



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

June 30, 2015

Mr. Jeffrey Bankowski, 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. Bankowski:

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 a corrective action plan. These address the recommendations contained within the Office of Auditor General's audit report for the performance audit of the Transport, Construction, Billboard, and Junkyard Permitting Activities, Michigan Department of Transportation, covering the period of October 1, 2011 through July 31, 2014 (Project 591-0171-14). 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 Mark Van Port Fleet, PE, Bureau of Development Director, at 517-241-3998 or Jack Cotter, CPA, CGMA, Commission Auditor, at 517-373-1500.

Sincerely,

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
Bureau of Development
Office of Commission Audits

Transport, Construction, Billboard, and Junkyard Permitting Activities
Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2011 through July 31, 2014

A. Audit recommendations the agency has complied with:

Finding 5.

B. Audit recommendations the agency agrees with and will comply:

Findings 2, 3, 4, and 6.

C. Audit recommendations the agency partially agrees with:

Findings 1 and 7.

Transport, Construction, Billboard, and Junkyard Permitting Activities
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Corrective Action Plan
Audit Period October 1, 2011 through July 31, 2014

A. **Audit recommendations the agency has complied with:**

FINDING

5. MDOT lacked documentation or corrective action for illegal billboards.

RECOMMENDATION

We recommend that MDOT document corrective action related to illegal billboards.

AGENCY RESPONSE

MDOT concurs with the recommendation.

However, although MDOT concurs with the recommendation, the wording of this finding does not accurately represent MDOT's efforts in Outdoor Advertising Control. The finding does not mention due process rights of the owner of the potentially illegal billboard or considerations of cost-effectiveness of obtaining compliance. Following the full administrative procedure, as spelled out in Michigan Promulgated Rules R247.742, and Michigan Compiled Laws Sections 24.271 through 24.287 and 252.323, from notification through administrative hearing, court proceedings and appeals, and final removal of the billboard, can take more than a year and has been costly to the State. MDOT considers cost-effectiveness and safety of the traveling public when MDOT decides between judicious "no action" on an issue that MDOT believes will self-correct (e.g., a town-festival sign that the town will remove after the festival) and pose no immediate harm to the traveling public, and the time and costs it would take to go through the full due process.

Subsequent to release of the audit report, MDOT and the Attorney General's Office met to develop tracking methodologies for corrective action on alleged illegal billboards. Action taken on allegedly illegal billboards has been updated in the tracking system and it is current as of June 15, 2015. Also, MDOT updated the tracking system application and MDOT's Development Services Division management reviews the reports quarterly.

B. **Audit recommendations the agency agrees with and will comply:**

FINDING

2. A comprehensive performance management process would help MDOT improve the operational effectiveness of its construction permit operations.

RECOMMENDATION

We recommend that MDOT establish a comprehensive performance measurement process to evaluate and improve the effectiveness of its construction permitting operations.

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AGENCY RESPONSE

MDOT concurs with the recommendation.

However, notwithstanding the five Transportation Service Centers (TSCs) visited by the auditors, other TSCs have made substantial improvements in recent years to continuously evaluate and improve the effectiveness of their respective construction-permitting operations. For example, other TSCs have implemented new procedures with specific timelines for permit response and issuance based on the information now available through the Construction Permit System (CPS).

MDOT strongly supports performance measures and is a leader in measuring and monitoring its program activities. Subsequent to release of the audit report, MDOT assigned the Permit Alignment Team to initiate and develop permit performance measures. By November 2015, MDOT will identify and implement an appropriate performance measurement process for permit operations.

FINDING

3. Noncompliance with procedures for issuing permits exists.

RECOMMENDATION

We recommend that MDOT consistently comply with its procedures for issuing transport and construction permits.

AGENCY RESPONSE

MDOT concurs with the recommendation.

Subsequent to release of the audit report, MDOT completed the first draft of the updates to the Transport Permits Procedures and Desk Operation manuals, and also initiated and assigned the Construction Permit Manual updates to the Permit Alignment Team. By October 1, 2015, MDOT will issue the final Transport Permits Procedures and Desk Operations manuals, and by April 2016, MDOT will issue the final Construction Permit Manual updates.

FINDING

4. MDOT lacked documentation for monitoring right-of-way permits.

RECOMMENDATION

We recommend that MDOT effectively monitor approved and closed State highway right-of-way permits.

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AGENCY RESPONSE

MDOT concurs with the recommendation.

Subsequent to release of the audit report, MDOT initiated and assigned the Construction Permit Manual updates to the Permit Alignment Team. By April 2016, MDOT will issue the final Construction Permit Manual updates to accurately reflect current practices and establish appropriate performance monitoring standards for these permits.

FINDING

6. Administration of junkyard program is needed.

RECOMMENDATION

We recommend that MDOT actively administer the statutorily required junkyard program.

AGENCY RESPONSE

MDOT concurs with the recommendation.

Since 1985, MDOT has considered its priorities in terms of safety to the traveling public and the conditions of the State's roadways when it decided whether to commit the resources needed to comply with Title 23, section 136, of the United States Code and laws such as Public Act 219 of 1966.

Subsequent to the release of the audit report, MDOT immediately began updating the junkyard inventory as part of its 2016 billboard inventory effort. Going forward, MDOT will administer the junkyard program as necessary to protect federal funding and within the limits of available resources and considerations of cost-effectiveness. The Michigan Legislature did not appropriate additional revenue to cover the costs of the junkyard program in the Fiscal Year 2015-16 appropriation bill, however, MDOT will also work with the Administration and the Legislature, subject to the Legislature's priority to discuss the matter, to obtain and provide funding at levels necessary to carry out an agreed upon program.

C. Audit recommendations the agency partially agrees with:

FINDING

1. Construction permit fees did not cover costs.

RECOMMENDATION

We recommend that MDOT reconsider increasing its construction permit fees to cover the costs of issuing and monitoring those permits.

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Audit Period October 1, 2011 through July 31, 2014

AGENCY RESPONSE

MDOT does not concur with the recommendation. MDOT agrees that construction permit fees did not cover MDOT's costs to issue and monitor those permits. However, the finding does not clarify to the reader that MDOT is not required by State law to cover its costs. As correctly noted in the finding, MDOT's decision to hold current construction permit rates stable was intended to promote a business-friendly Michigan.

Additionally, in regard to the "Factors Impacting Conclusion" preceding Finding #1, the reported average loss per permit (\$647) is an oversimplification of a complex issue and inaccurately presents the context for the topic. Unlike the homogenous nature of transport permits, which have an average cost that is relatively accurate, different types of construction permits result in vastly different costs to MDOT. A construction permit for a small-town annual parade would take a few minutes to review and approve, while a utility construction permit in a metropolitan area with critical mobilization requirements would require many personnel hours or personnel days to review and approve. MDOT also disagrees with a similar presentation in the Finding, regarding the reported average cost of \$535 per processed permit.

Increasing construction permit fees may, or may not, be the best option for funding this program. MDOT will continue to work with the Administration and the Legislature, subject to the Legislature's priority to discuss the matter, to determine the most viable method of funding the construction permitting program.

FINDING

7. Controls over user access to MiTRIP and CPS need improvement.

RECOMMENDATION

We recommend that MDOT fully establish effective access controls over MiTRIP and CPS.

AGENCY RESPONSE

MDOT does not concur with the recommendation. MDOT believes, with use of network identification numbers and Single Sign On (SSO) credentials, that it effectively controlled access to computer systems used to process permitting activities.

Specifically related to part c. of the finding, MDOT believes that current network security processes prevent unauthorized access to MiTRIP and CPS. Network identification numbers and SSOs, which are an integral part of the State's information technology systems of security and control, are the initial system access point, whereas MiTRIP and CPS credentials are a secondary access point and rendered useless without the first.

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However, despite the existence of network identification numbers and SSOs, and in recognition of parts a. and b. of the finding, MDOT will work with the Department of Technology, Management, and Budget to develop additional access control and monitoring of MiTRIP and CPS by October 1, 2015.