



Department of Transportation Contract Invoices Audit

Audit Period: July 2017 through March 2018

Results Summary:

Objective	Conclusion*
Contract Invoice Review and Approval	Well-Controlled with Improvement Needed

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



Executive Summary

Background

The Ohio Department of Transportation's (ODOT) Office of Statewide Planning and Research manages statewide and regional planning efforts, including the statewide long-range transportation plan; produces traffic forecasts for transportation project and policy alternatives; and works collaboratively with other agencies, governments and ODOT offices to ensure federal transportation planning dollars are spent in compliance with federal law. ODOT's research program provides decision makers with the information and tools they require to ensure Ohio's transportation system meets the evolving needs of our residents and the traveling public. The program works to anticipate and address transportation concerns before they become critical problems. Goals within the program include: maximizing research investments; taking advantage of new technologies; and producing practical results that have a strong possibility of being implemented. During the period of July 2017 through March 2018 there were a total of 71 active research contracts, for which 321 research vouchers, totaling approximately \$3.5 million, were processed and paid. Ohio's regional transportation planning organization (RTPO) program is focused on building transportation expertise to provide transportation planning products and services to nonmetropolitan regions of Ohio. The Ohio RTPOs provide their local elected officials and other transportation stakeholders a forum to participate in Ohio's statewide transportation planning processes. They also actively work to assist their local government members in securing funding to address multi-modal transportation system improvement needs. During the period of July 2017 through March 2018 there were a total of 28 RTPO vouchers processed for approximately \$2.4 million.

During the audit, 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 Office of Statewide Planning and Research's contract invoices process. This work was completed April through June 2018. The scope of this audit included the contract invoice review and approval process, specifically contracts for research and consulting, five RTPOs, and statewide planning and research for the period of July 1, 2017 through March 31, 2018. The objective of the review was to evaluate the design and effectiveness of the controls over the contract invoice review and approval process.



Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. 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.

Observation 1 – Lack of Documentation of Controls and Supervisory Review

An effective system of internal controls includes documentation of the control performed, including who performed the control, what information was reviewed, and results of the control. Internal controls should also include documentation of a supervisory review of work performed to ensure processes are accomplished completely, accurately, timely, and consistently. The reviews and results should be documented and any issues should be communicated to provide assurance that procedures are followed and to ensure issues are addressed. These controls are a standard business practice that promotes accountability and provides management with assurance that the agency's objectives are carried out.

Regional Transportation Planning Organizations (RTPOs) are reimbursed for eligible costs incurred, subject to the biennial agreement and the amounts and percentages outlined in the annual work program. Reimbursement requests are to include an invoice, a Current Period Costs Report, a Financial Status Report (Cumulative Costs Report), and a summary report of employee hours and wages and other direct costs. Per current policy, the assigned RTPO Liaisons are to utilize an RTPO Invoice Checklist when reviewing the RTPO reimbursement requests. Once reviewed and deemed accurate, the invoices and completed checklists are sent to fiscal for processing. When testing five RTPO reimbursement requests processed for payment during the audit period, OIA found the RTPO checklists had not been maintained or completed for all five requests. It was also noted there is no supervisory review of the reimbursement requests and completed RTPO Invoice Checklist prior to being sent to fiscal for payment.

Without completing a review of reimbursement requests received or maintaining documentation of the review performed, management cannot be assured the costs reimbursed are for actual items approved in the annual work plan or for actual time worked. Furthermore, failing to require supervisory reviews increases the risk that errors go undetected and could result in inappropriate items being reimbursed.



Recommendation		
<p>Document and maintain RTPO Invoice Checklists completed during review of reimbursement requests. Consider maintaining the RTPO Invoice Checklists with the invoices and supporting documentation to allow for them to be more easily located.</p> <p>Create a supervisory or secondary review process over the reimbursement request and RTPO checklist. This can be completed by a supervisor or another RTPO liaison so the reimbursement is reviewed by two separate individuals prior to being processed for payment. Both individuals completing these reviews should sign and date the checklist to evidence its accuracy and the completion of a review.</p> <p>Policies and procedures should be updated to include the maintenance of the RTPO checklist and the required reviews, including details on how to evidence each review. Management should periodically review all policies and procedures to ensure they reflect current processes and requirements.</p>		
Management Response		
<p>We agree with the need for well documented internal controls when reviewing invoices for our RTPO Program. We accept the two recommendations presented above: (1) document completed invoice checklists and (2) add a secondary review to ensure that checklists are completed. Moving forward, our office will adopt a new process for reviewing, approving, and processing RTPO invoices for payment. The process will require the invoice reviewer to attach and complete a hard copy of our invoice review checklist for all RTPO invoices. Our reviewer will sign the checklist and then give the invoice with checklist to their supervisor who will perform a second review and also sign the checklist. As an added control, ODOT's Office of Project Accounting will not process the invoice for payment without an accompanying checklist signed by the reviewer and their supervisor. Our office will develop a document outlining the new process and ensure that those who: review invoices, provide the secondary review, and process the invoice in the Office of Project Accounting have a hard copy of the document.</p>		
Risk*	Remediation Owner	Estimated Completion Date
Moderate	Transportation System Administrator	January 1, 2019

* Refer to Appendix A for classification of audit observations.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. 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
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