

Office of the Auditor General  
Follow-Up Report on Prior Audit Recommendations

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**Office of Business Development**  
Michigan Department of Transportation

June 2017

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*Article IV, Section 53 of the Michigan Constitution*

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Office of the Auditor General

## Report Summary

### *Follow-Up Report*

*Office of Business Development (OBD)*

*Michigan Department of Transportation  
(MDOT)*

**Report Number:**  
**591-0350-15F**

**Released:**  
**June 2017**

We conducted this follow-up to determine whether MDOT had taken appropriate corrective measures in response to the one material condition noted in our June 2016 audit report.

<b>Prior Audit Information</b>	<b>Follow-Up Results</b>		
	<b>Conclusion</b>	<b>Finding</b>	<b>Agency Preliminary Response</b>
<p>Finding #1 - Material condition</p> <p>Improvements needed to make disadvantaged business enterprise certification decisions more timely for applicants.</p> <p>Agency agreed.</p>	Complied	Not applicable	Not applicable

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**Doug A. Ringler, CPA, CIA**  
Auditor General

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**Doug A. Ringler, CPA, CIA**  
Auditor General

June 30, 2017

Mr. Todd Wyett, Chair  
State Transportation Commission  
and  
Kirk T. Steudle, PE, Director  
Michigan Department of Transportation  
Murray D. Van Wagoner Building  
Lansing, Michigan

Dear Mr. Wyett and Mr. Steudle:

I am pleased to provide this follow-up report on the one material condition (Finding #1) and one corresponding recommendation reported in the performance audit of the Office of Business Development, Michigan Department of Transportation. That audit report was issued and distributed in June 2016. Additional copies are available on request or at [audgen.michigan.gov](http://audgen.michigan.gov).

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler  
Auditor General

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## **INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION**

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### **INTRODUCTION**

This report contains the results of our follow-up of the one material condition\* (Finding #1) and one corresponding recommendation reported in our performance audit\* of the Office of Business Development (OBD), Michigan Department of Transportation (MDOT), issued in June 2016.

### **PURPOSE OF FOLLOW-UP**

To determine whether MDOT had taken appropriate corrective measures to address our corresponding recommendation.

### **AGENCY DESCRIPTION**

MDOT's OBD is responsible for the certification and oversight of disadvantaged business enterprise\* (DBE) eligible firms, which includes making decisions on applications for certification within federally established guidelines. The DBE Program\* provides a vehicle for increasing the participation of minorities, women, and other socially and economically disadvantaged business owners in MDOT projects.

DBE applicant firms submit a certification application, which the United States Department of Transportation (USDOT) requires OBD to make a certification decision on within 90 days of receipt of all required applicant information. From August 2, 2016 through March 31, 2017, OBD received 30 applications for DBE certification. Of the 30 applications, 12 had been certified, 7 were withdrawn, and 11 remained open as of March 31, 2017.

*\* See glossary at end of report for definition.*

# PRIOR AUDIT FINDING AND RECOMMENDATION, AGENCY PLAN TO COMPLY, AND FOLLOW-UP CONCLUSION

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## **FINDING #1**

Audit Finding Classification: Material condition.

Summary of the June 2016 Finding:

OBD needs to improve the timeliness of its certification decisions for DBE applicants. OBD did not complete its decision within the 90-day USDOT requirement for 11 (58%) of the 19 closed applications sampled or for 16 (57%) of the 28 open applications sampled.

Recommendation Reported in June 2016:

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

## **AGENCY PLAN TO COMPLY\***

On August 2, 2016, MDOT indicated that it had dedicated resources for making timely decisions on new certification applications and had developed and implemented a process using resources to meet all regulatory requirements.

## **FOLLOW-UP CONCLUSION**

Complied.

We reviewed 9 of 30 applications received by OBD from August 2, 2016 through March 31, 2017. We did not identify any exceptions with OBD's timeliness for DBE certification decisions.

\* See glossary at end of report for definition.

## **FOLLOW-UP METHODOLOGY AND PERIOD**

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### **METHODOLOGY**

During our follow-up, we:

- Interviewed OBD staff about the status of MDOT's corrective action plan for the recommendation related to the material condition.
- Reviewed applicable federal regulations and MDOT policy to gain an understanding of program requirements for DBE application certification.
- Reviewed the MDOT Office of Commission Audit's analysis of DBE application certification timeliness for applications received between July 2016 and December 2016.
- Evaluated OBD's new oversight process for ensuring timely DBE application certification.
- Calculated the timeliness of the 30 applications received from August 2, 2016 through March 31, 2017.
- Reviewed a random sample of 3 certified, 2 nonviable or withdrawn, and 3 open applications and 1 judgmentally selected certified application to conclude if the application tracking control was accurate.

### **PERIOD**

Our follow-up generally covered August 2, 2016 through March 31, 2017.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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<b>agency plan to comply</b>	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and submit the plan within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
<b>disadvantaged business enterprise (DBE)</b>	A for-profit small business concern: (1) that is at least 51% owned by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, in which 51% of the stock is owned by one or more individuals; and (2) whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it.
<b>Disadvantaged Business Enterprise (DBE) Program</b>	A federally required program designed to ensure that firms owned and controlled by minorities, women, and other socially and economically disadvantaged persons have the opportunity to grow and become self-sufficient through participation in federally funded MDOT contracts.
<b>material condition</b>	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
<b>MDOT</b>	Michigan Department of Transportation.
<b>OBD</b>	Office of Business Development.
<b>performance audit</b>	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
<b>USDOT</b>	United States Department of Transportation.











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