



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

September 8, 2014

Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol Avenue, Sixth Floor
Lansing, Michigan 48913

Dear Director:

In accordance with the State of Michigan, Financial Management Guide, Part VII, Chapter 4, Section 100, enclosed are a summary table identifying our responses and a corrective action plan. These address the recommendations contained within the Office of Auditor General's audit report for the performance audit of the Office of Economic Development, Michigan Department of Transportation, covering the period of October 1, 2010 through August 31, 2013. The Office of Internal Audit Services, Office of the State Budget, approved distribution of the plan.

Questions regarding the summary table or corrective action plan should be directed to either Michael B. Kapp, Administrator, at 517-335-1069 or Jack Cotter, CPA, at 517-373-1500.

Sincerely,

Signature Redacted

Kirk T. Steudle
Director

Enclosures

cc: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
House Transportation Appropriations Subcommittee
Senate Transportation Appropriations Subcommittee
House Transportation Standing Committee
Senate Transportation Standing Committee
Office of Economic Development

Office of Economic Development
Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2010 through August 31, 2013

A. **Audit recommendations the agency has complied with:**

3

B. **Audit recommendations the agency agrees with and will comply:**

1, 2, 5

C. **Audit recommendations the agency partially agrees with:**

4

Office of Economic Development
Michigan Department of Transportation
Corrective Action Plan
Audit Period October 1, 2010 through August 31, 2013

A. Audit recommendations the agency has complied with:

FINDING

3. Program Outcome Assessments

RECOMMENDATION

We recommend that OED comprehensively assess the effectiveness of all programs funded by TEDF and federal grants.

AGENCY RESPONSE

As stated in the Agency Preliminary Response, MDOT agrees with the recommendation. OED comprehensively assesses the effectiveness of all programs funded by TEDF and federal grants on an ongoing basis. OED will continue to look for opportunities to improve its methods for assessing the effectiveness of OED's programs.

B. Audit recommendations the agency agrees with and will comply:

FINDING

1. Labor Statistics

RECOMMENDATION

We again recommend that the OED evaluate Category A grant applications using current labor statistics data.

AGENCY RESPONSE

In January 2014, OED implemented a process to help ensure that Category A grant applications were evaluated using current labor statistics data. The process will be documented in a procedure by September 30, 2014. In addition, the use of a new IT system has eliminated the possibility of a reoccurrence of the copying error that caused the incorrect data to be entered into the previous IT system.

FINDING

2. Enabling Legislation

RECOMMENDATION

We recommend that OED continue to seek amendatory legislation for Act 231, P.A. 1987, as amended, to provide for updated criteria upon which funding decisions are made and to correct references within the Act.

Office of Economic Development
Michigan Department of Transportation
Corrective Action Plan (continued)
Audit Period October 1, 2010 through August 31, 2013

AGENCY RESPONSE

OED will refer by December 31, 2014, proposed amendatory legislation to MDOT's Office of Governmental Affairs for their review, discussion, and consideration for inclusion in future legislative agendas.

FINDING

5. Application Scoring Rationale Within TEDS

RECOMMENDATION

We again recommend that OED document the rationale used to assign the weighted values to each application scoring criteria within TEDS.

AGENCY RESPONSE

Using OED's understandings from past experiences, OED will document the rationale for the weighting of the individual scoring criterion used to evaluate Category A applications. OED will document the rationale by February 1, 2015.

C. Audit recommendations the agency partially agrees with:

FINDING

4. Reporting Requirements

RECOMMENDATION

We recommend that OED verify the reported number of actual jobs created or retained for Category A grants.

We also recommend that OED report to the Legislature the economic benefits and the degree to which the projects funded achieved statutory objectives for non-Category A programs.

AGENCY RESPONSE

As stated in the Agency Preliminary Response, in regard to the first recommendation, MDOT agrees with the concept of ensuring the use of the most accurate information for the purposes of application scoring and program reporting. However, MDOT believes that the current process to verify job numbers and other application data is the most effective and efficient way to accomplish that goal and knows of no cost-effective way to improve the process.

Office of Economic Development
Michigan Department of Transportation
Corrective Action Plan (continued)
Audit Period October 1, 2010 through August 31, 2013

Also, MDOT does not provide funding to the private entities that are associated Category A grants and has no contractual relationship with those private entities that would allow it to examine the entities' personnel records in order to verify actual jobs created or retained. OED will continue to use its current methodology of surveying the private entities for job creation or retention. Beginning with the 2014 TEDF annual report, OED will clarify the reported job creation or retention as anticipated job creation and/or retention.

In regard to the second recommendation, based on review of all sections of P.A. 231 of 1987, other than 247.913(d), State Transportation Commission Policy as adopted by the commission in 1988 and 1993, and documented legislative intent of this portion of the act by the original bill drafters, MDOT believes the references to the non-Category A categories are in error. OED will include suggested corrections to this section of law, with proposed amendatory changes, to the MDOT Office of Governmental Affairs by December 31, 2014.