



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

*Performance Audit*  
*Capital Renewal Division and Design and Construction Division*  
*Department of Management and Budget*

Report Number:  
 07-125-02

Released:  
 July 2003

*The Department of Management and Budget's (DMB's) Capital Renewal Division and Design and Construction Division are responsible for implementing and managing the State's capital renewal plan for State-owned infrastructure and for providing facility design and construction services to State agencies, community colleges, and universities.*

***Audit Objectives:***

1. To assess the effectiveness of the Capital Renewal Division's and the Design and Construction Division's planning, contracting, and monitoring of facility construction for State agencies.
2. To evaluate the Design and Construction Division's oversight of construction projects managed by community colleges and universities.
3. To assess the reasonableness of the Capital Renewal Division's and the Design and Construction Division's billing rates for project administration and project supervision.

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***Audit Conclusions:***

1. The Capital Renewal Division's and the Design and Construction Division's planning, contracting, and monitoring of facility construction for State agencies were generally effective.

2. The Design and Construction Division's oversight of construction projects managed by community colleges and universities was in compliance with State policies, procedures, and regulations.
3. The Capital Renewal Division's and the Design and Construction Division's billing rates for project administration were not reasonable; however, billing rates for project supervision were reasonable.

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***Reportable Conditions:***

The Capital Renewal Division and the Design and Construction Division did not have sufficient internal control over the Project Information Management System to ensure that complete and accurate data was available to manage facility construction for State agencies (Finding 1).

The Capital Renewal Division and the Design and Construction Division did not

have procedures to ensure that project files contained complete documentation and were properly maintained (Finding 2).

The Design and Construction Division should improve documentation of its oversight of construction projects managed by community colleges and universities to ensure compliance with Section 18.1237a of the *Michigan Compiled Laws* (Finding 3).

The Capital Renewal Division had not developed a cost allocation methodology to help ensure that architectural and engineering fees billed were reasonable in relation to the actual cost of the services provided for each project (Finding 4).

The Capital Renewal Division and the Design and Construction Division should improve internal control over the allocation of project supervision hours to capital outlay projects managed by the Divisions (Finding 5).

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**Agency Response:**

DMB agreed with all 5 recommendations.

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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/](http://www.state.mi.us/audgen/)



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