



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

March 8, 2017

Mr. Richard Lowe, 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 Mr. Lowe:

In accordance with the State of Michigan Financial Management Guide, Part VII, following are a summary table identifying our response and a corrective action plan. These address the recommendations contained within the Office of Auditor General's follow-up report for the follow-up of the Office of Economic Development, Michigan Department of Transportation, covering the period of June, 2014 through September, 2016 (Project 591-0135-13F). 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, Office of Economic Development, at 517-335-1069 or Jack Cotter, CPA, CGMA, Commission Auditor, at 517-373-1500.

Sincerely,

Signature Redacted

Kirk T. Steudle
Director

Enclosures

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

Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period June, 2014 through September, 2016

A. **Follow-Up recommendation the agency has complied with:**

None.

B. **Follow-Up recommendation the agency agrees with and will comply:**

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C. **Follow-Up recommendation the agency partially agrees with:**

None.

Michigan Department of Transportation
Corrective Action Plan
Audit Period June, 2014 through September, 2016

A. Follow-Up recommendations the agency has complied with:

None.

B. Follow-Up recommendations the agency agrees with and will comply:

PRIOR AUDIT FINDING

3. Program Outcome Assessments

FOLLOW-UP RECOMMENDATION

We recommend that the Office of Economic Development continue to improve its assessments of the effectiveness of the State-funded Transportation Economic Development Fund (TEDF) Category C, Category D, and Category E programs and Transportation Alternative Program.

FOLLOW-UP AGENCY RESPONSE

The Michigan Department of Transportation will continue to look for opportunities to improve its methods for assessing TEDF-funded and federal grant programs.

- Category C – By January 1, 2018, MDOT will require the Metropolitan Planning Organizations (MPO), which include counties eligible for Category C funding, to certify that any projects selected to use Category C funds meet the goals and objectives of the Category C program. This will be accomplished via each MPO's Transportation Improvement Program amendment resolution process. Documentation of that certification will be transmitted to MDOT's Bureau of Transportation Planning.
- Category D – By January 1, 2018, MDOT will require all agencies submitting projects to their Regional Task Forces using Category D funds to certify that the individual projects selected to use Category D funds are in accordance with the goals and objectives of the Category D program. This certification will be accomplished by certification on individual Rural Task Force Data Sheets for each Category D funded project.
- Category E – By May 1, 2017, OED will submit a request of MDOT's Bureau of Finance to update the software program that county road commissions use to certify their conformity with MCL 247.651 (Act 51 of 1951). The requested update will allow counties eligible for Category E funds to certify that selected projects meet the goals and objectives of the Category E program. Also, beginning January 1, 2018, OED will 1) select at least four Category E funded projects reported in the prior year's annual report and 2) perform site visits to ensure conformity with the goals and objectives of the Category E program.

Michigan Department of Transportation
Corrective Action Plan (continued)
Audit Period June, 2014 through September, 2016

- Transportation Alternatives Program (TAP) – By October 2, 2017, OED will complete 1) an examination of published FHWA guidance for TAP performance management, including a re-evaluation of program performance objectives outlined in the *Michigan Transportation Alternatives Program Competitiveness and Eligibility Details* and 2) a determination of whether additional and/or alternate performance measure documentation would increase program effectiveness.

By January 1, 2018, an on-going post-project survey procedure will be implemented, beginning with grants closed in Fiscal Year 2017, in order to obtain feedback from TAP grant recipients. The feedback will allow MDOT to evaluate the program's performance, as outlined in the *Michigan Transportation Alternatives Program Competitiveness and Eligibility Details*.

C. Follow-Up recommendations the agency partially agrees with:

None.