



ARRA REPORT BY THE
INSPECTOR GENERAL AND STATE BOARD OF ACCOUNTS

2009-10-0226

November 17, 2009

ARRA REVIEW OF INDOT HIGHWAY INFRASTRUCTURE INVESTMENT

Indiana Inspector General David O. Thomas and State Examiner Bruce Hartman of the Indiana State Board of Accounts report as follows:

This report addresses an evaluation of the Highway Infrastructure Investment¹ fund granted to the Indiana Department of Transportation (“INDOT”).²

The purpose of the Highway Infrastructure Investment fund is the restoration, repair, and construction of highways.³

I

On February 17, 2009, the United States Government enacted the

¹ 23 U.S.C. §133 (2006) and American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, 123 Stat. 115 (2009).

² The Indiana Department of Transportation is established at IC 8-23-2-1.

³ See footnote 1.

American Recovery and Reinvestment Act (“ARRA”).⁴ The ARRA intends to provide a stimulus to the United States economy by providing \$787 billion in program funding and tax credits.⁵

The purpose of this report is to reflect an initial evaluation of ARRA compliance by INDOT as it relates to the Highway Infrastructure Investment fund.

II

In 2009, INDOT was awarded \$657,967,707 in ARRA funds to add value and/or lifespan to Indiana’s highway infrastructure while creating or sustaining jobs in the construction industry. Of the total amount, \$460,577,395 was allocated toward state roads, bridges, and Transportation Enhancement (“TE”) projects and \$197,390,312 was allocated toward local roads, bridges and TE

⁴ 40 U.S.C. 1606 (2006).

⁵ Indiana is expected to receive \$4.3 billion in ARRA funds and perhaps more in competitive grant funds. It is the experience of the Office of the Inspector General (“OIG”) and the State Board of Accounts (“SBOA”) that the expenditure of government funds may invite fraud and waste. The OIG’s enabling statute states that the OIG “is responsible for addressing fraud, waste, abuse and wrongdoing in agencies.” IC 4-2-7-2(b). The OIG is also mandated to “recommend policies and carry out other activities designed to deter, detect and eradicate fraud, waste, abuse, mismanagement and misconduct in state government.” IC 4-2-7-3(2). These duties include the authority to “initiate, supervise and coordinate” investigations, IC 4-2-7-3(1), to perform audits, IC 4-2-7-2(a), and to “prepare interpretive and educational materials and programs.” IC 4-2-7-3(16). Immediately upon the OIG’s creation in 2005, the SBOA provided assistance to the OIG. Many of the two agencies’ missions are similar. In addition to the above OIG duties, the SBOA is charged to develop and publish “accounting and uniform compliance guidelines manuals” (“Manuals”) to provide guidance to public entities, IC 5-11-1-24(a), to perform audits, IC 5-11-1-9, and to make written findings regarding violations of its Manuals or “any law”. IC 5-11-5-1(a). Both the SBOA and OIG also review compliance with the Circulars issued by the State Budget Agency issued under the authority of IC 4-12-1-13(h). Following the above authorities and precedent, both the OIG and SBOA have and continue to confer, research and seek education regarding ARRA. Substantial guidance has been provided by the Indiana Office of Management and Budget (“OMB”).

projects. Fifty percent of the state allocation was to be obligated by July 1, 2009, and the funds for all remaining state and all local projects must obligated by March 3, 2010. All projects must be completed by February 17, 2012.

III

Findings

From our initial review, we conclude that, except for the issue discussed below, the controls over the Highway Infrastructure Investment funds are adequate to meet the respective federal ARRA and State OMB guidelines and requirements.

We found that initial ARRA program revenues were posted using an object code other than 440800 and 440801 as designated by the State Budget Agency. We apprised INDOT's accounting staff of this issue and noted that the correct object codes were used for subsequent federal cash draws.

Accordingly, we make no recommendations at this time but at a later date may perform additional procedures as deemed necessary to verify compliance requirements.

Dated this 17th day of November, 2009.



David O. Thomas, Inspector General