



---

# Department of Transportation

## Contract Management Audit

---

**Audit Period: July 2015 through February 2016**

### Results Summary:

Objective	Conclusion*
Contract Initiation	Well-Controlled with Improvement Needed
Contract Administration	Well-Controlled with Improvement Needed

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

**Report number: 2018-DOT-30**

**Issuance date: April 19, 2018<sup>^</sup>**

<sup>^</sup> Although audit fieldwork for this engagement was completed in June 2016, this audit report was not able to be issued until the date noted due to a State Audit Committee quorum issue.

---



## Executive Summary

### Background

The Ohio Department of Transportation (ODOT or the Department) 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 12 districts along with a central office located in Columbus.

ODOT utilizes numerous contracts to execute the departments various duties which include operating contracts. There are four types of contracts making up the agency's operating contracts: Department of Administrative Services (DAS) contracts, ODOT contracts, Personal Service Contracts, and Quotes. While DAS is responsible for procuring the DAS contracts, ODOT's Contract Office (within the Construction Management Division) procures the agency's purchasing contracts greater than \$25,000, the Legal Office procures the agency's Personal Service contracts (PSCs), and ODOT's Fiscal Office oversees the Quote contracts/purchases. Per statute, ODOT contracts must be competitively let in Columbus. District offices can initiate their own PSCs and quoted purchases; however, central office must approve the purchase prior to the district making the purchase. Central Office and District staff review the overall contract performance and future contracting requirements under their area of responsibility.

During the audit, OIA identified opportunities for ODOT to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank Department of Transportation 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 management of operating contracts for the audit period of July 1, 2015 through February 29, 2016. This work was completed March through June 2016. The scope of this audit includes agency operating contracts (DAS Contracts, ODOT Contracts, Personal Service Contracts and Quotes). OIA did not review the processes related to construction contracts as part of this engagement.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of the controls over the contract initiation process, including procurement.
- Evaluate the design and effectiveness of the controls within contract administration, including monitoring and payment.



## **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 identified as a result of this audit. 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.

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
<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 as a whole. 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