



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

### *Office of Business Development (OBD)*

### *Michigan Department of Transportation (MDOT)*

**Report Number:**  
591-0350-15

**Released:**  
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OBD is responsible for the certification of disadvantaged business enterprise (DBE) eligible firms and oversight of these firms once certified to participate in MDOT's DBE Program. OBD is also responsible for the implementation and oversight of MDOT's On-the-Job Training (OJT) Program and for performance of equal employment opportunity (EEO) contract compliance reviews for MDOT construction contractors receiving federal funds.

| Audit Objective   |                    |                      | Conclusion                  |
|---|--------------------|----------------------|-----------------------------|
| Objective #1: To assess the sufficiency of OBD's efforts to ensure compliance with DBE Program certification requirements.  |                    |                      | Sufficient with exceptions  |
| Findings Related to This Audit Objective  | Material Condition | Reportable Condition | Agency Preliminary Response |
| OBD needs to improve the timeliness of its certification decisions for DBE applicants. These decisions did not occur within the 90-day requirement for over 50% of the DBE applications we reviewed ( <u>Finding #1</u> ).  | X                  |                      | Agrees                      |
| OBD needs to improve its monitoring of certified DBE firms' compliance with annual affidavit requirements. Forty (11%) DBE firms did not submit any annual affidavits to OBD and 35% of sampled DBE firms did not submit all required annual affidavits ( <u>Finding #2</u> ).  |                    | X                    | Agrees                      |
| MDOT could improve its monitoring related to DBE firms' compliance with performing a commercially useful function (CUF). MDOT project managers did not communicate to OBD their results for 326 (42%) of 769 construction contract project CUF reviews. In addition, OBD infrequently documented its follow-up activities related to CUF reviews ( <u>Finding #3</u> ). |                    | X                    | Agrees                      |

| <b>Audit Objective</b>   |                           |                             | <b>Conclusion</b>                  |
|--|---------------------------|-----------------------------|------------------------------------|
| Objective #2: To assess the sufficiency of OBD's efforts to ensure compliance with OJT Program requirements.   |                           |                             | Sufficient with exceptions         |
| <b>Findings Related to This Audit Objective</b>  | <b>Material Condition</b> | <b>Reportable Condition</b> | <b>Agency Preliminary Response</b> |
| OBD needs to continue improvement in its monitoring of contractors' compliance with OJT Program requirements. Seven (13%) of 55 contractors did not fulfill their OJT trainee assignments for 2013 and 16 (27%) of 59 did not fulfill them for 2014 ( <u>Finding #4</u> ). |                           | X                           | Agrees                             |
| OBD needs to improve its monitoring of contractors' monthly OJT reporting and its annual OJT reporting to the Federal Highway Administration (FHWA). A risk exists that future OBD reports to FHWA could be significantly misstated ( <u>Finding #5</u> ).                 |                           | X                           | Agrees                             |

| <b>Audit Objective</b>  |                           |                             | <b>Conclusion</b>                  |
|---|---------------------------|-----------------------------|------------------------------------|
| Objective #3: To assess the effectiveness of OBD's efforts to ensure that contractors are in compliance with EEO regulations. |                           |                             | Effective                          |
| <b>Findings Related to This Audit Objective</b>   | <b>Material Condition</b> | <b>Reportable Condition</b> | <b>Agency Preliminary Response</b> |
| None reported.  | Not applicable            | Not applicable              | Not applicable                     |

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: [www.audgen.michigan.gov](http://www.audgen.michigan.gov)

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