

**Office of the Auditor General**  
Preliminary Survey Summary

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**Consultant Procurement Process**  
Michigan Department of Transportation

July 2015

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State of Michigan Auditor General  
Doug A. Ringler, CPA, CIA

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**The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.**

*Article IV, Section 53 of the Michigan Constitution*

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# OAG

Office of the Auditor General

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**Doug A. Ringler, CPA, CIA**  
Auditor General

July 6, 2015

Mr. Jerrold M. Jung, Chair  
State Transportation Commission  
and  
Kirk T. Steudle, PE, Director  
Michigan Department of Transportation  
Murray Van Wagoner Transportation Building  
Lansing, Michigan

Dear Mr. Jung and Mr. Steudle:

I am pleased to provide this preliminary survey summary of the Consultant Procurement Process, Michigan Department of Transportation. Because we did not identify significant concerns that would warrant the additional use of our audit resources, we have decided to terminate this performance audit.

We appreciate the courtesy and cooperation extended to us during our preliminary survey. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler  
Auditor General



# PRELIMINARY SURVEY SUMMARY

## CONSULTANT PROCUREMENT PROCESS

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### RESULTS

Our preliminary survey did not identify significant concerns that would warrant the additional use of our audit resources to complete a performance audit. Therefore, we have terminated the planned performance audit.

### FACTORS IMPACTING AUDIT TERMINATION

- MDOT implemented new procedures related to consultant prequalification in July 2014 which required all consultants to submit an annual overhead rate for professional services and which eliminated overhead rate adjustments. MDOT staff informed us that 90% of audited adjustments were due to consultant overhead rate adjustments.
- We tested eight consultant selections and noted that MDOT properly selected consultants in accordance with selection procedures.
- MDOT decreased the number of inactive federal projects by 42% from 2011 to 2014.
- MDOT developed new procedures related to a risk-based audit closeout process and began implementation in May 2015 to assist in closing out consultant contracts in a timely fashion.
- We tested eight consultant payments and three amendments, three revisions, and three transfers and noted that MDOT properly paid consultants in accordance with the payment procedures.

### BACKGROUND

**Responsibilities:** The consultant procurement process includes bid lettings, contract awards, contractor payments, prequalification of contractors to bid on MDOT projects, contract monitoring, and purchasing.

**Expenditures:** For fiscal years 2013 and 2014, MDOT processed consultant contracts totaling \$129.2 million and \$129.7 million, respectively. In addition, for fiscal year 2014, MDOT had consultant procurement process administrative expenditures totaling \$5.1 million.

**Employees:** As of April 30, 2015, MDOT had 22 employees designated for the consultant procurement process.

## **SCOPE**

Our preliminary survey generally covered the period October 1, 2012 through May 31, 2015 and included a review of the following significant consultant procurement process activities:

- Consultant prequalification criteria.
- Consultant selection process.
- Contracting process.
- Payment processing.
- Audit closeout.

## **PURPOSE**

Within a performance audit, we design the preliminary survey to obtain an understanding of the core activities within an entity or a program and to identify potential program improvements and/or deficiencies that could impair management's ability to conduct its operations in an effective and efficient manner. If the results of a preliminary survey do not identify significant concerns, our practice is to terminate the planned performance audit.

Preliminary survey procedures are limited in nature and should not be considered a completed performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our preliminary survey procedures would not necessarily disclose the presence or absence of any material conditions and/or reportable conditions. Given that the procedures we employed did not constitute a performance audit, we will not issue a performance audit report and we do not express conclusions regarding the effectiveness or efficiency of the consultant procurement process.



