



OAG

Office of the Auditor General

Report Summary

Performance Audit

Report Number:
591-0211-20

Negotiation of Consultant Contracts

Michigan Department of Transportation (MDOT)

Released:
March 2022

MDOT uses a qualifications-based selection (QBS) process for procuring consultants for services such as engineering and architectural design. Using QBS, MDOT selects a consultant after a comprehensive evaluation of qualifications, such as knowledge, skill, experience, and other project-specific factors, rather than focusing on cost. After selecting the most qualified consultant, MDOT negotiates a fair and reasonable cost for the agreed-upon scope of services based on its independent cost estimates. MDOT negotiated 2,047 consultant contracts totaling \$1.35 billion between October 1, 2017 and May 15, 2020.

Audit Objective		Conclusion	
Objective: To assess the sufficiency of MDOT's negotiation efforts when procuring consultant contracts.		Sufficient, with exceptions	
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Consultants' final priced proposals and contract awards exceeded MDOT's estimated hours and/or costs by 10% or more in 42% of our sampled consultant contracts. Variances between consultants' proposals and contract awards and MDOT's estimated hours and costs indicated MDOT's estimates were not always reliable and did not serve as the basis for negotiation. In addition, MDOT's estimates did not include sufficient information to demonstrate MDOT had conformed with federal regulations by considering all required cost components (<u>Finding 1</u>).		X	Agrees

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