 CNTRCTR PMT CAP	291,249.00	-
9040-8200	9040IA CNTRCTR PMT CAP	57,140.00	-
9017.2501	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL ACCRUED INVOICES PAYABLE - DOH	-	3,297,610.00
9017.2501	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL ACCRUED INVOICES PAYABLE - DOH	-	16,317,586.00
9032-2532	9032GOB2018 ACCRUED INVOICES - SURFACE TRANSP NOTES 2018 SERIES	-	694,836.00

West Virginia Department of Transportation
 Division of Highways
 Summary of Recorded Audit Adjustments
 Year Ended June 30, 2023

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<u>Fund Level Journal Entries (Continued)</u>			
9035-2535	9035RTP2019 ACCRUED INVOICES PAYABLE	-	570,000.00
9035-2535	9035RTP2019 ACCRUED INVOICES PAYABLE	-	762,737.00
9036-2536	9036TRANSBOND Accrued Invoices	-	252,287.00
9037-2537	9037SRCAS2021 Accrued Invoices	-	291,249.00
9040-2540	9040IA ACCRUED INVOICES PAYABLE	-	57,140.00
Total		<u>22,243,445.00</u>	<u>22,243,445.00</u>
 Adjusting Journal Entries JE # 18			
To record amounts due to Parkways for arbitrage liability.			
9037-5523	9037SRCAS2021 BTI INTEREST INCOME	5,574,712.00	-
	9037SRFG-ACCRUAL 9037SRFG-ACCRUAL DUE TO OTHER		
9037.2720	STATE AGENCIES	-	5,574,712.00
Total		<u>5,574,712.00</u>	<u>5,574,712.00</u>

West Virginia Department of Transportation
Division of Highways
Summary of Uncorrected Misstatements
Year Ended June 30, 2023

During the course of an audit, we accumulate uncorrected misstatements that are determined by management to be immaterial, both individually and in the aggregate, to the financial statements and to the related financial statement disclosures. Following is a summary of those differences.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
Fund Level Journal Entries			
Proposed JE # 15			
To adjust miscellaneous revenue to actual at year-end.			
9017.5252	9017SRFG-ACCRUAL 27900 Road construction - Other federal aid	297,585.00	-
9017.4350	9017SRFG-ACCRUAL Miscellaneous revenues	-	297,585.00
Total		<u>297,585.00</u>	<u>297,585.00</u>
Proposed JE # 19			
To adjust the allowance for doubtful accounts for unbilled receivables to actual at year-end.			
9017.SS1000	Bad Debt Expense	1,346,287.00	-
9017.1591	9017SRFG-ACCRUAL ALLOWANCE FOR DOUBTFUL UNBILLED RECEIVABLES	-	1,346,287.00
Total		<u>1,346,287.00</u>	<u>1,346,287.00</u>
Proposed JE # 20			
To adjust the allowance for doubtful accounts for billed receivables to actual at year-end.			
9017.SS1000	Bad Debt Expense	2,016,332.00	-
9017.1581	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL ALLOWANCE FOR DOUBTFUL BILLED REC	-	2,016,332.00
Total		<u>2,016,332.00</u>	<u>2,016,332.00</u>
Proposed JE # 22			
To adjust taxes receivable to actual at year-end.			
9017.1521	9017SRFG-ACCRUAL 9017SRFG-ACCRUAL RECEIVABLE FROM DMV & TAX DIVISION	501,596.00	-
9017.4150	9017SRFG-ACCRUAL Motor vehicle registrations and licenses	-	501,596.00
Total		<u>501,596.00</u>	<u>501,596.00</u>

**COMMUNICATION REGARDING MATERIAL WEAKNESSES
AND SIGNIFICANT DEFICIENCIES**



October 13, 2023

Joint Committee on Government and Finance
West Virginia Legislature
Charleston, West Virginia

and

Management of the
West Virginia Department of Transportation
Division of Highways
Charleston, West Virginia

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways (the Division) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

The Virginia Center
1411 Virginia Street, East
Suite 100
Charleston, WV 25301

MAIN (304) 343-4126
FAX (304) 343-8008

The Rivers Office Park
200 Star Avenue
Suite 220
Parkersburg, WV 26101

MAIN (304) 485-6584
FAX (304) 485-0971

Suncrest Towne Centre
453 Suncrest Towne Centre Drive
Suite 201
Morgantown, WV 26505

MAIN (304) 485-6584
FAX (304) 485-0971

The Somerville Building
501 5th Avenue
Suite 1
Huntington, WV 25701

MAIN (304) 525-0301
FAX (304) 522-1569

Land

The Division was unable to provide a complete record of all land that they own. As a result, the Division may have land that has not been identified or properly recorded.

We recommend that the Division comply with the West Virginia Department of Transportation, Division of Highways' Right of Way Manual by maintaining and actively managing an accurate and complete database record of all real estate, except rights of way, owned by the Division to ensure that all land is accurately recorded in accordance with generally accepted accounting principles (GAAP).

Information System Governance

Several information technology applications directly support the financial statements of the Division. The following internal control issues were identified:

- Programmers have access to production programs in the REMIS and the Hub applications. This access grants the programmers the same rights as a business user of the application, allowing access to data and transactional authority.
- Management did not perform a periodic, documented review of user access for the Hub and REMIS.
- Management did not perform a periodic, documented review of administrator access changes to the Hub and REMIS applications.
- Terminated employees are not removed timely from the Hub, REMIS, TIMEi, and wvOASIS applications. Additionally, terminated employees were not removed timely from the network.
- Terminated employees are not communicated timely to wvOASIS, REIMIS, the Hub, TIMEi, or the West Virginia Office of Technology (WVOT) administrators.
- The Division does not have the complementary user entity controls outlined in the wvOASIS SOC report in place.
- The Division does not have procedures in place to perform continuous vendor monitoring of the West Virginia Office of Technology.
- The Division does not have a contract with the third party hosting and performing programming interfaces for the Hub. Additionally, a SOC report is not available.
- There are no formal policies and procedures related to management of the Hub including adding and removing users, monitoring administrative activity, or change management.
- The Division has not performed Disaster Recovery testing for multiple years.

We recommend the following:

- The Division should remove programmer access from production applications and develop policies and procedures regarding programmer access. If this access is necessary, mitigating controls such as monitoring of programmer access and activities within the production application should be performed and documented.
- The Division should establish policies and procedures to create a documented, periodic review of user account management. These policies and procedures should address network, division owned applications, and WV Enterprise Resource Planning (ERP) Board applications.
- The Division should implement a process to review system administrator activity for Division owned applications. Since manual reviews are typically inefficient and susceptible to human error, the process should be automated to the fullest extent technically feasible.
- The Division should create and implement procedures to identify and communicate terminated employees to application administrators and third parties on a timely basis.
- The Division should implement the required complementary user entity controls from applicable SOC reports. These controls are vital to achieving the control objectives and are the responsibility of the Division to design and implement.
- The Division should create policies and procedures to perform continuous monitoring of the West Virginia Office of Technology. These monitoring procedures may include, but are not limited to, review of annual SOC reports, contract review, and review of disaster recovery systems and business continuity planning in order to determine if the network will support the Division's recovery point objective and recovery time objectives.
- The Division should have contracts in place with third parties for the Hub and any other material applications which are hosted and/or by third party providers. The contracts should specify the responsibilities of the third party as well as the Division. Material applications hosted by a third party provider should have an annual SOC report or the Division should perform their own audit of the third party.
- Formal policies and procedures should be created for the Hub. These policies and procedures should include, but not be limited to the following: adding and removing users, monitoring administrative activity, and change management.
- The Division should perform periodic Disaster Recovery testing. Once complete, results should be compared to recovery point and recovery time objectives.

Financial Reporting

The financial statements for fiscal year 2023 required material audit adjustments in order to be presented in accordance with accounting principles generally accepted in the United States of America.

Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the Division (government-wide) are \$11.5 billion, \$75.2 million, \$2.3 billion, \$29.3 million, \$9.2 billion, \$1.8 billion, and \$1.3 billion, respectively, for the year ended June 30, 2023. The impact of audit adjustments to assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses was \$17.3 million, \$0, \$6.2 million, \$0, \$0, \$(10.8) million, and \$(21.9) million, respectively for the year ended June 30, 2023. The overall impact of audit adjustments to the change in net position was \$(11.1) million for the year ended June 30, 2023.

Total assets, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources (uses) of the Division (fund level) are \$1.9 billion, \$214.6 million, \$44.5 million, \$1.6 billion, \$1.9 billion, \$1.9 billion, and \$4.7 million. The impact of audit adjustments to assets, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources (uses) was \$7.4 million, \$31.2 million, \$(8.6) million, \$0, \$10.2 million, \$25.3 million, and \$0, respectively for the year ended June 30, 2023. The overall impact of audit adjustments to the change in fund balance was \$(15.1) million for the year ended June 30, 2023.

We recommend that management review the daily accounting functions, staffing, and financial reporting processes to establish that adequate policies and procedures are in place to ensure accurate and timely financial reporting. Management should ensure that account reconciliations are prepared and reviewed in a timely manner and supporting schedules are maintained for all account balances.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Related Party Transactions

Adequate documentation surrounding expenses stemming from payments made for and on-behalf of a related party was not maintained. Further, information related to these payments was not shared with the related party to allow for proper reconciliation between the entities. Discrepancies were noted between amounts paid on behalf of other entities, and those other entities' recognition of revenues paid on their behalf.

We recommend that management review their policies surrounding the accounting for related party transactions, to ensure that such policies allow for appropriate communication, recordkeeping and reconciliation between the entities so that all amounts are consistently recorded and discrepancies are addressed in a timely manner.

Capital Assets

The Division failed to capitalize \$64 million of construction in progress in the prior year financial statements. This error was a result of certain accrual balances not being properly capitalized as well as reporting issues with the project tracking system, Hub. This error resulted in prior year capital assets being understated and expenses being overstated. In the prior year, the Division's capital assets balance was understated by \$64 million and government-wide expenses were overstated by \$64 million.

We recommend that the Division evaluate the supervisory review procedures over recording and reconciling construction in progress. In addition, we recommend the Division implement policies to ensure that capital asset balances included in year-end accruals are properly recorded. We also recommend that the Division reconcile reports generated from Hub on a monthly basis in order to ensure that all construction costs are recorded in the correct time period.

Additionally, during our audit we became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses and other matters that are opportunities for strengthening internal control and operating efficiency. This letter does not affect our report dated October 13, 2023, on the financial statements of the Division.

Travel Expenses

In accordance with West Virginia Department of Transportation (WVDOT) Administrative Procedures policy regarding travel regulations, the State Auditor's Office is required to approve an employee's travel expense settlement form within fifteen days of travel. For one out of five employee's travel expenses selected, expense reports were not completed and sent for approval by the State Auditor's Office within fifteen days. In addition, for two employee's travel expense selected, the employee traveled on the weekend and did not get prior approval in accordance with the WVDOT Administrative Procedures policy regarding travel regulations.

We recommend that the Division follow the established policies related to travel to ensure that all travel expenses are properly and timely approved.

Consulting Contracts

WV Code §157-1-7 requires that contracts using Federal funds must go through a competitive process. The Division does not appear to be in compliance with State Code regarding post design services contracts. Management asserts that post design services contracts are by their nature not suitable for the competitive process, but State Code does not appear to allow them to be treated differently than any other purchase.

We recommend that management review the process regarding post design services contracts to determine if improvements can be made to ensure compliance with State Code.

Purchasing Cards

Employees are required to have purchasing card transactions approved prior to payment. For ten of the twenty-five transactions selected for testing approval was not obtained before payment. In addition, for one transaction selected for testing, the purchasing card checklist was not approved by the purchasing card sub coordinator.

We recommend management communicate to all departments the proper procedures regarding purchasing card transactions so that all employees are aware of the policy. We recommend that management follow up on any items that are not approved and ensure that items are being approved before payment.

Internal Audit

Based on discussions with the internal audit department, several individuals did not meet the required continuing professional education (CPE) requirements for the most recent two year period. Paragraph 4.16 of *Government Auditing Standards* (GAS) requires that auditors performing work in accordance with GAS, including planning, directing, performing auditing procedures, or reporting on an engagement conducted in accordance with GAS, should complete 24 hours of continuing professional education that relates directly to government auditing or the government environment and those who are not directly involved in those activities but who charge 20 percent or more of their time annually to GAS audits should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2-year period) that enhances the auditor's professional proficiency to conduct engagements.

We recommend that the internal audit department review their internal tracking systems to ensure future compliance with GAS regulations and ensure all employees receive the appropriate CPE hours.

Right of Way Leases

WV Code §157-2-8.3 states: "Appraisal - Rentals shall be based on a written approval and determination of fair rental value approved by the Commissioner of Highways or his or her designee." For two of the twenty-five leases selected for testing, the lessee was under billed based on the updated appraisal. Additionally, it was noted that the AR Master ROW Lease spreadsheet was not adequately updated resulting in incorrect termination dates being noted.

We recommend that management ensure that all lessees are being billed timely in the agreed upon amount based on the fair rental value. Additionally, we recommend that the AR Master ROW Lease spreadsheet be updated timely for all active and terminated leases to ensure that active leases are being billed timely.

Payroll

For one of the twenty-five transactions tested, the hours reported on the wvOASIS timesheet did not agree to the DOT-12 form resulting in the employee being underpaid by 0.5 hours.

We recommend management communicate to all departments the importance of a detail review of the DOT-12 forms and wvOASIS timesheet each pay period.

Inventory

For one of the fifty-four items selected for our inventory price testing, the Division was unable to provide documentation supporting the unit's value. Additionally, management struggled to provide adequate responses for pricing fluctuations. The inventory values appeared to be reasonable, thus any impact on the financial statements should be minimal.

We recommend that record retention policies be put in place to ensure that records are properly maintained. We also recommend that the Division periodically assess inventory to ensure that old inventory items still on the books are not impaired and are recorded at a reasonable value.

Internal Audit - Peer Review

Based on discussions with the internal audit section of the Division, they have not been subject to a peer review since February 2015 for the fiscal year ended June 30, 2014. Although the Division is not required under Government Auditing Standards (GAS) to have an independent peer review, it is a best practice to have a peer review performed at least once every three years.

We recommend that the internal audit department review their internal tracking systems and request that a new peer review be performed during fiscal year 2023.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is not being analyzed periodically.

We recommend that management prepare an analysis of uncollectible accounts at least quarterly. This analysis should consider prior charge-off experience and experience with the customer, as well as other information management may have about the account, such as indications of financial difficulty. Management should adjust the allowance for doubtful accounts after reviewing the analysis of uncollectible accounts and making appropriate collection efforts, in order to collect as much as possible and to ensure that the estimated loss from uncollectible accounts receivable is reflected in the financial statements.

Unbilled Receivables

The Division was unable to provide documentation supporting the unbilled receivable balance due to there being no available reports that can be run from the system that will show the detail behind each balance. Expenditures accumulate until the amount is billed and then moved from the unbilled to billed receivable accounts.

We recommend that management work to create a report that will pull the necessary detail supporting the unbilled receivable balance.

Earned and Unbilled Receivables

The Hub report used to calculate the earned and unbilled receivable balance was inaccurate for one funding priority code. Because revenues and expenditures on the Hub report were overstated by the same amount, there was no impact on the total receivable balance. However, issues with Hub reports could result in material misstatements to the financial statements.

We recommend that management continue to work with programmers of Hub to ensure that data generated from the Hub is both complete and accurate.

Netting of Revenues and Expenses

For budgeting purposes, the Division was netting expenses against revenue accounts. During fiscal year 2023, total expenses net against revenues totaled approximately \$6.2 million. Under U.S. generally accepted accounting principles (U.S. GAAP), revenues and expenses should not be netted together.

We recommend that management follow U.S. GAAP when reporting revenues and expenses. If expenses must be netted against revenues for budgeting purposes, we recommend that management maintain documentation in order to adjust the financial statements so that revenues and expenses are both reasonably stated at year end.

Capital Asset Additions and Disposals

During our testing of capital asset additions and disposals, we noted two additions and two disposals that were recorded in the improper period. Management indicated that during the reconciliation of capital asset balances recorded in wvOASIS during fiscal year 2023, several errors were discovered that were fixed in the current fiscal year.

We recommend that management reconcile capital asset accounting records with capital assets recorded in wvOASIS at least annually. This reconciliation process should ensure that all capital assets are properly recorded in wvOASIS when purchased and removed from wvOASIS when disposed of.

Cut-off Issues

During testing of construction in progress, it was noted that there were various cut-off issues. Additions to capital assets recorded in the current fiscal year should have been recorded in capital assets and accounts payable in the previous fiscal year.

We recommend that management closely review invoices received subsequent to year-end to ensure that invoices are recorded in the correct fiscal year. If the invoice was for construction prior to year-end, the invoice should be recorded in accounts payable at year-end.

Segregation of Duties - Information Technology

Programmers have access to production programs in the REMIS and the Hub applications. This access grants the programmers the same rights as a business user of the application, allowing access to data and transactional authority. Programmer access to test and production environment may allow unauthorized changes to go undetected.

We recommend that the Division remove programmer access from production applications and develop policies and procedures regarding programmer access. If this access is necessary, mitigating controls such as monitoring of programmer access and activities within the production application should be performed and documented.

User Access Reviews

Management did not perform a periodic, documented review of user access for the Hub and REMIS. An independent review allows for detection of intentional or accidental mistakes made during the maintenance process.

We recommend that the Division establish policies and procedures to create a documented, periodic review of user account management. These policies and procedures should address network, division owned applications, and WV Enterprise Resource Planning (ERP) Board applications. The review should be performed by someone independent of the maintenance function.

Administrator Access Review

Management did not perform a periodic, documented review of administrator access changes to the Hub and REMIS applications. Prompt review of administrator activity and security group access reports will allow for possible detection of intentional or accidental mistakes made during the maintenance process.

The Division should implement a process to review system administrator activity for Division owned applications. Since manual reviews are typically inefficient and susceptible to human error, the process should be automated to the fullest extent technically feasible.

Terminated Employees

Terminated employees are not removed timely from the Hub, REMIS, Timei, and wvOASIS applications. Additionally, terminated employees were not removed timely from the network. It appears that the cause for untimely removal is because terminated employees are not communicated timely to wvOASIS, REIMIS, the Hub, TIMEi, or the West Virginia Office of Technology (WVOT) administrators. Unused or unnecessary user accounts increase the risk of unauthorized access to the system.

The Division should create and implement procedures to identify and communicate terminated employees to application administrators and third parties on a timely basis.

Vendor Management - System and Organization Controls (SOC) Report

The Division does not have written procedures in place to document their review and utilization of the wvOASIS SOC report. Additionally, complementary user entity controls are not in place at the Division. SOC reports can be used to inform the Division if there are significant control weaknesses at wvOASIS. The report also includes control considerations that should be made at the Division to in order for the wvOASIS controls to operate correctly.

We recommend that the Division document their annual review of SOC reports received and determine that the appropriate complementary user entity controls are in place. These controls are vital to achieving the control objectives and are the responsibility of the Division to design and implement.

Vendor Management - Continuous Monitoring

The Division does not have procedures in place to perform continuous vendor monitoring of the West Virginia Office of Technology. Conducting independent reviews of the vendor enables Division management to assess whether the product aligns with the Division's strategy and effectively manages risk posed by third-party relationships.

The Division should create policies and procedures to perform continuous monitoring of the West Virginia Office of Technology. These monitoring procedures may include, but are not limited to, review of annual SOC reports, contract review, and review of disaster recovery systems and business continuity planning in order to determine if the network will support the Division's recovery point objective and recovery time objectives.

Vendor Management - Contracts

The Division does not have a contract with the third party hosting and performing programming interfaces for the Hub. Additionally, a SOC report is not available. Assigning clear roles and responsibilities for Division owned applications is an essential component for risk management and operations. Proper documentation and reporting facilitates oversight, accountability, monitoring, and risk management associated with third-party relationships.

The Division should have contracts in place with third parties for the Hub and any other material applications which are hosted and/or interfaced by third party providers. The contracts should specify the responsibilities of the third party as well as the Division. Material applications hosted by a third party provider should have an annual SOC report or the Division should perform their own audit of the third party.

Vendor Management - Timei

Timei is not covered by the WV ERP Board's SOC report. SOC reports can be used to inform the Division if there are significant control weaknesses at wvOASIS. The report also includes control considerations that should be made at the Division to in order for the wvOASIS controls to operate correctly.

We recommend that the Division discuss having Timei included in the scope of the annual SOC report.

Policies and Procedures for Software created In-House

There are no formal policies and procedures related to management of the Hub including adding and removing users, monitoring administrative activity, or change management. Without properly documented policies and procedures, the Division cannot ensure that the in-house application is being consistently managed as expected.

We recommend that the Division create formal policies and procedures for the Hub. These policies and procedures should include, but not be limited to the following: adding and removing users, monitoring administrative activity, and change management.

Password Parameters

The current password for the Hub cannot be reused once expired; however, a user does have the ability to perform an additional reset to change it back to their previous password. The ability to reuse a password is a security issue. There is some mitigation of this due to the two-factor authentication (2FA) requirement; however, email is allowed under the 2FA requirement and if the user's password has been compromised due to reuse it is likely the email password is compromised as well. The longer the same password is used for a particular account, the greater the chance that an attacker will be able to determine the password through brute force attacks. If users are required to change their password, but nothing prevents them from using the old password or continually reusing a small number of passwords, the effectiveness of a good password policy is greatly reduced.

We recommend that the Division configure minimum password age so that passwords may not be changed immediately. Enforce password history should be set at the level that combines a reasonable maximum password age with a reasonable password change interval requirement for users.

Disaster Recovery Testing

The Division has not performed a test of their disaster recovery plan (“DRP”) in several years. Adequately testing the DRP decreases the risk that the Division would be unable to respond to a disaster event. Testing should include the following documentation:

- Test scenario;
- Expected outcome;
- Procedures being performed;
- Actual results; and
- Investigate issues.

We recommend the Division test their DRP and document the test scenario, expected outcome, procedures being performed, actual results, and investigate issues that arise.

* * * * *

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Division personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Joint Committee of Government and Finance, and others within the Division, and is not intended to be, and should not be, used by anyone other than these specified parties.



Suttle & Stalnaker, PLLC
Charleston, West Virginia

Certain Written Communications between Management and Our Firm

Engagement Letter

Management Representation Letter

ENGAGEMENT LETTER

July 24, 2023

Carla P. Rotsch, WVDOT - Business Manager
West Virginia Division of Highways
Charleston, West Virginia

We are pleased to confirm our understanding of the services we are to provide the West Virginia Legislative Joint Committee on Government and Finance with respect to the West Virginia Division of Highways (the Division) for the year ended June 30, 2023 as well as additional services related to your Annual Comprehensive Financial Report.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities and each major fund, and the disclosures, which collectively comprise the basic financial statements of the Division as of and for the year ended June 30, 2023. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Division's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Division's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Proportionate Share of the Net Pension Liability (Asset)
- 3) Schedule of Pension Contributions
- 4) Schedule of Proportionate Share of the Net OPEB Liability (Asset)
- 5) Schedule of OPEB Contributions
- 6) Notes to Required Supplementary Information

The Virginia Center
1411 Virginia Street, East
Suite 100
Charleston, WV 25301

MAIN (304) 343-4126
FAX (304) 343-8008

The Rivers Office Park
200 Star Avenue | Suite 220
PO Box 149
Parkersburg, WV 26102

MAIN (304) 485-6584
FAX (304) 485-0971

Suncrest Towne Centre
453 Suncrest Towne Centre Drive
Suite 201
Morgantown, WV 26505

MAIN (304) 554-3371
FAX (304) 554-3410

suttlecpas.com
cpa@suttlecpas.com

We understand that you also plan to issue an Annual Comprehensive Financial Report and the audited financial statements will be included as part of the Annual Comprehensive Financial Report, which will also include an introductory section and various statistical tables. Such information, which does not constitute RSI, will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of the Division and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We plan to use the work of internal audit of the Division to assist us in obtaining audit evidence for inventory balances. We will also request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

We have advised you of the limitations of our audit regarding the detection of fraud and the possible effect on the financial statements (including misappropriation of cash or other assets). We are available to perform, as a separate engagement, extended procedures specifically designed to detect fraud; however, you have declined to engage us to do so at this time.

As this engagement is not designed to be a fraud audit, management understands and accepts the inherent limitations of the audit services described in this agreement.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Division's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also read the Annual Comprehensive Financial Report, using the appropriate Government Finance Officers Association checklist and provide technical assistance as appropriate. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities relating to the Annual Comprehensive Financial Report and any other nonaudit services we provide. You agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

With regard to including the auditor's report in an exempt offering document, you agree that the aforementioned auditor's report, or reference to Suttle & Stalnaker, PLLC, will not be included in any such offering document without our prior permission or consent. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement.

With regard to an exempt offering document with which Suttle & Stalnaker, PLLC is not involved, you agree to clearly indicate in the exempt offering document that Suttle & Stalnaker, PLLC is not involved with the contents of such offering document.

With regard to publishing the financial statements on your website, you understand that websites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information on the website with the original document.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Suttle & Stalnaker, PLLC utilizes Citrix's ShareFile system to exchange files with clients. ShareFile access is restricted and unique User IDs will be provided to the Division's employees upon written request. It is the Division's responsibility to promptly notify Suttle & Stalnaker, PLLC when an employee no longer requires access or is terminated.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Division; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Suttle & Stalnaker, PLLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Suttle & Stalnaker, PLLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the U.S. Government Accountability Office. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Chris Lambert, CPA, CGMA, CCIFP is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit during June 2023 and to issue our reports no later than October 15, 2023.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under Rules for Professional Accounting and Related Services Disputes before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties.

We generally base our fees on the time required at our regular rates for the services and personnel assigned plus out of pocket costs and relevant computer charges. Our charges also include other appropriate factors, including the difficulty of the assignment, the degree of skill required, time limitations imposed on us by others, the experience and ability of the personnel assigned, and the value of the services to the client. Our fee for the audit services described in this letter is included in the contract with the West Virginia Legislative Joint Committee on Government and Finance for the audit of the financial statements of the West Virginia Division of Highways.

The additional services related to the issuance of the Annual Comprehensive Financial Report, will be invoiced directly to the West Virginia Division of Highways using rates established in the contract with the West Virginia Legislative Joint Committee on Government and Finance for the audit of the financial statements. Our estimated fees for this additional work are as follows:

<u>Level</u>	<u>Rate</u>	<u>Hours</u>	<u>Extension</u>
Partner	\$323.00	5	\$ 1,615.00
Senior Manager	\$237.00	14	3,318.00
			<u>\$ 4,933.00</u>

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We will attempt to minimize our fees consistent with quality work. The extent to which we can do this will depend on your personnel offering us clerical and other assistance to prepare schedules, perform analyses, and provide source documents. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete or untimely receipt by us of the information on the client participation list. All other provisions of this letter will survive any fee adjustment.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

By signing this engagement letter, you authorize us to use the name of your entity in future proposals, as well as to provide contact information for requested references.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Reporting

We will issue a written report upon completion of our audit of the Division's financial statements. Our report will be addressed to the West Virginia Legislative Joint Committee on Government and Finance. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Division is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2020 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the Division and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,



Suttle & Stalnaker, PLLC

RESPONSE:

This letter correctly sets forth the understanding of the West Virginia Division of Highways.

By: Carla P. Retsch

Title: WVDOT Business Manager



**Kelley Galloway
Smith Goolsby, PSC**

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.ksgcpa.com Member of  LOCAL.

Report on the Firm's System of Quality Control

To the Members of Suttle & Stalnaker, PLLC
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Suttle and Stalnaker, PLLC (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and audits of employee benefit plans.

As part of our review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Suttle & Stalnaker, PLLC has received a peer review rating of *pass*.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
December 14, 2020

Pikeville, KY

Cincinnati, OH

MANAGEMENT REPRESENTATION LETTER



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

1900 Kanawha Boulevard East • Building Five • Room 110
Charleston, West Virginia 25305-0430 • (304) 558-3505

Alanna J. Keller, P.E.
Deputy Secretary of Transportation
Deputy Commissioner of Highways

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

October 13, 2023

Suttle & Stalnaker, PLLC
The Virginia Center, Suite 100
1411 Virginia Street, East
Charleston, West Virginia 25301

This representation letter is provided in connection with your audit of the financial statements of the West Virginia Department of Transportation (WVDOT), Division of Highways (the Division), a component unit of the WVDOT and the State of West Virginia, which comprise the respective financial position of the governmental activities and each major fund of the Division, as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General (State Road) fund for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 13, 2023 the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 24, 2023 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. In addition, you have proposed adjusting journal entries that have been posted to the Division's accounts. We are in agreement with those adjustments.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Division is contingently liable, if any, have been properly recorded or disclosed.
11. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net position date and have been reduced to their estimated net realizable value.
12. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
13. We have evaluated our lease agreements under the requirements of GASB Statement No. 87, *Leases*, and the Division has recorded its leases in accordance with the applicable guidance.

14. We have evaluated our subscription-based information technology arrangements under the requirements of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, and determined that the Division has no material contracts that are required to be recorded.

Information Provided

15. We have provided you with:
- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Division from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Division or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e) Communication from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
16. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
18. We have no knowledge of any fraud or suspected fraud that affects the Division and involves:
- a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
19. We have no knowledge of any allegations of fraud or suspected fraud affecting the Division's financial statements communicated by employees, former employees, regulators, or others.
20. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
21. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
22. We have disclosed to you the names of the Division's related parties and all the related party relationships and transactions, including any side agreements.

Government—specific

23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
25. We have a process to track the status of audit findings and recommendations.
26. We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
27. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
28. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
29. The Division has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
30. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
31. We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91, if any.
32. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
33. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

34. As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
35. The Division has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
36. The Division has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
37. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
38. The financial statements include all fiduciary activities required by GASBS No. 84, as amended, if any.
39. The financial statements properly classify all funds and activities, in accordance with GASBS No. 34, as amended.
40. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
41. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
42. Investments, derivative instrument transactions, and land and other real estate held by endowments, if any, are properly valued.
43. Provisions for uncollectible receivables have been properly identified and recorded.
44. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
45. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
46. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
47. Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
48. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

49. We have appropriately disclosed the Division's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
50. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
51. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.



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



Carla Rotsch
Transportation Business Manager



Yueming Wu
Director, Information Technology Division



Maria Catalano
Director, Finance Division



Sandra Jones
Assistant Director, Finance Division