



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GRETCHEN WHITMER
GOVERNOR

PAUL C. AJEGBA
DIRECTOR

March 9, 2022

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 Director 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 Administration of Act 51-Related Funds, Michigan Department of Transportation, covering the period of October 1, 2018, through September 30, 2020 (Project 591-0410-21). 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 Adam Feldpausch, CPA, Financial Operations Division Administrator, at 517-256-9236 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, 2018, through September 30, 2020

A. Audit recommendations the agency has complied with:

None.

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

Findings 1, 3, and 4.

C. Audit recommendations the agency disagrees with:

Finding 2.

Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2018, through September 30, 2020

A. Audit recommendations the agency has complied with:

None.

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

AUDIT FINDING

1. MDOT did not fully ensure the accuracy of the allocation and distribution of Act 51-related funding to local units, including certain annual one-time distributions.

RECOMMENDATION

We recommend that MDOT fully ensure the accuracy of the allocation and distribution of Act 51-related funding to local units, including certain annual one-time distributions.

We also recommend that MDOT obtain clarification of the intended calculation of the Statewide average winter maintenance cost used to determine city and villages eligibility for receiving snow payments.

AGENCY RESPONSE

MDOT agrees with the recommendation. MDOT will seek out cost effective remedies to ensure further accuracy in the allocation and one-time distributions.

MDOT will also seek out clarification regarding the calculation used for snow payment eligibility.

MDOT has partially complied with this finding and expects to complete the remaining improvements by September 30, 2022.

AUDIT FINDING

3. MDOT could improve its collection of local unit warranty information to ensure it shares accurate and complete warranty information with program stakeholders, such as the Legislature, the County Road Association, and the public.

Michigan Department of Transportation
Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2018, through September 30, 2020

RECOMMENDATION

We recommend that MDOT improve its data collection process to ensure accuracy and completion of local unit warranty information.

We also recommend that MDOT obtain clarification from the Legislature for identifying the projects for which local units need warranties.

AGENCY RESPONSE

MDOT agrees with the recommendation and will seek out cost effective remedies to capture complete and accurate information regarding local unit warranties.

MDOT will also obtain clarification from the Legislature regarding which projects require a local unit warranty.

MDOT expects to complete these improvements by September 30, 2022.

AUDIT FINDING

4. MDOT should develop a process for verifying the State's compliance and improve its process for reviewing local units' compliance with the nonmotorized transportation services and facilities requirements in Act 51.

RECOMMENDATION

We recommend that MDOT develop a process for verifying the State's compliance and improve its process for reviewing local unit's compliance with the nonmotorized transportation requirements in Act 51.

AGENCY RESPONSE

MDOT agrees with the recommendation and will seek out reporting options to verify State compliance. MDOT will also seek to identify improvements to our process for reviewing local units compliance with the nonmotorized transportation requirements in Act 51.

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Summary Table of Agency Responses to Recommendations
Audit Period October 1, 2018, through September 30, 2020

MDOT expects to complete these improvements by September 30, 2022.

C. Audit recommendations the agency disagrees with:

AUDIT FINDING

2. MDOT could enhance its monitoring process to better ensure local units expend MTF disbursements in accordance with Act 51 requirements.

RECOMMENDATION

We recommend that enhance its monitoring process to better ensure local units expend MTF disbursements in accordance with Act 51 requirements.

AGENCY RESPONSE

MDOT disagrees with the recommendation. MDOT verifies significant dollar amounts reported in local agency Act 51 reports by reconciling the dollar amounts reported to selected audited financial statements figures. Many of the requirements in Act 51 are based on dollar thresholds and MDOT can determine compliance by performing these calculations based on the information submitted in the Act 51 report, which reconcile to the audited figures. In addition, MDOT receives a signed assurance from the local unit when they submit their Act 51 report. This assurance is an attestation from the local unit that their financial report accurately reflects their revenues and expenditures and funds by systems and conforms with the requirements of Act 51. MDOT feels that these reviews, in addition to the attestation, provide us with the necessary information to determine compliance with Act 51 and to avoid the unnecessary withholding of Act 51 funds to local agencies. If further compliance monitoring is required, considerable additional resources would be necessary either for MDOT to conduct the monitoring, or from the local agencies to ensure compliance to the expectation levels needed to avoid withholding Act 51 funds.