



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
**DEPARTMENT OF TRANSPORTATION**  
LANSING

KIRK T. STEUDLE  
DIRECTOR

April 14, 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 Office of Rail, Michigan Department of Transportation, covering the period of October 1, 2011 through June 30, 2014 (Project 591-0195-14). 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 Tim Hoeffner, Director, Office of Rail, at 517-373-6672 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 Rail  
Office of Commission Audits

Office of Rail  
Michigan Department of Transportation  
Summary Table of Agency Responses to Recommendations  
Audit Period October 1, 2011 through June 30, 2014

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

None (all are in process at this point).

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

Findings 1, 2, 3, 4, 5, 6, and 7.

**C. Audit recommendations the agency partially agrees with:**

None.

Office of Rail  
Michigan Department of Transportation  
Corrective Action Plan  
Audit Period October 1, 2011 through June 30, 2014

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

None.

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

The Office of Rail (OoR) is in the process of complying with all seven audit recommendations.

**FINDING**

**1. Lease and Refurbishment of Commuter Rail Cab and Coach Cars**

**RECOMMENDATION**

We recommend that the Office of Rail effectively and efficiently oversee the lease and refurbishment of cab and coach cars designated for two commuter rail projects.

**AGENCY RESPONSE**

The Michigan Department of Transportation (MDOT) has developed an action plan and has taken the following steps to address this issue:

- Met with project leaders from both commuter rail service initiatives to emphasize the need for local financial support and realistic service operation start dates.
- Actively solicited interest in short-term and long-term sub-leasing or sale of the equipment to all commuter rail agencies using these types of cars in the United States and Canada. Two agencies are interested and two more have expressed strong interest.
- Advertised rail car specifications and availability for sub-lease or sale in industry publications.
- Worked with a national industry expert to define a value range for refurbished commuter rail cars of this sort.
- Had discussions with Amtrak representatives regarding use of some of the rail cars on the Pere Marquette (Grand Rapids – Chicago) route.

MDOT expects to be in compliance by December 31, 2015.

**FINDING**

**2. Performance Measurement**

**RECOMMENDATION**

We recommend that the Office of Rail establish a comprehensive performance measurement process to evaluate and improve the effectiveness of its operations.

Office of Rail  
Michigan Department of Transportation  
Corrective Action Plan (continued)  
October 1, 2011 through June 30, 2014

**AGENCY RESPONSE**

Prior to the audit, OoR maintained data for two performance measures – Rail Passenger Ridership and Trunkline Crossing Surface Condition. Other measurements were being recorded, but had not been made a part of a comprehensive performance-measurement plan. OoR has added four additional official performance measures and is working to compile the data for each:

- Number of grade crossing condition/maintenance inspections conducted annually.
- Number of freight carloads generated annually on state-owned rail lines.
- Passenger rail (Amtrak) year-over-year revenue.
- Grade crossing safety enhancement investments and corresponding impact on risk exposure and crashes.

MDOT expects new performance measures to be in place and the bulk of the data collected by July 1, 2015.

**FINDING**

**3. Proper Identification of Capital and Maintenance Expenditures**

**RECOMMENDATION**

We recommend that the Office of Rail properly identify all capital and maintenance expenditures related to the Dearborn to Kalamazoo Service Development Program.

**AGENCY RESPONSE**

OoR continues to work with Amtrak to properly identify all capital and maintenance expenditures related to this Service Development Program. OoR is currently withholding funding reimbursement to Amtrak under this program to encourage the railroad's assistance in resolving this matter.

MDOT expects the new procedure to be in place by October 1, 2015.

**FINDING**

**4. Lack of Timely Federal Draws**

**RECOMMENDATION**

We recommend that the Office of Rail request federal reimbursement for eligible expenditures on a timely manner.

**AGENCY RESPONSE**

OoR is working to fully develop and implement a new procedure that will include a focus on making requests for federal reimbursement promptly after processing payments involving eligible costs under federal grants.

MDOT expects the new procedure to be in place by July 1, 2015.

Office of Rail  
Michigan Department of Transportation  
Corrective Action Plan (continued)  
October 1, 2011 through June 30, 2014

**FINDING**

**5. Maintenance Inspections**

**RECOMMENDATION**

We recommend that OoR implement a formal process to ensure timely routine maintenance inspections of all public at-grade highway railroad crossings.

**AGENCY RESPONSE**

OoR is drafting a new written procedure to address the frequency of maintenance inspections at public at-grade highway-railroad crossings. The draft procedure is risk-based, calling for the review at least once every two years of all crossings in the six counties with the highest exposures (volume of both vehicles and trains). All other crossings in the state are to be reviewed at least once in every 30-month period.

MDOT expects the new procedure to be in place by June 1, 2015.

**FINDING**

**6. Monitoring of Maintenance Deficiencies**

**RECOMMENDATION**

We recommend that the Office of Rail establish a process to verify the timely correction of maintenance deficiencies identified at public at-grade highway railroad crossings.

**AGENCY RESPONSE**

OoR is drafting a new risk-based written procedure to verify the correction of noted maintenance deficiencies. First and foremost under this draft procedure, railroads and road authorities will be requested to submit photos of the repairs/corrected deficiencies as part of an affidavit. The procedure will include the review, by OoR staff or others, of deficiencies in the categories deemed most serious, including problems with active-warning devices and the lowest crossing-surface ratings. If work is found to have not been completed, or if no response is received, OoR will be able to schedule a Diagnostic Study Team Review at the crossing, which would be followed up by a statutory order (in accordance with Section 462.301(2) of the Michigan Compiled Laws) for all identified repairs, as appropriate.

MDOT expects to develop a conceptual procedure by October 1, 2015, and implement as much of that procedure as possible with existing resources. Since the procedure will utilize the new rail safety software referenced in Finding #7, full implementation will be dependent upon the development/adaptation of that new software.

Office of Rail  
Michigan Department of Transportation  
Corrective Action Plan (continued)  
October 1, 2011 through June 30, 2014

**FINDING**

**7. FoxPro Database System**

**RECOMMENDATION**

We recommend that the Office of Rail develop a database system with the ability to generate all relevant railroad crossing inspection information necessary for the Rail Safety Section.

We also recommend that the Office of Rail ensure that its database system has proper access controls over user activity.

**AGENCY RESPONSE**

OoR's efforts to update its Rail Safety database continue. Three different off-the-shelf products have been reviewed. MDOT and DTMB staff are currently determining if one of the off-the-shelf products should be purchased or if a custom software program should be developed.

MDOT expects a new system to be operational by December 31, 2017.

**C. Audit recommendations the agency partially agrees with:**

None.