

PERFORMANCE AUDIT
OF THE
OFFICE OF COMMISSION AUDITS
MICHIGAN DEPARTMENT OF TRANSPORTATION

November 2003

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
59-120-03

Office of Commission Audits

Michigan Department of Transportation

Released:
November 2003

Act 438, P.A. 1982, created the Office of Commission Audits (OCA), which is responsible for assisting the State Transportation Commission in formulating audit policies, performing operational audits of Michigan Department of Transportation (MDOT) operations, performing financial and compliance audits of MDOT contractors, performing investigations, and reviewing MDOT internal control. The Commission Auditor, who is appointed by and reports to the State Transportation Commission, directs OCA.

Audit Objective:

To assess OCA's effectiveness and efficiency in performing audits and reviews.

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Audit Conclusion:

We concluded that OCA was generally effective and efficient in performing audits and reviews. Our report does not include any reportable conditions related to this audit objective.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/



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AUDITOR GENERAL

November 19, 2003

Mr. Ted B. Wahby, Chairperson
State Transportation Commission
Murray Van Wagoner Transportation Building
Lansing, Michigan

Dear Mr. Wahby:

This is our report on the performance audit of the Office of Commission Audits, Michigan Department of Transportation.

This report contains our report summary; description of agency; audit objective, scope, and methodology; comment; and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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TABLE OF CONTENTS

OFFICE OF COMMISSION AUDITS MICHIGAN DEPARTMENT OF TRANSPORTATION

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Agency	6
Audit Objective, Scope, and Methodology	7
COMMENT	
Effectiveness and Efficiency in Performing Audits and Reviews	8
GLOSSARY	
Glossary of Acronyms and Terms	9

Description of Agency

The Michigan Department of Transportation (MDOT) was organized under Sections 16.450 - 16.458 of the *Michigan Compiled Laws* (sections of the Executive Organization Act of 1965). MDOT is governed by the State Transportation Commission, which is made up of six members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for establishing policies. MDOT is managed by a director, appointed by the Governor, who is responsible for administering MDOT and implementing the policies established by the Commission.

Act 438, P.A. 1982, provides for the Office of Commission Audits (OCA) and amended Act 51, P.A. 1951. OCA is responsible for assisting the State Transportation Commission in formulating audit policies, performing operational audits of MDOT operations, performing financial and compliance audits of MDOT contractors, performing investigations, and reviewing MDOT internal control*. The Commission Auditor, who is appointed by and reports to the State Transportation Commission, directs OCA. OCA provides the following services:

- a. Develops audit plans, policies, and procedures for the Commission.
- b. Reviews MDOT systems for accounting and administrative controls and tests for compliance with State and federal laws and regulations.
- c. Performs audits of MDOT operations to increase economy and efficiency.
- d. Performs audits of grants and contracts to determine compliance with agreements.

Funding for OCA is provided from vehicle gasoline and weight taxes. OCA expenditures totaled \$2.3 million for fiscal year 2001-02, and OCA had 28 employees as of June 30, 2003.

* See glossary at end of report for definition.

Audit Objective, Scope, and Methodology

Audit Objective

The objective of our performance audit* of the Office of Commission Audits (OCA), Michigan Department of Transportation, was to assess OCA's effectiveness* and efficiency* in performing audits and reviews.

Audit Scope

Our audit scope was to examine the program and other records of the Office of Commission Audits. Our audit was conducted in accordance with *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.

Audit Methodology

Our audit procedures, conducted from May 2003 through July 2003, primarily covered the period October 1, 2000 through June 30, 2003.

To accomplish our objective, we evaluated OCA's effectiveness in providing an internal quality control system and an independent system of investigation, audit, and reporting to provide reasonable assurances as to the proper safeguarding of assets; the accuracy and reliability of information; the promotion of operational efficiency; the adherence to prescribed policies and procedures; and the accomplishment of established goals* and objectives* for operations or programs. We reviewed the internal quality control system to determine whether OCA complied with procedures related to compliance with professional auditing standards. We analyzed the OCA audit plan development and professional staff training. We sampled OCA and external policies and procedures affecting internal auditors' independence, professional proficiency, and audit performance. Also, we reviewed management's oversight of the internal auditing function. We performed necessary audit procedures to determine that auditors were independent in fact and appearance and to determine that auditors were able to perform their duties with little or no scope limitations. We researched professional auditing standards to select our testing criteria. We selected a sample of OCA audits and reviewed the associated audit working papers to determine compliance with professional auditing standards.

* See glossary at end of report for definition.

COMMENT

EFFECTIVENESS AND EFFICIENCY IN PERFORMING AUDITS AND REVIEWS

COMMENT

Audit Objective: To assess the Office of Commission Audits' (OCA's) effectiveness and efficiency in performing audits and reviews.

Conclusion: We concluded that OCA was generally effective and efficient in performing audits and reviews. Our report does not include any reportable conditions* related to this audit objective.

* See glossary at end of report for definition.

Glossary of Acronyms and Terms

effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
internal control	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
MDOT	Michigan Department of Transportation.
objectives	Specific outcomes that a program seeks to achieve its goals.
OCA	Office of Commission Audits.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.