



Department of Transportation

Capital Transit Assistance – Non-Urban Formula ARRA Program Audit

Audit Period: August 4, 2009 to February 22, 2010



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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 \$8.5 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) has applied for three awards. This audit focused on the Capital Transit Assistance – Non-Urban Formula Program (Capital Transit). As of December 31, 2009, DOT has disbursed \$1,511,043 of the awarded \$29,837,234. For the quarter ending December 31, 2009, DOT reported 18 jobs funded with ARRA dollars in accordance with OMB guidance issued on December 18, 2009.

The program is currently in the implementation stage so our audit primarily focused on internal control design. Subsequent reviews may concentrate on operational effectiveness of the program.



Capital Transit is a formula grant awarded to states from the U.S. Department of Transportation, Federal Transit Administration. This grant has four types of subgrants that may be funded: 1) urbanized area formula program, 2) non-urban formula program, 3) tribal transit program, and the 4) energy savings program. Currently, DOT has only received funding for the non-urban formula program.

Capital Transit (Catalog of Federal Domestic Assistance number 20.509) was awarded to DOT for reallocation to operators of public transportation services in rural areas to improve, initiate, or continue public transportation service in areas with populations of less than 50,000. The funds may be used for eligible capital expenses, project administration, and operating expenses needed to provide efficient and coordinated public transportation service in non-urbanized areas.

OIA would like to thank DOT staff and management for their cooperation and time in support of this audit. This report is intended for the implementation and use of DOT management and the State Audit Committee.



Scope and Objectives

OIA staff was engaged to perform assurance work related to the Transit Capital Assistance. This work was completed between August 4, 2009 and February 22, 2010. 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
- Reporting
 - Financial reporting; and
 - Non-financial statistical reporting

The following summarizes the objectives of the audit along with a conclusion on the design of management’s internal controls.

Objective	Conclusion ¹
Evaluate the adequacy of DOT’s ARRA program risk assessment and internal control documentation based on guidance provided by State Management.	Well-Controlled
Evaluate the design of the awarding process for ARRA stimulus funds to subrecipients and vendors.	Well-Controlled
Evaluate the adequacy of DOT’s communication in relation to the program requirements, state guidance, and federal compliance requirements to grant recipients.	Well-Controlled
Evaluate the design of controls over the timely, accurate, and completeness of ARRA disbursements.	Well-Controlled
Evaluate the design of the controls over subrecipient and vendor monitoring process for the program.	Well-Controlled



Objective	Conclusion ¹
Evaluate the design of controls over complete, accurate, and timely reporting of financial and non-financial information.	Well-Controlled

¹ Refer to the [Appendix](#) 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 – 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 effectiveness 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.