

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Real Estate Services Section
Development Services Division
Michigan Department of Transportation

October 2022

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Article IV, Section 53 of the Michigan Constitution



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Report Summary

Follow-Up Report

Real Estate Services Section

Development Services Division Michigan Department of Transportation (MDOT)

Report Number:
591-0172-17F

Released:
October 2022

We conducted this follow-up to determine whether MDOT had taken appropriate corrective measures in response to the material condition noted in our December 2017 audit report.

| Prior Audit Information | Follow-Up Results | | |
|--|-------------------|---------|-----------------------------|
| | Conclusion | Finding | Agency Preliminary Response |
| Finding 1 - Material condition Improvements needed over the completeness and accuracy of right-of-way certifications. Agency agreed. | Complied | | Not applicable |

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October 21, 2022

Mr. Todd Wyett, Chair
State Transportation Commission
and
Paul C. Ajegba, PE, Director
Michigan Department of Transportation
Murray D. Van Wagoner Building
Lansing, Michigan

Dear Mr. Wyett and Mr. Ajegba:

This is our follow-up report on the material condition (Finding 1) and corresponding recommendation reported in the performance audit of the Real Estate Services Section, Development Services Division, Michigan Department of Transportation. That audit report was issued and distributed in December 2017. Additional copies are available on request or at audgen.michigan.gov.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

A handwritten signature in black ink that reads "Doug Ringler". The signature is written in a cursive, flowing style.

Doug Ringler
Auditor General

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INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the material condition* (Finding 1) and corresponding recommendation reported in our performance audit* of the Real Estate Services Section, Development Services Division (DSD), Michigan Department of Transportation (MDOT), issued in December 2017.

PURPOSE OF FOLLOW-UP

To determine whether MDOT had taken appropriate corrective measures to address our corresponding recommendation.

AGENCY DESCRIPTION

MDOT was organized under Sections 16.450 - 16.458 of the *Michigan Compiled Laws* (sections of the Executive Organization Act of 1965). MDOT is governed by the State Transportation Commission, which is made up of six members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for establishing policies. MDOT is administered by a director, appointed by the Governor, who is responsible for administering MDOT and implementing the policies established by the Commission. MDOT's mission is to provide the highest quality integrated transportation services for economic benefit and improved quality of life.

DSD provides real estate services, right-of-way (ROW) management, utility coordination, local agency program services, and a variety of permit services for all areas of MDOT, including 7 region offices and 22 transportation service centers. DSD is divided into three sections: Real Estate Services; Local Agency Programs; and Utilities Coordination, Permits, and Agreements.

The Real Estate Services Section is responsible for establishing and maintaining Statewide MDOT real estate standards, policies and procedures, and training and manages the real estate activities for condemnation litigation, railroads, excess property, technical work, and program management. The Section also oversees the Local Agency Real Estate and Real Estate Quality Assurance programs. Each of MDOT's 7 regions has real estate staff who are responsible for ROW acquisition and relocation work. The Section provides support and technical expertise to MDOT region offices in the areas of appraisal valuation, ROW acquisition, relocation assistance, and demolition.

* See glossary at end of report for definition.

Real Estate Services Section personnel and operations expenditures totaled \$2.5 million and \$1.9 million for fiscal years 2021 and 2022 (as of July 2022), respectively.

The Real Estate Services Section had 28 full-time equated employees as of August 2022.

PRIOR AUDIT FINDING AND RECOMMENDATION, AGENCY PLAN TO COMPLY, AND FOLLOW-UP CONCLUSION

FINDING 1

Audit Finding Classification: Material condition.

Summary of the December 2017 Finding:

MDOT had not ensured the completeness and accuracy of ROW certifications, which reduced MDOT's assurance it had appropriate access rights to property, in accordance with federal laws and regulations. Specifically, 38% of the projects we reviewed had incomplete and inaccurate ROW certifications when verified to the regions' parcel* files, including ROW certification(s) that:

- Inappropriately listed deleted parcels*.
- Contained inaccurate property identifiers.
- Was not signed by the real estate administrator prior to advertising.

Recommendation Reported in December 2017:

We recommended that MDOT ensure the completeness and accuracy of ROW certifications.

AGENCY PLAN TO COMPLY*

On February 1, 2018, MDOT indicated it had tasked the Real Estate Alignment Team with developing a new process for ensuring the accuracy and completeness of ROW certifications. MDOT expected the Team would develop and implement a new process by July 1, 2018.

FOLLOW-UP CONCLUSION

Complied.

Our follow-up noted that MDOT:

- Implemented a spreadsheet to track requested and approved ROW certifications for MDOT construction projects.
- Added a step within its project milestone checklist to document the region real estate agent and project manager have reviewed the final plans and ROW certifications and confirm the two are consistent.

* See glossary at end of report for definition.

FOLLOW-UP METHODOLOGY AND PERIOD

METHODOLOGY

We interviewed Real Estate Services Section staff and reviewed MDOT's corrective action plan, MDOT's Real Estate Procedure Manual, and federal regulations related to ROW certifications. Also, for Finding 1, we sampled 10 projects from the MDOT tracking log to determine if:

- The projects were properly reviewed and approved by MDOT staff.
- Deleted parcels were properly removed from the advertised construction plans.
- The advertised construction plans contained all parcels included on ROW certifications and were properly identified by the correct job number* and control section*.

PERIOD

Our follow-up generally covered June 1, 2021 through May 31, 2022.

** See glossary at end of report for definition.*

GLOSSARY OF ABBREVIATIONS AND TERMS

| | |
|------------------------------|--|
| agency plan to comply | The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan. |
| control section | A number assigned to a section of state trunkline that includes the mainline segments as well as any ramps or other facilities associated with that section. The first two digits represent the county in which the control section is located. |
| deleted parcel | A parcel of property, originally identified for acquisition, no longer needed for ROW on a project. |
| DSD | Development Services Division. |
| job number | A number assigned by MDOT to uniquely identify all of the work activities required to be performed to prepare or maintain a specific transportation system component. |
| material condition | A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective. |
| MDOT | Michigan Department of Transportation. |
| parcel | A tract or plot of land. |
| performance audit | An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and |

operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

ROW

right-of-way.



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