



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GRETCHEN WHITMER
GOVERNOR

PAUL C. AJEGBA
DIRECTOR

April 16, 2020

Mr. Richard Lowe, 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. Lowe:

In accordance with the State of Michigan Financial Management Guide, Part VII, the Michigan Department of Transportation is providing its corrective action plan in response to the Office of Auditor General's performance audit report of the Bureau of Finance and Administration, covering the period of October 1, 2016, through June 30, 2019 (Project 591-0130-19). The Office of Internal Audit Services, Office of the State Budget, has approved the distribution of the plan.

Questions regarding the summary table or corrective action plan should be directed to either Patrick McCarthy, CPA, Bureau Director, Bureau of Finance and Administration at 517-241-0715 or Jack Cotter, CPA, CGMA, Commission Auditor, at 517-335-5920.

Sincerely,

Laura J. Mester Laura J. Mester
Apr 16 2020 12:15 PM

Paul C. Ajegba, P.E.
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 Commission Audits

Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2016, through June 30, 2019

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

Finding 4.

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

Findings 2 and 3.

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

Finding 1.

Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2016, through June 30, 2019

A. Audit recommendations the agency has complied with:

AUDIT FINDING

- 4. BFA should continue to improve controls over its accounts receivable invoice and collection processes to ensure the completeness and accuracy of invoices created and the timely collection of unpaid invoices.**

RECOMMENDATION

We recommend that BFA continue to improve controls over its accounts receivable invoice and collection processes to ensure the completeness and accuracy of invoices created and timely collection of unpaid invoices.

AGENCY RESPONSE

MDOT agrees with the recommendation and has implemented a comprehensive process to ensure that aging schedules are complete, accurate, and reviewed in a timely manner.

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

AUDIT FINDING

- 2. BFA should improve its process for recording, estimating, and evaluating contractor EAPs to ensure that EAPs are accurate and recorded in the proper fiscal year.**

RECOMMENDATION

We recommend that BFA improve its process for recording, estimating, and evaluating current year and liquidating prior year contractor EAPs and evaluate prior year contractor EAPs to ensure that EAPs are accurately reported and that expenditures are recorded in the proper fiscal year.

AGENCY RESPONSE

MDOT agrees that it can improve the process for recording current year contractor estimated accounts payables (EAPs). MDOT will implement a process to ensure that reports are utilized in a manner to more accurately account for EAPs. Also, MDOT has incorporated and emphasized the proper evaluation of payables in our year end training.

MDOT agrees that consideration of the dates of service when processing contractor payments might lead to accounts payable transactions that are more accurate, however, service dates are not readily available. In order to obtain this information would require changes to MDOT's off the shelf current and proposed software systems. MDOT will review the methodology used to track contractor payables and determine if there are opportunities for improvements in future software, where the cost to implement the improvements will not significantly exceed the benefits derived.

AUDIT FINDING

- 3. ASD did not evaluate and report on its adherence to SLA objectives for fiscal years 2017 and 2018.**

Michigan Department of Transportation
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RECOMMENDATION

We recommend that ASD evaluate and report on its adherence to SLA objectives.

AGENCY RESPONSE

MDOT concurs that measures and metrics required in the SLAs were not compiled and provided to the SBO and the supported departments. However, all parties agreed that, with the focus on the transition to SIGMA, the measures and metrics would not be required for fiscal years 2017 and 2018. MDOT is currently working with the supported Departments on updating the SLAs which include revising the measures and metrics where appropriate.

C. Audit recommendations the agency partially agrees with:

AUDIT FINDING

1. ASD did not ensure that security and access controls were fully implemented to protect MiCaRS data from unauthorized use, modification, or destruction and ensure the integrity of MiCaRS data.

RECOMMENDATION

We recommend that ASD ensure that security and access controls are fully implemented to protect MiCaRS data from unauthorized use, modification, or destruction and ensure the integrity of MiCaRS data.

AGENCY RESPONSE

MDOT agrees with items A1, B1, C, D1, E1 and E2 of the finding.

However, MDOT disagrees that findings A2, A3, B2 or D2 are MDOT's responsibility. These findings relate to application functionality which, being a COTS application used by many State of Michigan departments and having DTMB as the business owner, should not be attributed to MDOT. These items, while important to overall system controls and access, should be addressed statewide and fall under the responsibility of the system owner.