



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

KIRK T. STEUDLE
DIRECTOR

August 2, 2016

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 Financial Management Guide, Part VII, following are 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 Business Development (OBD), Michigan Department of Transportation, covering the period of October 1, 2012 through June 30, 2015 (Project 591-0350-15). 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 Lisa Thompson, Administrator, Office of Business Development, at 517-373-2377 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 Business Development
Office of Commission Audits

Office of Business Development
Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2012 through June 30, 2015

A. Audit recommendations the agency has complied with:

Findings 1 and 2.

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

Findings 3, 4, and 5.

C. Audit recommendations the agency partially agrees with:

None.

Office of Business Development
Michigan Department of Transportation
Corrective Action Plan
Audit Period October 1, 2012 through June 30, 2015

A. Audit recommendations the agency has complied with:

FINDING

- 1. OBD needs to improve the timeliness of its certification decisions for DBE [Disadvantaged Business Enterprise] applicants. More timely decisions would help MDOT ensure that it provides eligible DBE applicants equal opportunity to compete for federal-aid construction contracts.**

RECOMMENDATION

We recommend that OBD improve the timeliness of its certification decisions for DBE applicants.

AGENCY RESPONSE

The Michigan Department of Transportation (MDOT) concurs with the recommendation.

MDOT has dedicated resources for making timely decisions on new certification applications, and has developed and implemented a process using resources to meet all regulatory requirements.

FINDING

- 2. OBD needs to improve its monitoring of certified DBE firms' compliance with annual affidavit requirements to help ensure that only eligible firms participate in MDOT's DBE Program.**

RECOMMENDATION

We recommend that OBD improve its monitoring of certified DBE firms' compliance with annual affidavit requirements to help ensure that only eligible firms participate in MDOT's DBE Program.

AGENCY RESPONSE

MDOT concurs with the recommendation.

MDOT has dedicated resources to monitor and help ensure the timely submission of all annual affidavits, and has implemented a process to better identify and take timely action on DBE firms that are in non-compliance with program requirements.

MDOT has implemented a new tracking system for annual affidavit deadlines and submissions. Firms that have not submitted their affidavits are issued non-compliance notifications. This system also facilitates monthly forecasting of required DBE affidavit receipts, which allows MDOT staff to proactively remind DBE firms of their upcoming deadlines.

Office of Business Development
Michigan Department of Transportation
Corrective Action Plan
Audit Period October 1, 2012 through June 30, 2015

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

FINDING

3. MDOT could improve its monitoring of DBE firms by strengthening the communication among MDOT divisions and enhancing documentation of follow-up results to assist OBD with its responsibility to ensure that DBE firms performed a CUF [commercially useful function].

RECOMMENDATION

We recommend MDOT improve its monitoring of DBE firms by strengthening communication among MDOT divisions and enhancing documentation of follow-up results related to DBE firms' performance of a CUF.

AGENCY RESPONSE

MDOT concurs with the recommendation.

MDOT has dedicated resources of applicable divisions to monitor performance of CUF requirements by DBE firms. By February 1, 2017, MDOT will create a risk-based prioritization process for approval by the Federal Highway Administration (FHWA). The process will identify when follow-up is needed and the applicable required documentation.

FINDING

4. OBD needs to continue to improve its monitoring of federal-aid contractors' compliance with OJT [On-the-Job Training] Program requirements for fulfilling trainee assignments. Improved monitoring would help MDOT ensure that these contractors adhere to the requirements to provide OJT Program opportunities to minorities, women, and disadvantaged individuals aimed at achieving journey-level positions.

RECOMMENDATION

We recommend that OBD continue to improve its monitoring of federal-aid contractors' compliance with OJT Program requirements for fulfilling OJT trainee assignments.

AGENCY RESPONSE

MDOT concurs with the recommendation.

MDOT has dedicated resources to work on the OJT Program and, by February 1, 2017, will create a risk-based prioritization process for improving its monitoring of federal-aid contractors' compliance with OJT Program requirements for fulfilling OJT trainee assignments.

Office of Business Development
Michigan Department of Transportation
Corrective Action Plan
Audit Period October 1, 2012 through June 30, 2015

FINDING

- 5. OBD needs to improve its monitoring of federal-aid contractors' compliance with OJT Program requirements for monthly reporting and improve its process for calculating the number of OJT trainees that it annually reports to FHWA as participating in the OJT Program.**

RECOMMENDATION

We recommend that OBD improve its monitoring of federal-aid contractors' compliance with OJT Program requirements for monthly reporting and improve its process for calculating the number of OJT trainees that OBD annually reports to FHWA as participating in the OJT Program.

AGENCY RESPONSE

MDOT concurs with the recommendation.

MDOT has dedicated resources to work on the OJT Program, and will create a risk-based prioritization process for monitoring of federal-aid contractors' compliance with OJT Program requirements for monthly reporting. MDOT will improve its process for calculating the number of OJT trainees that it annually reports to FHWA as participating in the OJT program. MDOT is also working with the Department of Technology, Management and Budget to implement the necessary changes to the OJT database, which are currently in the testing phase. Both the processes and changes to the database are expected to be completed by February 1, 2017.

C. Audit recommendations the agency partially agrees with:

None.