



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

BRADLEY C. WIEFERICH, P.E.
DIRECTOR

June 23, 2023

Chief Internal Auditor
State Budget Office
Office of Internal Audit Services
111 S. Capitol Ave
7th Floor, Romney Building
Lansing, MI 48933

Dear Rick Lowe:

In accordance with the State of Michigan Financial Management Guide, Part VII, enclosed is the Michigan Department of Transportation corrective action plan in response to the Office of the Auditor General performance audit follow-up report on the Use of Warranties covering the period April 1, 2022, through June 30, 2022 (Project 591-0320-20F).

Questions regarding the corrective action plan should be directed to either Jason Gutting, P.E., Bureau of Field Services-Construction Field Services Division Administrator, at 517-322-1085, or Jack Cotter, CPA, CGMA, Commission Auditor at 517-373-1500.

Sincerely,

Bradley C. Wieferich, P.E.
Director

Enclosure

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
Gregg Brunner, MDOT
Jason Gutting, MDOT
Sonja Scheurer, MDOT

Michigan Department of Transportation
 Use of Warranties Follow-up Audit (591-0320-20F)
 Issued by the Office of the Auditor General
 December 2022
 Department Final Corrective Action Plan

Summary Response Matrix

[Provide finding numbers in applicable category:]

	Complied	Will Comply	Partially Complied	Will Not Comply
Agrees	1			
Partially Agrees			2	
Disagrees				

Final Corrective Action Plan (CAP)

Finding Number 1

Finding Title: Oversight of road and bridge warranty corrective action needs improvement.

Is this an IT-related finding? No.

If “yes”, identify the IT-related system: N/A.

Department Response

Management Views:

MDOT agrees. The OAG follow-up audit reported MDOT complied with the finding.

Planned Corrective Action (Management Response):

N/A-The OAG follow-up audit reported MDOT complied with the prior finding.

Anticipated Compliance Date (*Estimated or Actual Compliance Date*):

N/A-The OAG follow-up audit reported MDOT complied with the prior finding.

Responsible Individual(s):

N/A-The OAG follow-up audit reported MDOT complied with the prior finding.

Finding Number 2

Finding Title: Evaluation needed to determine the overall value of warranties on road and bridge construction projects.

Is this an IT-related finding? No.

If “yes”, identify the IT-related system: N/A.

Department Response

Management Views:

MDOT partially agrees with the recommendation.

Planned Corrective Action (Management Response):

Given the legislature's keen interest and requirement to retain the warranty program, 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 the warranties program's value.

As referenced in the findings and by MDOT, the Office of the Auditor General (OAG) best practice review of other states and the National Cooperative Highway Research Program's 2020 Performance-Based Pavement Warranty Program Practices report both showed mixed results on the value of pavement program warranties. It is also important to note that in response to the initial legislative requirements, warranty projects have been based on project type and project fix type and not cost. For example, in response to the initial legislative requirement (Public Act 79 of 1997), MDOT's warranty program was based on project type (i.e., road reconstruction and rehabilitation, bridge, capital preventive maintenance, and one-course overlays) and project fix type (i.e., materials/workmanship and performance), and this has been the case since the updated legislative requirements (Public Act 175 of 2015).

Although MDOT does not support the performance of an overall evaluation of the value of warranties, MDOT aligned some of its actions with the OAG's finding. Specifically, MDOT has reviewed warranty project type and fix type as it relates to the total number and percentage of warranties, the project type call back rate (i.e., the frequency or percentage of corrective action needed), and the duration of the fix life. As a result, road reconstruction and rehabilitation, bridge, and capital preventive maintenance warranty project types were retained, and warranties for one course mill and/or Hot Mix Asphalt (HMA) overlay projects under \$2,000,000, as referenced in Public Act 175 of 2015, were eliminated. This is predominantly because MDOT determined that one-course overlay projects typically have a short fix life and represent the highest percentage of warranties and lowest percentage of call backs.

Based on the current Legislative interest in warranties, the statutory requirements, and previous inclusive results from other analyses, MDOT considers an in-depth evaluation of the warranty program to be a low priority, and therefore, does not agree to use limited resources for further in-depth evaluation at this time. However, MDOT does plan to continue its review and monitoring of warranty project type and fix type for future considerations.

Anticipated Compliance Date (*Estimated or Actual Compliance Date*):

MDOT reviews, monitors, and reports out annually on warranty project type and fix type updates and/or potential considerations.

Responsible Individual(s):

Bureau of Field Services-Construction Field Services Division (Gregg Brunner/Jason Gutting).