



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

October 18, 2007

Mr. James J. Steele
Division Administrator
Federal Highway Administration
315 West Allegan Street
Lansing, Michigan 48933

Dear Mr. Steele,

In your letter dated July 12, 2007, you requested that the Michigan Department of Transportation (MDOT) provide a written response related to the open finding contained in the Single Audit for fiscal years ended September 30, 2005 and 2006 from the Michigan Office of the Auditor General (Report Number: 591-0100-07).

Finding 5910701 – State Infrastructure Bank (SIB) Program

To comply with the audit finding, MDOT developed procedures to ensure that final project accounting reports are provided as required in the contracts. MDOT also developed procedures to ensure that both pre-project and post-project site visits are conducted, including a program-specific site-visit form. Enclosed are copies of the procedures and site-visit forms.

If you have any questions, please contact Edward A. Timpf, Administrator, Financial Operations Division, at (517) 373-1527.

Sincerely,

Signature Redacted

Myron G. Frierson, Bureau Director
Finance and Administration

Enclosures

FOD:EAT:AD:ak

cc: A. Dennis

M. Kapp

J. Jones

J. Salus, FHWA

✓ M. Moody, DMB OFM

L. Webb-Sharpe, DMB Budget



U.S. Department
of Transportation
**Federal Highway
Administration**

Michigan Division

315 W. Allegan, Room 201
Lansing, Michigan 48933

July 12, 2007

Mr. Myron Frierson, Bureau Director
Bureau of Finance and Administration (B405)
Michigan Department of Transportation
Lansing, Michigan

Dear Mr. Frierson:

We have recently received a copy of the Michigan Department of Transportation's (MDOT) Single Audit for the fiscal years ended September 30, 2005 and 2006 from the Michigan Office of the Auditor General (Report Number: 591-0100-07). The Single Audit contains one finding affecting MDOT grant programs with the Federal Highway Administration (FHWA). The purpose of this letter is to provide you with the FHWA's position regarding both the finding and MDOT's corrective action plan as proposed on page 73 of the report.

Finding 5910701 – State Infrastructure Bank (SIB) Program

The auditors have cited MDOT for needing to strengthen internal controls over the SIB program by improving oversight of projects. Specifically, they pointed to a need to obtain progress and final reports from loan recipients and to review these reports to verify that loan proceeds were used in accordance with project, Federal, and State requirements. Their recommendation is that MDOT strengthen internal control over the SIB program.

MDOT's action plan can be found on page 73 of the report. MDOT management did not dispute the examples cited in the report and subsequently performed additional follow-up work on the cited projects. Your action plan also states that procedures will be developed to ensure the receipt of final project accounting reports and the conduct of site visits. Also, a program-specific site-visit form will be developed. MDOT anticipates completion of these new procedures and form by the end of calendar year 2007.

The FHWA concurs that when the new procedures and site visit form are prepared and put into use the needed improvements to internal controls over the SIB program should be sufficient to resolve this finding. We ask that you provide the Michigan Division with copies of these new procedures and site-visit form when they are completed. Pending acceptance of these actions by the U.S. Department of Transportation Office of Inspector General, we should be in a position to resolve and close this finding.

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MICHIGAN STATE INFRASTRUCTURE BANK (SIB) SITE-VISIT PROCEDURES

Pre-Project Site Visits

Site visits are conducted on eligible loan projects that appear to meet the eligibility requirements and feasibility of the SIB program. The pre-project site visit may be waived by the program administrator when adequate information is available to ensure the credibility of application information. Information from state and local officials may be considered. Project time constraints and travel costs may also be considered.

At a minimum, the consistency of observable site information with the information provided in the application will be noted. When applicable and where possible, photos of the project site will also be taken. Observations made during the site visit are documented on the pre-site visit form and included in the application file.

Post-Project Site Visits

In addition to pre-project site visits, post-project site visits will be conducted on projects that receive a loan. The post-project site visits will be conducted within a year of completion of the project. Every effort will be made to complete them more quickly; however, travel costs will be taken into consideration when planning site visits.

At a minimum, it will be noted whether the project appears to have been completed, consistent with the information in the application and the state/local loan agreement. Information from appropriate state and local officials may be considered in completing post-project information. When applicable and where possible, photos of the project site will also be taken. Post-project site visits will be noted on the post-project site visit form and included in the application file.

Michael B. Kapp
Administrator

09 / 30 / 2007
Date

**MICHIGAN STATE INFRASTRUCTURE BANK (SIB)
FINAL PROJECT ACCOUNTING PROCEDURE**

Within six months of the completion date noted in the agreement between MDOT and the agency, MDOT will request final project accounting from the agencies that receive a SIB loan. If the final accounting is not available when requested, follow-up requests will be made.

A spreadsheet with planned project completion dates of new loans will be kept by the Office of Economic Development to track the appropriate time for requesting final project accounting. The spreadsheet will be reviewed and requests made at least semi-annually.

Michael B. Kapp
Administrator

09 / 30 / 2007
Date

**MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE INFRASTRUCTURE BANK LOAN PROGRAM
~ PRE-PROJECT SITE VISIT ~**

Project	Applicant	County	Project Location
Road Name(s):		Type of Project:	
		<input type="checkbox"/> Highway <input type="checkbox"/> Transit <input type="checkbox"/> Rail <input type="checkbox"/> Intermodal	
Are your observations at the project site and related surrounding area consistent with the project information in the application?		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Comments (if any):			
Any additional comments:			
Photo 1		Photo 9	
Photo 2		Photo 10	
Photo 3		Photo 11	
Photo 4		Photo 12	
Photo 5		Photo 13	
Photo 6		Photo 14	
Photo 7		Photo 15	
Photo 8		Photo 16	
Site visit conducted by:		Date:	

**MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE INFRASTRUCTURE BANK LOAN PROGRAM
~ POST-PROJECT SITE VISIT ~**

Project	Applicant	County	Project Location

Are the elements of the project proposed in the application and included in the state/local agreement complete? Yes No

Comments (if any):

Are your observations at the project site and related surrounding area consistent with the project information in the application? Yes No

Comments (if any):

Any additional comments?

Photo 1

Photo 6

Photo 2

Photo 7

Photo 3

Photo 8

Photo 4

Photo 9

Photo 5

Photo 10

Post site visit conducted by:

Date: