



Department of Transportation

Highway Infrastructure Investment ARRA Program Audit

Audit Period: October 1, 2009 to November 18, 2009



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Executive Summary

Background

The American Recovery and Reinvestment Act (ARRA), signed into law on February 17, 2009, include the following statement of purposes:

- To preserve and create jobs and promote economic recovery.
- To assist those most impacted by the recession.
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The State of Ohio has applied for over 90 ARRA programs with expected total grant awards to exceed \$8 billion during the next two years. These applications have been initiated by 21 state agencies in the form of formula, competitive, and discretionary grants. The grant awards are distributed in the following four spending categories:

- Countercyclical Funds: The two largest components of the State's budget that is exposed during a recession, while state revenues decline, are health care and education. The State has been awarded two formula grants (Medicaid and State Fiscal Stabilization) to assist the State's budget. The State Fiscal Stabilization Fund is primarily for education.
- Appropriated Funds: These grants represent additional funding for existing programs such as transportation, labor, and justice programs which will assist in job creation.
- Safety Net Funds: These grants provide relief for lower-income families in the form of supplemental nutrition assistance, child care, and extension of unemployment benefits.
- Economic Growth Funds: These awards focus on new technologies such as alternative energy, health information technology, broadband, and research initiatives.

The Department of Transportation (DOT) received federal funding from two programs, Highway Infrastructure Investment and Transit Capital Assistance. This audit will focus on the Highway Infrastructure Investment (HII) ARRA Program. As of September 30, 2009, DOT has disbursed \$41,941,323 of the planned \$464,538,729 for the HII program and reported 809 jobs created or retained.



The HII ARRA program is a formula grant (Catalog of Federal Domestic Assistance number 20.205) awarded to DOT by the U.S. Department of Transportation, Federal Highway Administration, to assist DOT in the construction and rehabilitating of national highways, and for transportation improvements to most other public roads. The HII funds resulting from this apportionment are eligible to be obligated for restoration, repair, construction and other activities eligible under Section 133(b) of Title 23, United States Code (U.S.C.), and for passenger and freight rail transportation and port infrastructure projects eligible for assistance under Section 601(a)(8) of Title 23, U.S.C.

DOT is currently updating its reporting procedures to coincide with OMB and Federal Highway Administration reporting requirements. As a result, we did not review the requirements for reporting financial and non-financial data.

OIA would like to thank DOT staff and management for their cooperation and time in support of this audit.



Scope and Objectives

OIA staff was engaged to perform assurance work related to the HII ARRA Program. This work was completed between October 1, 2009 and November 18, 2009. The scope of this audit included the following areas:

- Program planning
 - Program risk assessment; and
 - Internal control process documentation
- Application process
 - Public award announcement; and
 - Applicant evaluation and award notification
- Program administration and monitoring
 - Communication of grant requirements; and
 - Program oversight and monitoring

The following summarizes the objectives of the audit along with a conclusion on the design of management’s internal controls. The scope of this audit was limited to the adequacy and design of internal controls with the expectation of a future audit to focus on operating effectiveness of internal controls.

Objective	Conclusion ¹
Evaluate the adequacy of DOT ARRA program risk assessment and internal control documentation based on guidance provided by State management.	Well Controlled
Evaluate the adequacy of the awarding process for ARRA funds to subrecipients and vendors.	Well-Controlled
Evaluate the design and adequacy of communication related to program requirements, state guidance, and federal compliance requirements to grant recipients.	Well-Controlled
Evaluate the design of the controls over subrecipient and vendor monitoring process for the program.	Well-Controlled

¹ Refer to [Appendix A](#) for classification of audit objective conclusions.



Summary of Observations and Recommendations

The Summary of Observations and Recommendations includes only those risks which were deemed high or moderate. There were no observations and recommendations identified as a result of this audit.



Appendix A – Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Major Improvements Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.
Improvements Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Well-controlled with Improvements Needed	The processes have design or operating deficiencies but do not compromise achievement of important control objectives.
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.