



## Department of Transportation Parts Management Audit

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

### Results Summary:

Objective	Conclusion*
Monitoring Parts Management Vendor	Well-Controlled

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

**Report number: 2018-DOT-32**

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

<sup>^</sup> Although audit fieldwork for this engagement was completed in June 2017, this audit report was not able to be issued until the date noted due to a State Audit Committee quorum issue.

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## **Executive Summary**

### **Background**

The Ohio Department of Transportation (ODOT) is responsible for planning, building, and maintaining the state's transportation system. Most of ODOT's resources are devoted to the state's system of highways and roads, but the Department also allocates funds to oversee its responsibilities in the aviation, public transit, and rail modes of transportation. Currently, ODOT operates maintenance and repair facilities for its motor vehicle and equipment fleet at 12 district facilities, 88 county garage facilities, and one central garage location, including 122 outpost facilities, and 22 waste water treatment plants. Historically, prior to fiscal year 2013, ODOT has purchased more than \$22.5 million annually in repair parts and maintained an inventory in excess of \$5 million. In September 2012, ODOT signed a three-year contract with Management Consulting Inc. (Mancon), which has been extended to 2018, to purchase and manage vehicle and equipment parts for ODOT's fleet at its central, district and county garage locations. When an order is placed, Mancon pulls the parts from their shelf stock or purchases the parts and delivers to the District location. If the part is for a county garage, ODOT employees will then deliver the parts. District and county garages have limited shelf stock on hand, which is owned and maintained by Mancon until ODOT uses it. ODOT can also direct Mancon to purchase a specific item from a specific vendor. In an emergency, ODOT Managers can revert to using a payment card to purchase parts. Mancon does not make a profit on parts sold to ODOT as they are merely reimbursed the purchase price.

To gain better insight into the parts management process, OIA met with staff at two district garages and one county garage, and also sent a questionnaire to a sample of district and county garages. Summary responses were provided to ODOT management in a separate communication.

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. OIA conforms to 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.

### **Scope and Objectives**

OIA staff was engaged to perform an assurance audit related to the controls over the parts management process. This work was completed March 2017 through June 2017. The scope of this audit included a review of ODOT's (including district offices) key processes related to Vehicle and Equipment Parts Management. The objective of the review was to evaluate the effectiveness of monitoring controls over the part management vendor.



## **Detailed Observations and Recommendations**

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations identified during the course of the engagement would be discussed with individual agency management and would not be part of this report. However, there were no high, moderate, or low observations identified during this engagement.

During the review, OIA identified opportunities for ODOT to gain efficiencies in the process and improve the overall effectiveness of the parts management process. These recommendations, while related to the scope of this review, do not relate to control-based weaknesses, and therefore, have been provided to management in a separate communication entitled 'Other Matters for Management's Attention'.

\* Refer to Appendix A for classification of audit observations.



## 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