



# Development Services Agency 629 Roadwork Development Grant Program Audit

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**Audit Period: July 2016 through June 2017**

## Results Summary:

Objective	Conclusion*
Servicing of the 629 Roadwork Development Grant Program	Well-Controlled with Improvement Needed

\*Refer to Appendix A for classification of audit objective conclusions.



## **Executive Summary**

### **Background**

The Ohio Development Services Agency (DSA) receives appropriations for one line item in the Transportation Budget Bill. This line item pays for the 629 Roadwork Development Grant Program, which makes awards to local governments and businesses in order to complete public roadwork improvements to facilitate the expansion or attraction of a business. The 629 Roadwork Development Fund (Fund 4W00) receives quarterly transfers of motor fuel tax revenues from the Highway Operating Fund used by the Ohio Department of Transportation. Because the use of motor fuel tax revenue is restricted under Article XII, Section 5a of the Ohio Constitution, 629 Roadwork Development Grants are limited to projects that improve public roads and highways and may not be used for other economic development purposes. Eligible costs include widening, paving, road construction or reconstruction, and right-of-way infrastructure improvements such as sewer or utility lines. In addition, House Bill (H.B.) 53 provides specific statutory authority for DSA to use Fund 4W00 to pay for improvements to public roads that provide access to a public airport or are located within a public airport. All 629 Roadwork Development Grants are subject to Controlling Board approval.

JobsOhio and the JobsOhio Network, the state's economic development organization and development partners, are responsible for the marketing, initial company contact, company application process, and commitment letter stating the terms of the grant (amount and reimbursement percentage). The commitment letter itself is not binding as a grant award until DSA obtains Controlling Board approval for the grant package. Approved grants are managed by DSA's Office of Strategic Business Investments. DSA's program responsibilities as they relate to the 629 Roadwork Development Grant, include: presenting and obtaining Controlling Board approval for each project requesting grant funds, drafting grant agreements, post-approval project/grant servicing, disbursement of grant funds, upholding the terms and conditions of the grant agreement, reviewing annual job reports, and providing technical support to existing grantees.

In FY 2017, DSA had received Controlling Board approval to issue 28 Roadwork Development Grants, totaling approximately \$14.7 million. The annual maximum award amount appropriated through the transportation budget bill is \$15.2 million.

During the audit, OIA identified opportunities for DSA 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 DSA 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 629 Roadwork Development Grant Program. This work was completed September through December 2017. The audit period was July 2016 through June 2017. The scope of this audit included the key processes related to the servicing of the 629 Roadwork Development Grant Program. The activities performed by JobsOhio and the JobsOhio Network, as it relates to the Roadwork Development Grant Program, are outside the scope of this review.

The following summarizes the objective of the review:

- Evaluate the design and effectiveness of the controls over the servicing of the 629 Roadwork Development Grant Program.

## Detailed Observations and Recommendations

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

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.



Appendix A – Classification of Conclusions and Observations

**Classification of Audit Objective Conclusions**

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	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.
<b>Major Improvement Needed</b>	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
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	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