



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

RICK SNYDER
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

February 28, 2013

Mr. Doug Ringler, Director
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 South Capitol Avenue, 6th Floor
Lansing, Michigan 48909

Dear Mr. Ringler:

In accordance with the State of Michigan's Financial Management Guide, Part VII, Chapter 4, Section 100, enclosed is a summary table identifying our responses and corrective action plan to address the recommendations in the Performance Audit of the Use of Transportation Related Funding, Michigan Department of Transportation, covering the period of October 1, 2009 through September 30, 2011. The Office of Internal Audit Services, State Budget Office, approved distribution of the plan.

Questions regarding the summary table or corrective action plan should be directed to either Laura J. Mester, Chief Administrative Officer, at 517-241-2674 or John T. Cotter, Commission Auditor, Office of Commission Audits, at 517-373-1500.

Sincerely,

Signature Redacted

Kirk T. Steudle
Director

Enclosures

cc: Executive File
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
House Transportation Appropriation Subcommittee
Senate Transportation Appropriation Subcommittee
House Transportation Standing Committee
Senate Transportation Standing Committee

Performance Audit of the Use of Transportation Related Funding
Michigan Department of Transportation
Summary of Agency Responses to Recommendations
October 1, 2009 through September 30, 2011

SUMMARY TABLE

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

1

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

None

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

None

Performance Audit of the Use of Transportation-Related Funding
Corrective Action Plan
October 1, 2009 through September 30, 2011

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

FINDING

1. Cost Allocation Methodology for the Department of Treasury

RECOMMENDATION

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.

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 that a properly supported cost allocation methodology is necessary. MDOT continues to annually review and approve the cost allocation methodologies of agencies providing services to MDOT and requires each State agency that receives transportation-related funding to sign a memorandum of understanding (MOU) with MDOT. Also, a third party contractor performed a cost allocation study that contributed to a \$5.9 million dollar reduction to the MOU between MDOT and the Department of Treasury from \$8.4 million in fiscal year 2012 to \$2.5 million in fiscal year 2013.

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

None

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

None