



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GRETCHEN WHITMER
GOVERNOR

PAUL C. AJEGBA
DIRECTOR

May 20, 2021

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 Use of Warranties, Michigan Department of Transportation, covering the period of October 1, 2017, through March 31, 2020 (Project 591-0320-20). The Office of Internal Audit Services, Office of the State Budget, has approved distribution of the plan.

Questions regarding the summary table or corrective action plan should be directed to either Jason Gutting, Engineer of Construction Field Services at 517-243-3682, or Jack Cotter, CPA, CGMA, Commission Auditor, at 517-335-5920.

Sincerely,

On behalf of
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, 2020

A. Audit recommendations the agency has complied with:

Finding 3.

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

Finding 1.

C. Audit recommendations the agency partially agrees with:

Finding 2.

Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2017, through March 31, 2020

A. Audit recommendations the agency has complied with:

AUDIT FINDING

3. MDOT needs to improve its controls over Statewide Warranty Administration Database (SWAD) user roles to help prevent and detect inappropriate access and protect warranty information from unauthorized use, modification, or destruction.

RECOMMENDATION

We recommend that MDOT improve its controls over SWAD user roles.

AGENCY RESPONSE

MDOT agrees with the recommendation.

On November 17, 2020, MDOT implemented a bi-annual review of the SWAD user roles with each region to ensure user rights are appropriate.

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

AUDIT FINDING

1. MDOT needs to improve how it oversees road and bridge corrective action via warranty work.

RECOMMENDATION

We recommend that MDOT improve its oversight of roads and bridges requiring corrective action via warranty work.

AGENCY RESPONSE

MDOT agrees with the recommendation.

Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2017, through March 31, 2020

MDOT will review its warranty administration processes, procedures, and associated manual. We will revise and enhance our requirements to ensure value is provided and duplicative efforts are eliminated. We will also review opportunities to provide warranty training to enhance staff understanding of warranty administration. These actions will be completed and implemented by March 31, 2022.

C. Audit recommendations the agency partially agrees with:

AUDIT FINDING

2. MDOT should reestablish its efforts to evaluate the overall value of warranties on road and bridge construction projects.

RECOMMENDATION

We recommend that MDOT reestablish its efforts to evaluate the overall value of warranties on road and bridge construction projects.

AGENCY RESPONSE

MDOT agrees that an evaluation of the warranty program could be beneficial. Given the Legislature's keen interest to retain and expand the warranty program, as evidenced by revisions to Act 51 of 1951, inconclusive results from previous reviews, and limited resources, MDOT does not believe there is sufficient justification to commit the resources that would be necessary to evaluate program's value. As noted in the OAG finding, the National Cooperative Highway Research Program's 2020 Performance-Based Pavement Warranty Program Practices report also showed mixed results on the value of pavement warranty programs, which demonstrates that it is difficult to reach a conclusive result regarding the value of warranties. Therefore, based on current Legislative interest in warranties, the statutory requirements, and previous inconclusive results from other analyses, MDOT considers any reevaluation of the warranty program a low priority and does not agree to prioritize limited resources for further evaluation at this time.