

EXECUTIVE SUMMARY

BACKGROUND

The Office of the Auditor General's (OAG's) Fraud Investigative Services Team investigated the Michigan Department of Transportation's (MDOT's) contracting practices related to MDOT's May 2016 commissioning of the Michigan Aggregates Market Study (Study). We received allegations that MDOT allowed undue influence from an industry stakeholder when commissioning the Study and did not follow its procurement procedures. The complaint also alleged that the vendor who conducted the Study did not meet contract deliverables.

INVESTIGATION CONCLUSIONS

1. MDOT allowed industry stakeholders considerable influence in the commissioning and scoping of the Study. This may have undermined the Study's credibility and usefulness to MDOT and policymakers because of the industry stakeholders' previously disclosed position in favor of expanding permitted mining for aggregates in local communities.
2. MDOT inappropriately split the Study into two separate procurements in violation of its Selection Guidelines for Service Contracts.
3. MDOT did not ensure that the selected vendors for the Study provided all contract deliverables.

The circumstances illustrated in this report demonstrate opportunities for MDOT to strengthen its contracting and contract management practices and to better ensure that its actions are regarded as fair, equitable, and taken for the greater good of the State of Michigan and its citizens.

In addition, we noted numerous deficiencies in the Study that were caused, in large part, by poor project scoping, which ultimately was MDOT's responsibility. Because of the scoping limitations and the Study's otherwise limited usefulness, the Study's approximately \$100,000 cost does not appear to have been an effective use of the State's financial resources.

AGENCY RESPONSE

We offered MDOT an opportunity to respond to this report, and it declined.