



Michigan  
*Office of the Auditor General*  
**REPORT SUMMARY**

*Financial Audit*

*Including the Provisions of the Single Audit Act*

Report Number:  
 591-0100-11

*Michigan Department of Transportation*

*October 1, 2008 through September 30, 2010*

Released:  
 June 2011

*A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.*

**Financial Statements:**

**Auditor's Report Issued**

We issued an unqualified opinion on the Michigan Department of Transportation's (MDOT's) financial statements.

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**Internal Control Over Financial Reporting**

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we did identify significant deficiencies (Findings 1 through 4).

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**Noncompliance and Other Matters  
 Material to the Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under *Government Auditing Standards*.

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**Federal Awards:**

**Auditor's Reports Issued on Compliance**

We audited 5 programs (including 3 ARRA related programs) as major programs and identified known questioned costs of \$61,300. MDOT expended and distributed a total of \$2.7 billion in federal awards, including \$695.3 million of ARRA funding, during the two-year period ended September 30, 2010. We issued 5 unqualified opinions. The federal programs audited as major programs are identified on the back of this summary.

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**Internal Control Over Major Programs**

We identified material weaknesses in internal control over federal program compliance (Finding 6). We also identified significant deficiencies in internal control over federal program compliance (Findings 5 through 9).

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**Required Reporting of Noncompliance**

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management

and Budget (OMB) Circular A-133 (Findings 5 through 9).

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**Systems of Accounting and Internal Control:**  
 Section 18.1489 of the *Michigan Compiled Laws* requires the Auditor General to evaluate the implementation of Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* and report to the Legislature in the financial audit of each department. As a result of Executive Reorganization Order No. 2007-31 (Consolidating Internal Audit Functions), in which responsibility for most of the sections was moved to the Office of Internal Audit Services, Department of Management and Budget, we have evaluated the implementation of only Section 18.1485

in this financial audit. Section 18.1485 requires each department director to establish an internal accounting and administrative control system, defines the elements of that system, defines the duties of the department director, and provides for certain reports. We determined that MDOT was in substantial compliance with Section 18.1485 of the *Michigan Compiled Laws*.

The remaining sections (Sections 18.1483, 18.1484, and 18.1486 - 18.1488 of the *Michigan Compiled Laws*) will be evaluated and reported on in the performance audit of the Office of Internal Audit Services, Department of Technology, Management & Budget.

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We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program or Cluster Title</u>	<u>Compliance Opinions</u>
20.106*	Airport Improvement Program	Unqualified
	<u>Highway Planning and Construction Cluster:</u>	Unqualified
20.205*	• Highway Planning and Construction	
	<u>Federal Transit Cluster:</u>	Unqualified
20.500	• Federal Transit: Capital Investments Grants	
20.507	• ARRA - Federal Transit: Formula Grants	
20.509*	Formula Grants for Other Than Urbanized Areas	Unqualified
	<u>Transit Services Programs Cluster:</u>	Unqualified
20.513	• Capital Assistance Programs for Elderly Persons and Persons with Disabilities	
20.516	• Job Access: Reverse Commute	
20.521	• New Freedom Program	

\* Includes American Recovery and Reinvestment Act of 2009 (ARRA) funding.

<p>A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <a href="http://audgen.michigan.gov">http://audgen.michigan.gov</a></p>	<p>Michigan Office of the Auditor General          201 N. Washington Square          Lansing, Michigan 48913  <b>Thomas H. McTavish, C.P.A.</b>          Auditor General  <b>Scott M. Strong, C.P.A., C.I.A.</b>          Deputy Auditor General</p>
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