



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

RICK SNYDER
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

April 13, 2011

Mr. John E. Nixon, CPA
State Budget Director
State Budget Office
Romney Building, 6th Floor
111 South Capitol
Lansing, Michigan 48913

Dear Mr. Nixon:

In accordance with the State of Michigan, Financial Management Guide, Part VII, enclosed is a summary table identifying our responses and corrective action plan to address the recommendations in the Office of the Auditor General's Performance Audit of the Use of Transportation Related Funding. This audit covered the period of October 1, 2007 through September 30, 2009.

Questions regarding the summary table or corrective action plan should be directed to Edward A. Timpf, Administrator, Financial Operations Division, at 517-373-1527, or Douglas J. Witte, Acting Commission Auditor, at 517-373-2384.

Sincerely,

Signature Redacted

Kirk T. Steudle
Director

Enclosure
BFA:FOD:EAT:ak
cc: J. Jung
L. Mester
M. Frierson
D. Witte
D. Harr
E. Timpf
V. Blaxton
Executive File

Performance Audit of the Use of Transportation Related Funding
Michigan Department of Transportation (MDOT)
Summary of Agency Response to Recommendations
October 1, 2007 through September 30, 2009

1. **Audit Recommendations the agency has complied with:**

None.

2. **Audit Recommendations the agency agrees with and will comply:**

1

3. **Audit Recommendations the agency disagrees with:**

None.

Performance Audit of the Use of Transportation Related Funding
Michigan Department of Transportation (MDOT)
Corrective Action Plan
October 1, 2007 through September 30, 2009

1. Audit Recommendations the agency has complied with:

None.

2. Audit Recommendations the agency agrees with and will comply:

FINDING

1. Cost Allocation Methodology

RECOMMENDATION

We also again recommend that MDOT improve its review and approval of the cost allocation methodologies developed by state agencies to help ensure that costs for transportation-related activities are accurately identified and equitably allocated to transportation funds.

AGENCY RESPONSE

MDOT agrees with the recommendation that a properly supported cost allocation methodology is necessary. As a result, MDOT will continue to annually review and approve cost allocation methodologies of agencies providing services to MDOT. Each state agency that receives transportation-related funding signs a memorandum of understanding (MOU) with MDOT. The MOU includes the estimated costs to be reimbursed, a description of the services financed by transportation funds, and a detailed cost allocation methodology, which describes the services being provided and the activities financed with transportation funds. MDOT reviews the MOU for accuracy and completeness to help ensure estimated costs for transportation-related activities are identified and that the cost allocation method is reasonable, prior to signing the MOU. Additionally, MDOT ensures billed costs are no more than the amount appropriated for these services. MDOT has no basis to dispute or support the Department of Treasury's assertions that it can not develop a more accurate process for determining costs related to services provided for transportation purposes. There is no further action MDOT can take to improve the review and approval process if the Department of Treasury continues to use the current methodology and does not agree to track the cost of collection efforts specifically attributable to MDOT taxes. MDOT will continue to require that cost methodologies be part of the MOU and will continue to review and approve the information contained within the MOU prior to being signed.

3. Audit Recommendations the agency disagrees with:

None.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

November 30, 2011

Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Director:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following is a summary table identifying our response and corrective action plan to address recommendations contained within the Office of the Auditor General's performance audit report of the Department of Transportation, Use of Transportation Related Funding for the period October 1, 2007 through September 30, 2009:

1. Audit recommendations the agency complied with: **None**
2. Audit recommendations the agency agrees with and will comply:

Cost Allocation Methodology for the Department of Treasury

We again recommend that the Department of Treasury document that its allocation of expenditures to MTF and SAF was based on the level of activity necessary to administer and enforce the motor fuel tax act.

Response

The Department of Treasury agrees that charges to MTF and SAF should be based on the proportion of the Department's costs that relate to administering and enforcing the Motor Fuel Tax Act. Treasury also believes that allocating expenditures based on the percentage of transportation-related collections to total tax collections is a reasonable allocation methodology based on the way the Department's tax-related functions are organized. To address this continued finding, Treasury is currently working on a proposal to contract with a vendor to have a cost allocation study done to determine if there is another methodology to allocate these costs.

3. Audit recommendations the agency disagrees with: **None**

Mr. Doug Ringler

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Should you have any questions regarding the summary table or corrective action plans, please contact Suzie Nichols, Chief Accountant at nicholssr@michigan.gov or (517) 373-3165.

Sincerely,

Signature Redacted

Bruce Hanses, Administrator
Departmental Services Division

c: Dennis Muchmore, Executive Office
Wendy Siegel, Executive Office
Thomas McTavish, Office of the Auditor General
Mary Ann Cleary, House Fiscal Agency
Ellen Jeffries, Senate Fiscal Agency
Dave Agema, House Appropriations Sub-committee
John Pappageorge, Senate Appropriations Sub-committee
Paul E. Opsommer, House Standing Committee
Tom Casperson, Senate Standing Committee
Mary MacDowell, Treasury
Suzie Nichols, Treasury