



Department of Transportation State Infrastructure Bank Audit

Audit Period: July 2016 through June 2017

Results Summary:

Objective	Conclusion
Awarding and Disbursement Process	Well-Controlled with Improvement Needed
Monitoring and Reporting Process	Well-Controlled with Improvement Needed
Repayment and Close-Out Process	Well-Controlled with Improvement Needed

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

Report number: 2018-DOT-01

Issuance date: April 19, 2018[^]

[^] Although audit fieldwork for this engagement was completed in December 2017, 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 (DOT) maintains a direct loan and bond financing program, the State Infrastructure Bank (SIB), authorized under Chapter 5531 of the Ohio Revised Code. The SIB program assists public entities with highway, rail, transit, intermodal, aviation and other transportation facilities and projects. The Ohio SIB was originally capitalized with a \$40 million authorization of state general revenue funds (GRF) from the Ohio State Legislature, \$10 million in state motor fuel tax funds, and \$87 million in Federal Highway Funds. Any highway or transit project eligible under Title XXIII, as well as aviation, rail and other intermodal transportation facilities, is eligible for direct loan funding under the SIB. Within DOT, the SIB Loan Committee manages the approval process and DOT Division of Finance administers the loans and bonds using prudent financial guidelines and policies.

During the audit, OIA identified opportunities for DOT 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 DOT 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 State Infrastructure Bank (SIB) program. This work was completed July through December 2017. The scope of this audit covered the State Infrastructure Bank loan and bond program for the audit period of July 2016 through June 2017.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over the SIB awarding and disbursement processes.
- Evaluate the design and effectiveness of controls over the SIB monitoring and reporting processes.
- Evaluate the design and effectiveness of controls over the SIB repayment and loan payment closeout processes.

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 for 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.

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.

* 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
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