

EXECUTIVE DIGEST

MICHIGAN DEPARTMENT OF TRANSPORTATION

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the Michigan Department of Transportation (MDOT) for the period October 1, 1998 through September 30, 2000.

AUDIT PURPOSE

This financial audit of MDOT was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BACKGROUND

MDOT's mission* is to provide the people of Michigan with the highest quality transportation services for economic benefit and improved quality of life. MDOT's financial and accounting operations are primarily concentrated in the Bureau of Finance and Administration. The responsibilities for federal grant management are shared by the bureaus that carry out the grant activities.

MDOT's major sources of funding are tax revenues dedicated for transportation purposes and federal funds. During fiscal year 1999-2000, MDOT's revenues totaled

\$3.1 billion and expenditures totaled \$3.1 billion. As of September 30, 2000, MDOT had 3,250 employees.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To audit MDOT's financial statements and to examine the supplemental financial statements and schedules, including the schedule of expenditures of federal awards, in relation to MDOT's financial statements as of and for the fiscal years ended September 30, 2000 and September 30, 1999.

Conclusion: We expressed an unqualified opinion* on MDOT's financial statements. In addition, we expressed an unqualified opinion on MDOT's supplemental financial statements and schedules, including the schedule of expenditures of federal awards, in relation to the financial statements taken as a whole.

Audit Objective: To assess and report on MDOT's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statements, and on its internal control* over financial reporting, based on our audit of the financial statements.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*. However, we identified reportable conditions* related to equipment and controls over Michigan Administrative Information Network* (MAIN) user access (Findings 1 and 2).

In addition, our assessment indicated that MDOT was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess and report on MDOT's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: We issued an unqualified opinion on MDOT's compliance with requirements applicable to each major federal program. Also, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Department of Transportation for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains two findings and two corresponding recommendations. The Department's corrective action plan indicates that it agrees with both recommendations and will implement one recommendation by September 30, 2001 and has implemented the other recommendation.

As disclosed in MDOT's summary schedule of prior audit findings, MDOT fully corrected 3 of the 6 prior Single Audit findings and did not correct or partially corrected 3 findings.