



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

RICK SNYDER  
GOVERNOR

KIRK T. STEUDLE  
DIRECTOR

March 1, 2013

Mr. Doug Ringler, Director  
Office of Internal Audit Services  
State Budget Office  
George W. Romney Building  
111 South Capitol Avenue, 6<sup>th</sup> Floor  
Lansing, Michigan 48909

Dear Mr. Ringler:

In accordance with the State of Michigan's Financial Management Guide, Part VII, Chapter 4, Section 100, enclosed is a summary table identifying our responses and corrective action plan to address the recommendations in the Performance Audit of the Maintenance Service Section, Michigan Department of Transportation, covering the period of October 1, 2008 through July 31, 2012. The Office of Internal Audit Services, State Budget Office, approved distribution of the plan.

Questions regarding the summary table or corrective action plan should be directed to either Gregory C. Johnson, Chief Operations Officer, at 517-241-2674 or John T. Cotter, Commission Auditor, Office of Commission Audits, at 517-373-1500.

Sincerely,

Signature Redacted

Kirk T. Steudle  
Director

Enclosures

cc: Executive File  
Office of the Auditor General  
House Fiscal Agency  
Senate Fiscal Agency  
House Transportation Appropriation Subcommittee  
Senate Transportation Appropriation Subcommittee  
House Transportation Standing Committee  
Senate Transportation Standing Committee

Performance Audit of the Maintenance Services Section  
Michigan Department of Transportation  
Summary of Agency Responses to Recommendations  
October 1, 2008 through July 31, 2012

**SUMMARY TABLE**

1. **Audit Recommendations the agency has complied with:**

1, 2

2. **Audit Recommendations the agency agrees with and will comply:**

3

3. **Audit Recommendations the agency disagrees with:**

None

Performance Audit of the Maintenance Services Section  
Michigan Department of Transportation  
Corrective Action Plan  
October 1, 2008 through July 31, 2012

1. **Audit Recommendations the agency has complied with:**

**FINDING**

**1. Monitoring of Contract County Maintenance Billings**

**RECOMMENDATION**

We recommend that MDOT require Wayne County to follow prescribed procedures for the electronic submission of monthly maintenance billings.

**AGENCY RESPONSE**

MDOT concurs that one county's LAPS reporting methodology did not provide daily detail and, as a result, caused MDOT to use more than normal amounts of labor in its efforts to reconcile the county's costs. MDOT communicated with and encouraged the county to change its reporting to provide daily detail consistent with other counties. However, to date, the county did not change how it reported in LAPS.

MDOT recognizes the risk of the one county not providing a daily detail; however, MDOT has controls to ensure every contract county's monthly billings are accurate. In addition, MDOT believes that its numerous oversight controls provide sufficient assurance of the accuracy and reasonableness of each county's monthly billings.

MDOT has taken corrective action and will continue to explore opportunities to strengthen controls and improve oversight on the performance of maintenance activities for the referenced county, and also to improve processes for all counties.

**FINDING**

**2. Local Agency Payment System (LAPS) User Access**

**RECOMMENDATION**

We recommend that MDOT establish effective controls for granting, monitoring, and removing user access to LAPS.

We also recommend that MDOT designate a backup for the LAPS security administrator.

**AGENCY RESPONSE**

On November 30, 2012, MDOT developed and implemented written procedures for granting, monitoring, and removing user access to LAPS.

Also, on September 30, 2012, MDOT designated an employee as backup to perform the critical functions of the LAPS security administrator, and MDOT has trained the employee for this role.

2. **Audit Recommendations the agency agrees with and will comply:**

**FINDING**

**3. Unrecovered Damage Costs to Highway Property**

**RECOMMENDATION**

We again recommend that MDOT timely process motorists' traffic accident damage claims to recover the cost of repairs to State highway property.

**AGENCY RESPONSE**

MDOT concurs with the recommendation. MDOT has implemented process enhancements and identified other opportunities for further enhancements that will improve from 82% the rate of reviewed traffic accident reports returned to MDOT within the 12-month period.

In June 2010, MDOT conducted a process improvement workshop. MDOT subsequently significantly improved its damage claim collection efforts. Specifically, from fiscal year 2008-09 to fiscal year 2011-12, MDOT has more than doubled its collections from responsible parties for damage costs to highway property.

MDOT has or will implement the following activities to help ensure that MDOT efficiently recovers costs to repair State property:

- Hired an additional analyst to assist with the administration of the Property Damage Reclamation Process (PDRP).
- Reduced the time it takes to assign reports to the appropriate agency from weeks (on average) to one business day, so that claims can be processed faster and more efficiently.
- Changed the distribution of aging reports to an electronic process, so that claims can be processed faster and more efficiently.
- Trained employees on PDRP at two Transportation Service Centers and has scheduled the training of other employees.
- Is in the process of implementing a system of tagging MDOT's damaged assets for use by police agencies, which will further streamline the process because damaged infrastructure can be directly tied to reports and, consequently, can be processed faster and more efficiently.
- Is on schedule with implementing the PDRP information technology development project, which will allow MDOT to enhance the functionality and efficiency of the software.

- Has identified specific measurable PDRP goals for improvement. MDOT developed lead measures with corresponding tasks to help maintain MDOT's focus on improvement efforts and progress tracking.

MDOT continues to expect full implementation of all initiatives by December 31, 2013.

3. **Audit Recommendations the agency disagrees with:**

None