



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
**DEPARTMENT OF TRANSPORTATION**  
LANSING

KIRK T. STEUDLE  
DIRECTOR

March 11, 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 Passenger Transportation (OPT), Michigan Department of Transportation, covering the period of October 1, 2012 through May 31, 2015 (Project 591-0180-15). 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 Sharon Edgar, Administrator, Office of Passenger Transportation, at 517-373-0470 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 Passenger Transportation  
Office of Commission Audits

Office of Passenger Transportation  
Michigan Department of Transportation  
Summary Table of Agency Responses to Recommendations  
Audit Period October 1, 2012 through May 31, 2015

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

None.

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

Findings 2, 3, and 4.

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

Finding 1.

Office of Passenger Transportation  
Michigan Department of Transportation  
Corrective Action Plan  
Audit Period October 1, 2012 through May 31, 2015

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

None.

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

**FINDING**

**2. OPT did not always conduct and document timely follow-up of transportation providers' corrective actions related to OPT's findings.**

**AUDIT RECOMMENDATION**

We recommend that OPT document timely follow up of transportation providers' corrective actions to address findings that OPT noted during compliance and maintenance reviews.

**AGENCY RESPONSE**

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

As of March 1, 2016, six out of the eight transit agencies had a corrective action plan to address compliance deficiencies. One agency had corrected all but a single compliance deficiency, and one agency was still in need of a corrective action plan. Also, as of March 1, 2016, five of the six transit agencies had corrective action plans to address maintenance deficiencies.

MDOT improved its efforts to document its communications with transportation providers to help ensure that the providers correct compliance and maintenance deficiencies in a timely manner. MDOT consolidated the compliance and maintenance review process to track when the corrective actions are due to MDOT. By October 1, 2016, if the transportation provider does not submit the corrective actions timely, MDOT will send a reminder to the transportation provider.

**FINDING**

**3. OPT did not document its periodic reviews of public transportation providers' cost allocation plans (CAPs) for a third of our sampled CAPs.**

**AUDIT RECOMMENDATION**

We recommend that OPT document its periodic reviews of public transportation providers' CAPs.

Office of Passenger Transportation  
Michigan Department of Transportation  
Corrective Action Plan (continued)  
Audit Period October 1, 2012 through May 31, 2015

**AGENCY RESPONSE**

MDOT concurs with the recommendation.

MDOT will review existing CAPs and Cost Allocation Plan Checklists with each agency during its triennial compliance review. If new plans are deemed to be needed, MDOT will work with the agency to get an approved CAP. If a CAP is determined to be obsolete, MDOT will remove the CAP from the listings of CAPs. For urban agencies and ferry boat agencies, MDOT will send out the Cost Allocation Plan Checklist every three years. Based on checklist contents, if a new CAP is deemed to be needed, the agency will work through their project manager to obtain MDOT approval of the CAP. The Cost Allocation Plans procedure will be updated to reflect this by June 30, 2016.

**FINDING**

- 4. OPT did not consistently enforce increased annual renewal fees for motor bus and limousine vehicles with late safety inspections. Increased fees were not assessed for 23% of sampled vehicles with late safety inspections.**

**AUDIT RECOMMENDATION**

We recommend that OPT consistently enforce increased annual renewal fees for motor bus and limousine vehicles that do not meet the annual safety inspection provision.

**AGENCY RESPONSE**

MDOT concurs with the recommendation.

MDOT implemented a new process as of November 1, 2015. Specifically, to consistently identify where increased annual renewal fees are needed, MDOT now has its Bus and Limousine Information System (BLRIS) add the increased annual renewal fee, on the first day of a month, to all vehicles with late safety inspections from the prior month. Further, MDOT requested that DTMB programmers add a feature to BLRIS to automatically invoice the carriers for all fees assigned in the system. We anticipate this change to be made by the summer of 2016.

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

**FINDING**

- 1. OPT should improve its documentation to support adjustments made to public transportation providers' audited expenses. OPT did not maintain sufficient documentation to support \$4.4 million in adjustments for 2 of the 5 transportation providers.**

Office of Passenger Transportation  
Michigan Department of Transportation  
Corrective Action Plan (continued)  
Audit Period October 1, 2012 through May 31, 2015

**AUDIT RECOMMENDATION**

We recommend that OPT improve its documentation to support adjustments made to public transportation providers' audited expenses.

**AGENCY RESPONSE**

MDOT concurs that it could improve its documentation efforts.

However, based on MDOT's understanding of the testing methodology, the exceptions noted in the finding extrapolate to less than 1.2% of the \$471.7 million of applicable expenses. While MDOT is satisfied that 98.8% of program expenditures are documented in accordance with auditor expectations, MDOT will consider whether MDOT and the affected public transportation providers can cost-effectively address the remaining 1.2%.

In regard to MDOT's current documentation efforts, to mitigate the risks that MDOT would make an inaccurate adjustment, MDOT receives a concurrence with all adjustments from each affected public transportation provider. MDOT made those concurrences available to the OAG auditors. While MDOT believes that the concurrences augment MDOT's ability to ensure accurate adjustments, MDOT recognizes that the OAG might not deem such concurrences to be sufficient documentation.

In consideration of the finding, MDOT will take steps to improve documentation of adjustments made to public transportation providers' audited expenses by ensuring that MDOT staff document the conversations and decisions made in the providers' files. The process will be formally documented in an internal OPT procedure by August 2016.