



STATE OF MICHIGAN  
DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET  
LANSING

RICK SNYDER  
GOVERNOR

DAVID L. DEVRIES  
DIRECTOR

April 20, 2018

Rick Lowe, Director  
Office of Internal Audit Services  
State Budget Office  
George W. Romney Building  
111 South Capitol, 6th Floor  
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Technology, Management and Budget, Design & Construction Division audit.

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director  
DTMB-Financial Services

c: Representative Laura Cox, Chair, House Appropriations  
Senator Dave Hildenbrand, Chair, Senate Appropriations  
Mark Freeman, Office of the Auditor General  
Dick Posthumus, Executive Office  
Darin Ackerman, Executive Office  
House Fiscal Agency  
Senate Fiscal Agency  
Brom Stibitz, DTMB  
Michael Turnquist, DTMB  
Patrick Mullen, DTMB  
Caleb Buhs, DTMB  
Kerri DeBano, DTMB

Phillip Jeffery, DTMB  
Robert Hall, DTMB  
John Juarez, SBO  
Mike Williams, SBO

Department of Technology, Management and Budget  
DTMB's preliminary agency responses to the  
Design & Construction Division audit.

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB fully complied with: #2, #3
2. Audit recommendations DTMB agrees with and will comply: #1
3. Audit recommendations DTMB disagrees with: None

Agency Responses to Recommendations

Finding #1. Procedures needed to ensure and maintain complete project file documentation.

DTMB agrees with the recommendation and will develop procedures, conduct training, and implement periodic management reviews of project folders to ensure that project files contain complete documentation and are properly maintained. DCD will simplify the standard electronic file structure by reducing the number of folders to the four primary project stages: Initiation, Design, Construction and Closeout, and rely on document naming to sort and group documents. To help with increasing the effectiveness and efficiency of operations, DCD has procured and is in the process of implementing a new information technology (IT) system to replace the 20-year-old Project Information Management System (PIMS). DTMB will comply by March 2019.

Finding #2. Improvements needed to ensure that proper service fees are charged to State agencies.

DTMB partially agrees and has partially complied with the recommendation. While all fees reviewed were in accordance with the standard fee schedule or Agency memorandums of understanding (MOUs), DCD agrees that variations from the standard schedule were not always documented. DCD has implemented new procedures to ensure that any variations are documented on the project initiation document.

DCD maintains that the current process, in which fees are collected, is the most effective and efficient based on the design and construction industry. DCD, working with DTMB Financial Services, determined that the current process of collecting fees is the most efficient. In addition, the industry standard is a fee based on a percentage of the project cost. Since the project duration is not known at the beginning of the project, it is very difficult to pro-rate the fee. Fees for operating funded projects are collected at the beginning of the project to ensure that funds are available. In addition, DCD's customers prefer the certainty of a percentage fee versus hourly billing of time, as well as a single transaction paying the fee. DCD will continue to adjust fee collection, when necessary, to meet federal funding requirements.

Finding #3. Improvements needed to identify and select ISID contractors for professional services.

DTMB agrees with and has complied with the recommendation. DCD will improve its process to identify and select ISID contractors used to provide professional services by reviewing "Best Practices" within the industry to determine a process that eliminates the possibility of favoritism. DCD believes the current implementation of the ISID section process, both initial contract and follow-on assignments, complies with the "...competitive, qualification-based selection process..." requirement of the law. However, DCD recognizes the potential for favoritism or at least the perception of favoritism. DCD has updated and implemented its policies to require that any ISID assignments with a fee greater than \$50,000 be based on a minimum of 3 cost proposals.