



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

**Report Number:**  
591-0320-20

### *Use of Warranties*

### *Michigan Department of Transportation (MDOT)*

**Released:**  
March 2021

MDOT began using warranties on road and bridge construction projects in 1996. MDOT uses two types of warranties ranging from two to five years: performance warranties and materials and workmanship warranties. MDOT monitors warranties applied to road and bridge construction projects. MDOT uses the Statewide Warranty Administration Database (SWAD) to track warranties and to identify warrantied segments due for inspection or requiring corrective action. From October 1, 2017 through March 31, 2020, MDOT had 877 active warranties.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of MDOT's efforts to monitor its road and bridge corrective action warranty work.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDOT did not consistently or timely send notification letters when corrective action was necessary for 34% of warrantied segments. Also, it did not have an effective process to establish time frames for corrective action when the contractors needed to complete corrective work outside of the warranty periods ( <u>Finding #1</u> ).	X		Agrees

Audit Objective			Conclusion
Objective #2: To assess the sufficiency of MDOT's efforts to evaluate the overall value of requiring warranties.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDOT's last evaluation of the overall value of its warranty program in 2011 was inconclusive. MDOT has not evaluated its program since then, and several other states have discontinued their warranty programs based on their respective program evaluation efforts ( <u>Finding #2</u> ).	X		Disagrees

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of MDOT's efforts to ensure the completeness and accuracy of information in MDOT's SWAD.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Three (11%) of the 28 active SWAD users we reviewed had improper access ( <u>Finding #3</u> ).		X	Agrees

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Phone: (517) 334-8050

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