

Office of the Auditor General
Performance Audit Report

Real Estate Services Section
Development Services Division
Michigan Department of Transportation

December 2017

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Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Performance Audit

Real Estate Services Section

Development Services Division Michigan Department of Transportation (MDOT)

Report Number:
591-0172-17

Released:
December 2017

The Real Estate Services Section provides support services for all areas of MDOT and Statewide expertise, training, and quality assurance (QA) for the following services: appraisal, relocation, acquisition, right-of-way (ROW) clearance, condemnations, and oversight of local public agency projects and other special projects. During our audit period, MDOT acquired 1,468 parcels of property for 126 transportation projects.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of the Real Estate Services Section's efforts to monitor compliance with State and federal ROW requirements.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
For 38% of the projects we sampled, MDOT did not ensure the completeness and accuracy of ROW certifications, which reduced MDOT's assurance that it has appropriate access rights to those properties (<u>Finding #1</u>).	X		Agrees
MDOT did not perform annual QA field reviews at 6 of 7 region offices in over 2 years. One office has not been reviewed since 2010. These reviews help to ensure consistency and compliance in following applicable laws, policies, and procedures (<u>Finding #2</u>).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness and efficiency of MDOT's real estate management activities.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDOT had not conducted reviews of 65% of 3,105 excess properties to determine whether they were appropriate for sale or should be kept for potential future transportation projects (<u>Finding #3</u>).		X	Agrees
MDOT did not record 27% of the parcels we sampled in the Real Estate Management Information System (REMIS), which reduces its effectiveness and reliability as a real estate management tool (<u>Finding #4</u>).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of selected access controls over MDOT's real estate systems.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDOT did not fully establish a variety of access controls over REMIS and the Real Estate Sale and Lease System (ReSaLe), increasing the risk of unauthorized access to data (<u>Finding #5</u>).		X	Agrees

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Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



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Doug A. Ringler, CPA, CIA
Auditor General

December 12, 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:

This is our performance audit report on the Real Estate Services Section, Development Services Division, Michigan Department of Transportation.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it within 60 days of the date above 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.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

COMPLIANCE WITH STATE AND FEDERAL ROW REQUIREMENTS

BACKGROUND

Right-of-way* (ROW) acquisition is a process that involves obtaining necessary property rights for a transportation project when an existing ROW cannot accommodate the planned expansion. The Michigan Department of Transportation (MDOT) may acquire any necessary property needed for a ROW on public roads. ROW acquisitions must adhere to the fifth and fourteenth amendments of the U.S. Constitution, which prevent private property from being taken for public use without just compensation. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (the Uniform Act*), as amended, establishes standard procedures and requirements for any agency using federal funds to acquire a ROW.

The Real Estate Services Section, Development Services Division (DSD), is responsible for ROW certification, which allows a project to be advertised for bidding in the construction phase of the project.

AUDIT OBJECTIVE

To assess the effectiveness* of the Real Estate Services Section's efforts to monitor compliance with State and federal ROW requirements.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- The 602 parcel* files reviewed contained the documentation required for acquisition and ROW certification.
- The one relocation payment claim during our audit period was submitted by the property owner and paid by MDOT within the required 18-month time frame.
- Material condition* related to incomplete and inaccurate ROW certifications (Finding #1).
- Reportable condition* related to performing annual quality assurance (QA) field reviews (Finding #2).

* See glossary at end of report for definition.

FINDING #1

Improvements needed over the completeness and accuracy of ROW certifications.

MDOT did not ensure the completeness and accuracy of ROW certifications, reducing MDOT's assurance that it has appropriate access rights to property, in accordance with federal laws and regulations.

A ROW certification is the official written statement that MDOT is in compliance with all property acquisition requirements and has legal and physical possession of the parcels prior to advertising for the construction phase of a transportation project, in accordance with Title 23, Part 635, section 309 of the *Code of Federal Regulations** (CFR). As stated in federal regulation 23 CFR 710.201(e), the acquiring agency (MDOT) shall maintain adequate records of its acquisition and property management activities.

Region offices must notify DSD when ROW acquisition is complete and ready for certification. The notification includes acquisition type and a unique property identifier consisting of the control section*, job number*, and parcel number. The ROW certification is then compiled, signed, and dated by an MDOT real estate administrator.

38% of the projects sampled had incomplete and inaccurate ROW certifications.

We reviewed 29 of 126 projects with ROW certifications between October 1, 2014 and April 30, 2017 (see Exhibit #1 for a map of ROW certifications by region) and noted that 11 (38%) of the 29 projects had incomplete and inaccurate ROW certifications when verified to the regions' parcel files:

- a. Four ROW certifications inappropriately listed a total of 14 deleted parcels*. Deleted parcels do not have a signed conveyance giving MDOT permission to be on or do work on the property. Nine of the 14 deleted parcels were improperly placed on the Marked Final ROW Plans, which could result in a contractor assuming that MDOT has access rights to the property.
- b. Six ROW certifications contained an inaccurate property identifier, such as the wrong control section number, a missing job number, or incomplete or incorrect parcel numbers.
- c. One ROW certification was not signed by the real estate administrator prior to advertising.

Federal funding obligations for the 29 projects reviewed totaled \$162.2 million, of which the 11 projects totaled \$45.9 million. Noncompliance with federal regulations could result in reduced federal funding for future transportation projects.

MDOT informed us that the errors found on the ROW certifications were the result of human error.

* See glossary at end of report for definition.

We consider this finding to be a material condition because ROW certifications are the primary purpose of the Real Estate Services Section and because of the ramifications if MDOT began a project on property that it does not have legal access rights to and the high percentage of exceptions we noted.

RECOMMENDATION

We recommend that MDOT ensure the completeness and accuracy of ROW certifications.

**AGENCY
PRELIMINARY
RESPONSE**

MDOT provided us with the following response:

MDOT agrees with the recommendation. MDOT will institute additional quality assurance procedures in its central and regional offices by March 31, 2018.

FINDING #2

Additional QA reviews would help ensure compliance with laws and real estate practices, policies, and procedures.

MDOT did not perform annual QA field reviews at the region offices to ensure consistency and compliance in following State and federal laws and real estate practices, policies, and procedures.

On average, MDOT had not conducted QA reviews at 6 of the 7 region offices in over 24 months, with one region office not having a QA review since 2010. The following table summarizes QA reviews not conducted at the 7 region offices by calendar year:

Calendar Year	Regions Not Reviewed
2015	1
2016	7
2017*	5

* As of August 31, 2017

QA field reviews are an examination of real estate parcel files, consultant files, excess property records, unsecured files, record information systems, and other documentation for the specific functions being reviewed. QA field reviews are performed by the Quality Assurance Review Team.

MDOT Real Estate Quality Assurance Procedure 301.11 states that annual QA field reviews shall be conducted in accordance with the annual Quality Assurance Monitoring Plan for Real Estate. In addition, the Program Operations Manual, a supplemental document to the Stewardship and Oversight Agreement between the Federal Highway Administration (FHWA) and MDOT, states that MDOT is to monitor Uniform Act requirements for federal programs by conducting annual QA reviews in each region in accordance with the MDOT Real Estate Procedure Manual.

MDOT was not able to ensure that region offices were conforming with the Uniform Act requirements for federal programs.

MDOT informed us that a significantly higher work demand, beginning in 2015, has impacted its ability to complete the QA reviews. MDOT also indicated that it plans to complete the remaining 2017 QA reviews by September 30, 2017.

RECOMMENDATION

We recommend that MDOT resume its annual QA field reviews at the region offices to ensure consistency and compliance in following State and federal laws and real estate practices, policies, and procedures.

* See glossary at end of report for definition.

**AGENCY
PRELIMINARY
RESPONSE**

MDOT provided us with the following response:

MDOT agrees with the recommendation. As of September 29, 2017, MDOT resumed the QA field reviews and completed reviews for all regional offices. On December 4, 2017, MDOT issued the final 2017 QA report.

REAL ESTATE MANAGEMENT ACTIVITIES

BACKGROUND

The real estate process begins when DSD receives a preliminary ROW plan to build or expand roadways or to build new facilities or improve an existing facility.

ROW activities, which include planning, appraisal, acquisition, relocation, and property management, are carried out by the 7 MDOT region offices and DSD's Real Estate Services Section. The final output of the ROW activities is the ROW clearance, or ROW Certification for Advertising, which lists the acquired property by its unique identifier.

The Section conducts engineering reviews to determine if the need exists to retain excess property for any current or future transportation needs and if there are any environmental conditions that could prohibit a sale. Excess property is created when the entire parcel of a previously acquired property has not been utilized for ROW. Engineering reviews must be completed prior to selling any excess property.

MDOT uses the Real Estate Management Information System (REMIS) to store and process property information and the Real Estate Sale and Lease System (ReSaLe) to maintain an inventory and track engineering reviews of excess properties.

During our audit period, MDOT acquired 1,468 parcels of property for 126 transportation projects:

Fiscal Year	Parcels of Property Acquired	Transportation Projects
2015	537	50
2016	609	54
2017*	322	22
Total	1,468	126

* As of April 30, 2017

AUDIT OBJECTIVE

To assess the effectiveness and efficiency* of MDOT's real estate management activities.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- All 15 appraisers we tested were properly licensed, appraisals were properly reviewed, and conflict of interest statements were signed.

* See glossary at end of report for definition.

- MDOT made accurate payments to property owners for condemnation cases tested.
- Reportable conditions related to improved process for identifying unsold property no longer needed for transportation projects and consistent input of complete and accurate property acquisition information into REMIS (Findings #3 and #4).

FINDING #3

Improved process needed for identifying unsold property.

65% of excess properties did not have engineering reviews completed.

MDOT should improve its process for identifying unsold property no longer needed for transportation projects. Improved tracking of unsold property inventory would enable MDOT to make more timely decisions on whether to retain or dispose of excess property.

Our review of inventory reports of unsold property from ReSaLe as of June 5, 2017 disclosed that MDOT did not conduct an engineering review for 2,015 (65%) of the 3,105 excess properties. Engineering reviews help ensure that MDOT does not prematurely dispose of property and then subsequently have to reacquire it at a later date.

MDOT Real Estate Procedure Manual Section 701.01(2a) states that excess property not meeting the criteria for long-term leasing shall be disposed of as rapidly as possible consistent with sound business practices. MDOT Real Estate Procedure Manual Section 703.01 further requires that MDOT conduct an engineering review on all property rights for disposal.

MDOT informed us that approximately two-thirds of all unsold property does not warrant an engineering review because the cost and resources required to complete the review outweigh the properties' value. However, MDOT does not utilize ReSaLe to properly track the inventory status of such properties and, therefore, cannot be assured of which properties require an engineering review.

We noted similar discrepancies in our 2011 performance audit of MDOT's Real Estate Division. In response to that audit, MDOT indicated that data input and excess property instructions were added as part of its QA review and that periodic instructional e-mail communications would be issued emphasizing the need to identify properties that are candidates for disposal.

RECOMMENDATION

We again recommend that MDOT improve its process for identifying unsold property no longer needed for transportation projects.

AGENCY PRELIMINARY RESPONSE

MDOT provided us with the following response:

MDOT agrees with the recommendation. MDOT has been approved for the development of a replacement system for the current REMIS and ReSaLe systems. The new functionality in the replacement system will allow more effective identification of unsold properties, including definitions of salable and unsalable properties.

FINDING #4

Enhanced completeness of REMIS property acquisition data needed.

MDOT did not consistently input complete property acquisition information into REMIS, reducing the effectiveness and reliability of REMIS as a real estate management tool.

We judgmentally selected 7 projects and randomly sampled 22 projects that included 602 certified parcels acquired by MDOT between October 1, 2014 and April 30, 2017. We noted that 161 (27%) of the 602 parcels had not been entered into REMIS.

The MDOT Program Management Procedure Manual provides staff with guidance on how to input, update, and retrieve property information from REMIS. The Manual requires staff to enter property acquisition information, such as control section, job, and parcel numbers.

MDOT recognizes that the aging REMIS does not meet its needs and has spent a significant amount of effort and resources searching for a replacement system. However, MDOT informed us that a new system has not been implemented due to agency constraints. REMIS remains MDOT's formal electronic database for property acquisition, and staff should continue to utilize and update it accordingly.

We noted similar REMIS discrepancies in our 2003 and 2011 performance audits of MDOT's Real Estate Support Area and Real Estate Division, respectively. In 2003, MDOT indicated that it conducted annual user training on REMIS and would issue periodic instructional e-mails to users to emphasize the importance of entering timely, complete, and accurate information in REMIS. In 2011, MDOT issued a memorandum to real estate managers instructing that all pertinent real estate information be entered into REMIS on a timely basis; however, not all REMIS users are complying with the memorandum.

RECOMMENDATION

We again recommend that MDOT consistently input all property acquisition information into REMIS to maximize its effectiveness and reliability as a real estate management tool.

AGENCY PRELIMINARY RESPONSE

MDOT provided us with the following response:

MDOT agrees with the recommendation. All regions have initiated REMIS data input and MDOT will implement additional training for real estate personnel by April 1, 2018. Also, the replacement system for the current REMIS and ReSaLe systems, which is approved for development, will be more user friendly and will increase the use of the required system.

ACCESS CONTROLS OVER REAL ESTATE SYSTEMS

BACKGROUND	Access controls limit or detect inappropriate access, which is important to ensure the availability, confidentiality, and integrity of data.
AUDIT OBJECTIVE	To assess the effectiveness of selected access controls over MDOT's real estate systems.
CONCLUSION	Moderately effective.
FACTORS IMPACTING CONCLUSION	<ul style="list-style-type: none">• No identified instances of inappropriate user access to REMIS or ReSaLe data.• Reportable condition related to the need for improved access controls over REMIS and ReSaLe (Finding #5).

FINDING #5

Improvements needed over REMIS and ReSaLe access controls.

MDOT did not fully establish access controls over REMIS and ReSaLe, increasing the risk of unauthorized access to data.

Strong access controls reduce the risk that an account could be compromised and allow unauthorized access to REMIS and ReSaLe. The defense-in-depth principle states that layers of security mechanisms increase the security of the system as a whole. If an attack causes one security mechanism to fail, other mechanisms may still provide the necessary security to protect the system. Defense-in-depth can only be properly carried out if all layers of security are intact, including at both the network level and the application level.

Our review of access controls for REMIS and ReSaLe disclosed:

- a. MDOT did not enforce password complexity rules for REMIS or ReSaLe. Department of Technology, Management, and Budget (DTMB) Technical Standard 1340.00.080.01 requires that passwords contain at least 8 characters and be composed of at least 3 of the 4 categories: uppercase alphabet characters, lowercase alphabet characters, Arabic numerals, and non-alphanumeric symbols.
- b. MDOT did not enforce password change rules in REMIS or ReSaLe. DTMB Technical Standard 1340.00.080.01 requires that passwords be changed at least every 90 days.
- c. MDOT did not periodically review the user access rights in REMIS every 120 days in accordance with DTMB Technical Standard 1340.00.020.01.
- d. MDOT did not fully restrict administrative rights to appropriate users. We identified 3 (33%) of 9 REMIS users with administrative rights who did not require that level of access.
- e. MDOT did not inactivate user access on a timely basis. We identified 36 (30%) of 120 user accounts of individuals who were no longer employed by MDOT. The time frame from when the employees terminated employment until April 30, 2017 ranged from 89 days to 11 years, with an average of 4 years.

After we brought this matter to management's attention, MDOT inactivated 33 (92%) of the 36 terminated employees' REMIS user accounts.

The REMIS and ReSaLe system administrators indicated that, because of the age of the systems, they were not developed with strong password requirements. MDOT also indicated that user access is reviewed on an as-needed basis or when time permits.

RECOMMENDATION

We recommend that MDOT fully establish access controls over REMIS and ReSaLe.

**AGENCY
PRELIMINARY
RESPONSE**

MDOT provided us with the following response:

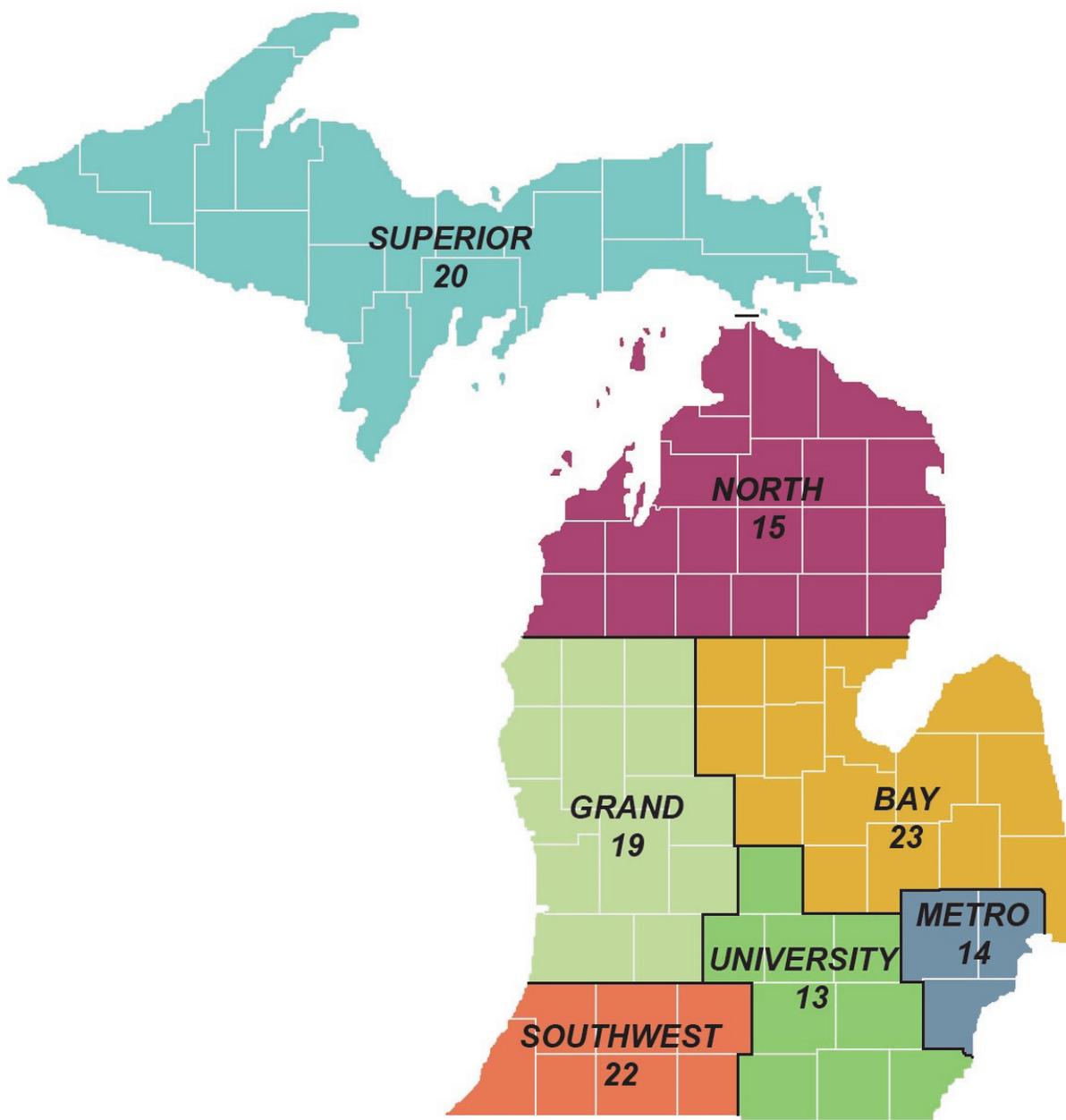
MDOT agrees with the recommendation. MDOT will work with DTMB to improve access control of REMIS and ReSaLe. The replacement system, which is approved for development, will meet all access control requirements.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

REAL ESTATE SERVICES SECTION
Development Services Division, Michigan Department of Transportation

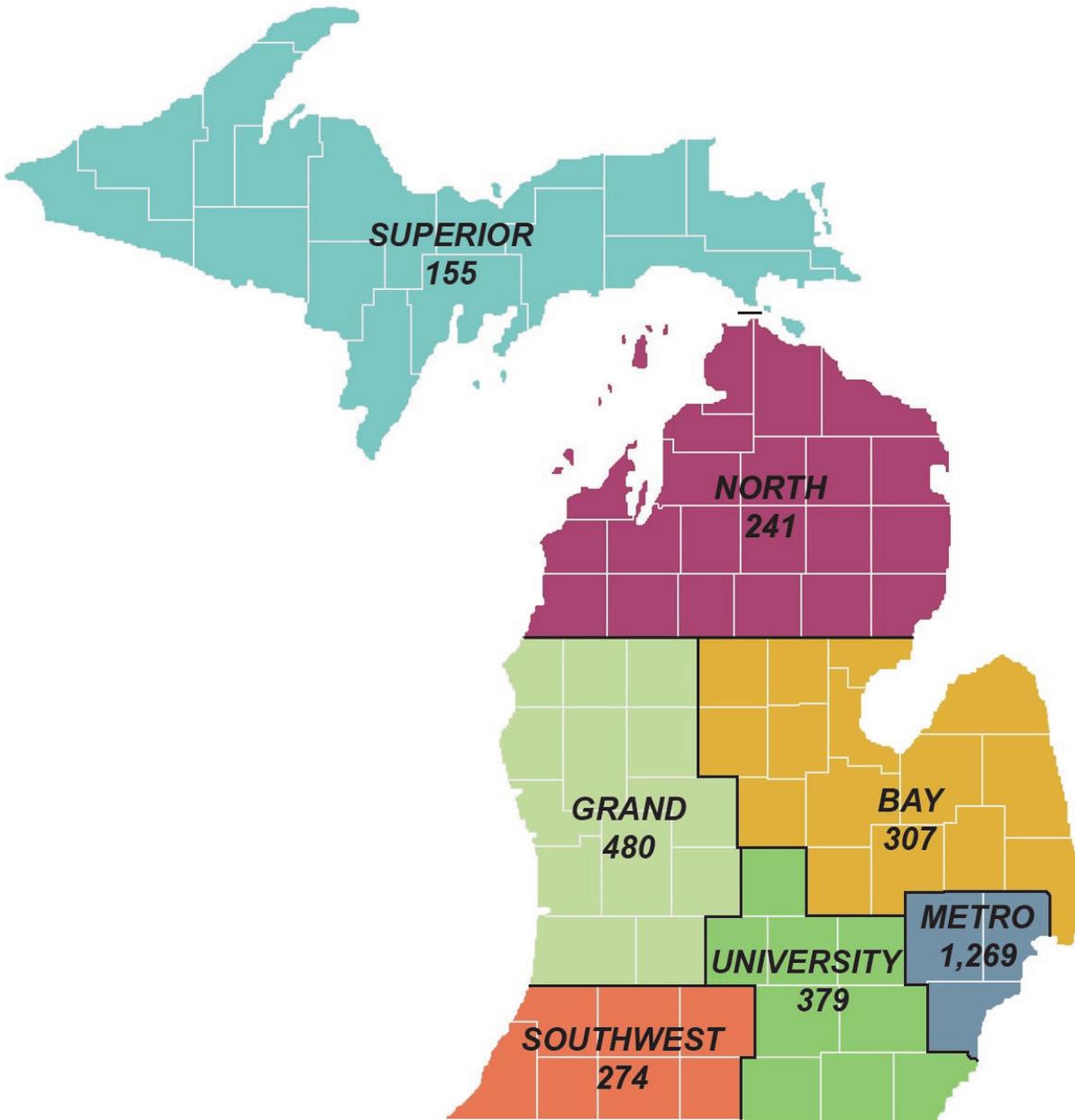
Right-of-Way (ROW) Certifications by Region
October 1, 2014 Through April 30, 2017



Source: The OAG prepared this exhibit using data obtained from MDOT.

REAL ESTATE SERVICES SECTION
Development Services Division, Michigan Department of Transportation

Excess Property (Parcels) by Region
As of June 5, 2017



Source: The OAG prepared this exhibit using data obtained from MDOT's ReSaLe.

AGENCY DESCRIPTION

MDOT was organized under Sections 16.450 - 16.458 of the *Michigan Compiled Laws* (sections of the Executive Organization Act of 1965). MDOT is governed by the State Transportation Commission, which is made up of six members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for establishing policies. MDOT is managed by a director, appointed by the Governor, who is responsible for administering MDOT and implementing the policies established by the Commission. MDOT's mission* is to provide the highest quality integrated transportation services for economic benefit and improved quality of life.

DSD provides real estate services and ROW management, local agency program services, and a variety of permit services for all areas of MDOT, including 7 region offices and 21 transportation service centers. DSD is divided into two sections: Real Estate Services and Utilities Coordination and Permit Services.

The Real Estate Services Section provides support services to all areas of MDOT and Statewide expertise, training, and QA for the following services: appraisal, relocation, acquisition, ROW clearance, condemnations, and oversight of local public agency projects and other special projects. Also, the Section acquires property for wetland banking and mitigation. In addition, the Section maintains an approved register of appraisal consultants by interviewing prospective appraisers, evaluating qualifications and experience, and establishing a level of expertise.

Real Estate Services Section personnel and project expenditures totaled \$5.3 million, \$3.1 million, and \$1.8 million for fiscal years 2015, 2016, and 2017 (as of April 2017), respectively.

The Real Estate Services Section had 27 full-time equated employees as of May 2017.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the program and other records of the Real Estate Services Section within MDOT's DSD. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit scope did not include the Gordie Howe International Bridge project.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2014 through April 30, 2017.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of the Section in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MDOT Real Estate Services Section and region staff and analyzed applicable information to obtain an understanding of the Section's organizational structure, operations responsibilities, and activities.
- Examined selected program records pertaining to ROW activities.
- Reviewed selected MDOT policies and procedures and State and federal laws.
- Reviewed and analyzed Real Estate Services Section expenditure and revenue data.

Our random samples are selected to eliminate any bias and enable us to project the results to the population. Our judgmental selections could not be used to project the results to the entire population.

OBJECTIVE #1

To assess the effectiveness of the Real Estate Services Section's efforts to monitor compliance with State and federal ROW requirements.

* See glossary at end of report for definition.

To accomplish this objective, we:

- Reviewed MDOT's process for monitoring the 7 region offices' compliance with State and federal laws regarding real estate and ROW activities.
- Identified the number of annual QA reviews completed for calendar years 2015, 2016, and 2017 (as of August 31, 2017).
- Judgmentally selected 7 and randomly sampled 22 of 126 completed projects that included 602 acquired and certified parcels. We reviewed the 602 parcel files to determine whether:
 - Regions obtained evidence of title.
 - An appraisal or a waiver of appraisal was completed.
 - Regions completed the good faith offer letter when required.
 - All administrative settlements were properly authorized.
 - Regions obtained a signed and recorded conveyance.
- Judgmentally selected 7 and randomly sampled 22 of 126 projects and determined if ROW certification dates were prior to the advertising date for letting.
- Reviewed the one relocation claim payment to determine if payment was made within the required time frame.

OBJECTIVE #2

To assess the effectiveness and efficiency of MDOT's real estate management activities.

To accomplish this objective, we:

- Judgmentally selected 7 and randomly sampled 22 of 126 completed projects that included 602 parcels to determine if parcel data was entered into REMIS.
- Reviewed 3,105 parcels of excess property to determine whether the parcels required an engineering review (see Exhibit #2 for map of excess property by region).
- Reviewed MDOT's process for completing the engineering reviews and determined the timeliness of completion for 101 parcels of excess property.

- Randomly sampled and reviewed 15 of 143 appraisals performed to determine if:
 - Appraiser and appraisal reviewer had an appropriate license.
 - Conflict of interest statements were present for each appraisal.
 - Performance evaluation was completed following each appraisal.
- Identified 12 condemnation cases and validated payments for the 11 closed cases to the supporting documentation.
- Assessed the appropriateness of MDOT's use of PAECETrak, a real estate acquisition and management software.

OBJECTIVE #3

To assess the effectiveness of selected access controls over MDOT's real estate systems.

To accomplish this objective, we:

- Interviewed system administrators to determine which employees should have administrative access. User access lists were then assessed for appropriateness of level assigned.
- Reviewed current users with access to REMIS and ReSaLe and compared them to employment records.
- Reviewed password requirements for REMIS and ReSaLe to determine compliance with DTMB baseline controls.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 5 findings and 5 corresponding recommendations. MDOT's preliminary response indicates that it agrees with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit

fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and submit it 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.

PRIOR AUDIT FOLLOW-UP

Following is the status of the reported findings from our March 2011 performance audit of the Real Estate Division, Bureau of Highway Development, Michigan Department of Transportation (591-0172-10):

<u>Prior Audit Finding Number</u>	<u>Topic Area</u>	<u>Current Status</u>	<u>Current Finding Number</u>
1	Transport Permit Fees	Not in scope of this audit.	
2	Bridge Height and Weight Limitations	Not in scope of this audit.	
3	Construction Permit System	Not in scope of this audit.	
4	Property Management	Repeated*	3
5	Property Acquisition Information	Repeated	4

SUPPLEMENTAL INFORMATION

Our audit report includes supplemental information presented as Exhibits #1 and #2. Our audit was not directed toward expressing a conclusion on this information.

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

<i>Code of Federal Regulations (CFR)</i>	The codification of the general and permanent rules published by the departments and agencies of the federal government.
control section	A segment of a State or federal highway of Michigan. Control sections are numbered and serve to identify and locate portions of the highway system for acquisition, account, and other related purposes.
deleted parcel	A parcel of property, originally identified for acquisition, no longer needed for ROW on a project.
DSD	Development Services Division.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
job number	A subsection of a control section.
material condition	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.
MDOT	Michigan Department of Transportation.
mission	The main purpose of a program or an entity or the reason that the program or entity was established.
OAG	Office of the Auditor General.
parcel	A tract or plot of land.

performance audit	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.
QA	quality assurance.
REMIS	Real Estate Management Information System.
repeated	The same problem was noted in the current audit and the wording of the current recommendation remains essentially the same as the prior audit recommendation.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
ReSaLe	Real Estate Sale and Lease System.
right of way (ROW)	The legal right, established by usage or grant, to pass along a specific route through grounds or property belonging to another.
Uniform Act	Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.



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