

EXECUTIVE DIGEST

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 for the period October 1, 1992 through September 30, 1994.

AUDIT PURPOSE

This financial audit of the Department 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 of 1984 and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

BACKGROUND

The Department's objective is to provide the people of Michigan with a safe, efficient, and environmentally sound total transportation system in the most cost-effective manner possible. The Bureau of Finance and Administration is responsible for the Department's financial accounting and financial reporting. The responsibilities for federal grant management are shared by the bureaus that carry out the grant activities. As of September 30, 1994, the Department had 3,904 employees.

The Department's major sources of financing are tax revenue dedicated for transportation purposes and federal funds. During fiscal 1993-94, the Department's revenue totaled \$2.03 billion and expenditures totaled \$1.98 billion.

**AUDIT
OBJECTIVES
AND
CONCLUSIONS**

Audit Objective: To assess the adequacy of the Department's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the internal control structure did not disclose any material weaknesses. However, we did note reportable conditions pertaining to controls over the expenditure of restricted transportation revenue, coding payment vouchers for federal reimbursement, encumbrance procedures, and payments to contractors (Findings 1 through 4).

Also, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial statements or any of its major federal financial assistance programs.

Conclusion: Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the Department's financial statements or its major federal financial assistance programs.

Audit Objective: To audit the Department's financial statements for the fiscal years ended September 30, 1994 and September 30, 1993.

Conclusion: We issued an unqualified opinion on the Department's financial statements for the fiscal years ended September 30, 1994 and September 30, 1993.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Department of Transportation for the period October 1, 1992 through September 30, 1994. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit objective for the assessment of the internal control structure included an evaluation of the Department's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

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

Our audit includes 4 findings and 6 corresponding recommendations. The Department agreed with all the recommendations, and informed us that it has implemented or is in the process of implementing most of the recommendations.

The Department had complied with all 5 of the prior audit recommendations included within the scope of our current audit.