



Department of Transportation Turnpike Bond Revenue Audit

Audit Period: July 2013 through December 2014

Results Summary:

Objective	Conclusion*
Project Identification/Planning Process	Well-Controlled with Improvement Needed
Fiscal Processes	Well-Controlled with Improvement Needed
Reporting and Communication	Well-Controlled

* Please refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

The Ohio Department of Transportation (ODOT) is responsible for maintaining the state's system of highways, as well as overseeing the state's rail, aviation, and public transportation systems. The department has twelve districts along with a central office located in Columbus. The majority of ODOT's funding comes from federal and state taxes on motor fuels. The Ohio Turnpike and Infrastructure Commission ("Commission") is a corporate and political body in the State of Ohio created by the Ohio Turnpike Act. The Commission is authorized and empowered to construct, maintain, repair, and operate the Turnpike system at such locations approved by the Governor and in accordance with such alignment and design standards approved by ODOT.

In 2013, HB 51 was signed into law, which allowed the Commission to finance the capital for infrastructure projects proposed by ODOT with a "nexus" to the Ohio Turnpike. Effective August 15, 2013, the Ohio Turnpike and Infrastructure Commission issued \$1 billion in bonds. The Commission approved funding for ten projects proposed by ODOT, each located in northern Ohio within nexus of the Turnpike. The ten ODOT projects were approved for funding using \$930 million of the bond proceeds; the remaining \$70 million in bond proceeds was retained by the Commission for turnpike-specific projects.

During the review, OIA identified opportunities for ODOT to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank ODOT staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit related to the controls over the agency's key processes related to the Turnpike Bond Revenue. This work was completed December 2014 through March 2015. The objectives for this audit are identified below:

- Evaluate the design and effectiveness of the controls within the Turnpike Bond Revenue project identification / planning processes.
- Evaluate the design and effectiveness of the controls within the Turnpike Bond Revenue fiscal processes.
- Evaluate the design and effectiveness of the controls within the Turnpike Bond Revenue reporting and communication processes.

The scope did not include a review of the Commission or the turnpike bond proceeds retained by the Commission for turnpike-specific projects, nor did the scope include the ODOT capital



payment process or the Transportation Review Advisory Council processes which prioritize roadway projects prior to consideration for turnpike bond funding.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. There were no high or moderate risk observations on this engagement. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement 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.
Major Improvement 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.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee