

Office of the Auditor General
Performance Audit Report

**Small Business and Disadvantaged Business
Enterprise Programs**

Office of Business Development
Michigan Department of Transportation

September 2026

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The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Performance Audit

Small Business (SB) and Disadvantaged Business Enterprise (DBE) Programs Office of Business Development (OBD) Michigan Department of Transportation (MDOT)

Report Number:
591-0352-25

Released:
September 2026

The SB and DBE programs operate under the federal requirements in Title 49, Part 26 of the Code of Federal Regulations to ensure small and disadvantaged businesses have opportunities to participate in federally funded and MDOT-let projects. The programs strive to increase the number of competitively awarded contracts and promote the use of small and socially and economically disadvantaged businesses in MDOT contract opportunities. The programs are administered by MDOT's OBD, which expended \$3.8 and \$3.2 million in fiscal years 2024 and 2025, respectively. OBD had 22 full-time employees and 2 student assistants as of July 2025.

Audit Objective			Conclusion
Objective 1: To assess the <u>effectiveness</u> of OBD's administration of the Small Business Program and <u>Disadvantaged Business Enterprise</u> Program.			Moderately effective
Findings Related to This Audit Objective	<u>Material Condition</u>	<u>Reportable Condition</u>	Agency Preliminary Response
Commercially Useful Function (CUF) forms, which ensure DBE compliance with program requirements, were completed more than 60 days after MDOT's inspection date, averaging 283 days late, and 3 (8%) were signed and dated after we requested the forms. Also, 16 (43%) were signed 17 to 678 days after the project completion date (<u>Finding 1</u>).		X	Partially agrees
Annual conflict of interest disclosure forms were not completed for 95% of the OBD staff during the audit period. These disclosures help ensure OBD employees are not biased, in fact or appearance, when determining eligibility or recertifying SB and DBEs to work on MDOT projects (<u>Finding 2</u>).		X	Disagrees

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of selected OBD access controls over the Michigan Unified Certification Program (MUCP) system.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MUCP access was not automatically disabled after 60 days of inactivity for 24 (50%) of 48 internal user accounts and 1,181 (58%) of 2,031 nonorganizational user accounts (<u>Finding 3</u>).		X	Partially agrees

Audit Objective			Conclusion
Objective 3: To assess OBD's compliance with selected Small Business and Disadvantaged Business Enterprise programs certification requirements.			Complied
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

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Doug A. Ringler, CPA, CIA
Auditor General

September 29, 2026

Heath E. Salisbury, Chair
State Transportation Commission
and
Bradley C. Wieferich, PE, Director
Michigan Department of Transportation
Murray D. Van Wagoner Building
Lansing, Michigan

Chair Salisbury and Director Wieferich:

This is our performance audit report on the Small Business and Disadvantaged Business Enterprise Programs, Office of Business Development, Michigan Department of Transportation.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* require an audited agency to develop a plan to comply with the recommendations and submit it to the State Budget Office (SBO) upon audit completion. State administrative procedures require the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to the Office of Internal Audit Services (OIAS), SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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TABLE OF CONTENTS

SMALL BUSINESS AND DISADVANTAGED BUSINESS ENTERPRISE PROGRAMS

	<u>Page</u>
Report Summary	1
Report Letter	3
 Audit Objectives, Conclusions, Findings, and Observations	
Administration of the SB and DBE Programs	8
Findings:	
1. Completion and timeliness of CUF forms needs improvement.	10
2. Conflict of interest disclosures need to be completed annually.	13
Access Controls	15
Findings:	
3. Improvements needed over select user access controls.	16
Certification Requirements	18
 Agency Preliminary Responses	
Finding 1 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response	20
Finding 2 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response	21
Program Description	23
Audit Scope, Methodology, and Other Information	24
Prior Audit Follow-Up	28
Glossary of Abbreviations and Terms	29

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

ADMINISTRATION OF THE SB AND DBE PROGRAMS

BACKGROUND

The Small Business (SB) Program is designed to provide contracting opportunities for qualifying small businesses. The U.S. Department of Transportation (USDOT) Disadvantaged Business Enterprise* (DBE) Program provides an avenue for increasing the participation for socially and economically disadvantaged business owners in state and local contract procurement*. Eligibility for both programs requires applicants to meet certification criteria.

Michigan Department of Transportation (MDOT) is required to establish annual DBE goals, review the scopes of anticipated federally funded prime contracts throughout the year, and establish contract-specific subcontracting goals. DBE participation goals are designated on individual MDOT-let projects to meet the DBE portion of the overall goal. Similarly, the SB program is designed to facilitate greater participation of small businesses in transportation-related work by establishing SB participation goals for MDOT-let projects.

MDOT's Contract Selection Team (CST) reviews federally funded projects for potential DBE participation and MDOT-let projects for SB participation. It includes, but is not limited to, individuals from Office of Business Development (OBD), finance and administration, highway operations, transportation planning, and aeronautics. Once projects are chosen, CST sets the assigned projects' DBE or SB participation goal; MDOT will not set DBE and SB goals on the same projects. Projects are then advertised* and open for bidding by contractors.

When working on federally funded contracts, certified DBEs must perform Commercially Useful Functions* (CUFs) for the work to count toward MDOT's annual DBE participation goal. A DBE firm performs a CUF when it is responsible for the contracted work for a federally funded project and carries out its responsibilities by performing, managing, and supervising the work.

OBD uses federal funds to provide support services to assist DBEs in developing their ability to compete for federally funded contracts by providing training, enlisting consultants for individualized assistance, and reimbursing DBEs for certain business expenses. OBD reimbursed \$206,000 to DBEs from October 1, 2023 through August 22, 2025, for business-related expenses.

AUDIT OBJECTIVE

To assess the effectiveness* of OBD's administration of the Small Business Program and Disadvantaged Business Enterprise Program.

* See glossary at end of report for definition.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- DBE expense reimbursements reviewed were appropriate and properly supported.
- OBD offered various training sessions to support SB and DBE firms.
- Procurement card purchases for the sampled procurement card cycles reviewed were appropriate and approved.
- Michigan DBE participation goals were consistent with surrounding states.
- Reportable conditions* related to improving the completion and timeliness of CUF forms (Finding 1) and ensuring employees annually complete conflict-of-interest disclosures (Finding 2).

* See glossary at end of report for definition.

FINDING 1

Completion and timeliness of CUF forms needs improvement.

MDOT needs to improve the completion and timeliness of CUF review forms for federally funded MDOT projects with DBE participants. Noncompliance with monitoring and enforcement requirements increases the risk the prime contractor will not meet its DBE obligation for federally funded MDOT projects.

As stated in MDOT's CUF review form and Title 49, Part 26, section 55(c)(1) of the *Code of Federal Regulations** (CFR), a DBE firm performs a CUF when it is responsible for the contracted work for a federally financed project and carries out its responsibilities by performing, managing, and supervising the work. The purpose of the CUF review form is to monitor the DBE's compliance with the CUF requirements for obtaining DBE credit on projects.

The USDOT guidance outlines the monitoring and enforcement requirements, which include:

- Requiring recipients (MDOT) to monitor every contract on which DBE participation is claimed.
- A signed and dated written certification documenting the CUF review by the person(s) who performed it.
- Trained staff must evaluate DBEs while active on the project at an early stage.
- Monitoring of the CUF cannot be done only at project close out.

MDOT's CUF review form contains the reviewer's name, project number, name of the DBA firm reviewed, field inspection date, the DBE's scope of work, signature of the project engineer or designee, and a checklist of DBE compliance requirements. Some or all these compliance requirements may be required to be met based on the CUF. The compliance requirements include:

- Project files contain purchase orders, bills of lading, and subcontract documentation.
- Employees are on the job and appear in the DBE's payroll records.
- Only the DBE completes the performance of work.
- The DBE owns or leases trucks utilized.
- The DBE purchases and supplies materials.
- Project equipment is not owned or leased by anyone other than the DBE.
- DBE appears to be performing its CUF.

* See glossary at end of report for definition.

We sampled 40 of 885 completed MDOT projects between October 1, 2023 through August 27, 2025 where a DBE was contracted to perform a CUF. Our review noted MDOT did not:

- a. Provide 3 (8%) of 40 CUF forms.
- b. Complete the inspection for the CUF prior to project work completion for 2 (5%) of 37 completed CUF forms. The dates of the inspections occurred 76 and 145 days past the project work completion date.
- c. Fully complete the CUF form for 4 (11%) of 37 completed CUF forms. Specifically:
 - (1) The signature date predated the actual inspection date by one month for one CUF form.
 - (2) For one CUF form verifying the reviewer observed the DBE performing its CUF, the signature and date were missing.
 - (3) CUF forms were incomplete. All compliance items were not reviewed for 2 (5%) of 37 CUF forms.
- d. Ensure the person reviewing the DBE's compliance signed the form attesting they observed the DBE perform the CUF. We noted 22 (59%) of 37 CUF forms had different inspectors and signers. For 3 of the CUF forms an office technician, who would not typically be at a job site, signed the form attesting to the CUF. The reviewer would have to be present at the project site to attest to some of the listed compliance requirements.
- e. Complete the CUF forms in a timely manner. Specifically, the 37 received CUF forms:
 - (1) 13 (35%) were signed more than 60 days after the date of the inspection ranging from 67 to 799 days, averaging 283 days late. After we requested the documentation, 3 (8%) were signed and dated.
 - (2) 16 (43%) were signed 17 to 678 days after the work completion date.

For parts a. and c., MDOT informed us forms were either not provided or not fully completed because of lack of oversight. For part d., MDOT stated the office technician signing the form was qualified to attest to the DBE's CUF. However, upon our request for their field certifications, none were provided. MDOT further states there is no requirement that the inspector and reviewer (signer) need to be the same person. For parts b. and e., and part of d., MDOT maintains form 1105a, which is the Final Estimate Submittal Form (which authorizes the last payment to be made to the prime contractor), should be the basis for the

comparison of calculating the days considered late instead of the Final Inspection Form (1120) which is the project work completion date.

RECOMMENDATION

We recommend MDOT improve its completion and timeliness of CUF review forms for federally funded MDOT projects with DBE participants.

**AGENCY
PRELIMINARY
RESPONSE**

MDOT's preliminary agency response and our auditor's comments to Finding 1 are presented on page 20.

FINDING 2

Conflict of interest disclosures need to be completed annually.

MDOT needs to confirm its employees annually complete conflict of interest disclosures. Doing so will ensure conflicts are addressed and mitigated in a timely manner and will help eliminate potential bias during the business evaluation, certification, and bidding process.

Michigan Civil Service Commission Rule 2-8.3 states employees shall disclose, at least annually, any interest in any business or entity with which the employee has direct contact while performing official duties. The original Civil Service form provides a check box stating the employee either has or does not have a conflict. Also, Michigan Civil Service Commission Rule 2-8.7 requires agency standards to be as, or more restrictive, than the Civil Service disclosure requirements. MDOT's Ethical Standards and Conduct policy states employees must submit an annual disclosure in February of each year, and in addition, disclose within 14 days any time a significant change occurs in an employee's relationship with either the business, entity, or MDOT.

OBD staff receive applications from businesses and are responsible for reviewing the application, performing investigations to verify the accuracy of the information, and approving businesses to allow them the opportunity to bid on and work on MDOT projects.

We requested conflict of interest disclosure documentation for the 22 applicable OBD employees as of July 2025. At a frequency of completing the disclosure annually, and depending on the date of hire, we determined OBD employees should have completed 42 conflict-of-interest disclosures during the audit period. MDOT was unable to provide 40 (95%) of the 42 expected conflict-of-interest disclosures or other pertinent documentation. As of August 25, 2025, 21 employees had been employed by MDOT ranging from 6 months to over 37 years. Compliance with policies related to annual conflict-of-interest disclosure will help ensure OBD employees are not biased, in fact or appearance, when determining eligibility or recertifying SB and DBEs to work on MDOT projects.

MDOT informed us, under current practice, it has a process and form in place during employee hire and onboarding where the employee certifies if they, or any immediate family member, do or do not have a conflict of interest. In addition, MDOT has a policy, form, and annual process in place to address when a conflict of interest exists. The employee is not required to complete the form unless a conflict of interest exists.

RECOMMENDATION

We recommend MDOT confirm its employees annually complete conflict of interest disclosures.

**AGENCY
PRELIMINARY
RESPONSE**

MDOT's agency preliminary response and our auditor's comments to Finding 2 are presented on page 21.

ACCESS CONTROLS

BACKGROUND

Access controls* limit or detect inappropriate access to computer resources from unauthorized modification, loss, and disclosure. For access controls to be effective, they should be properly authorized, implemented, and maintained.

The Michigan Unified Certification Program (MUCP) system provides a searchable directory of all current Michigan DBE certified firms. Michigan has three certifying agencies which administer the DBE program: MDOT, Detroit Department of Transportation (DDOT), and Wayne County. Businesses wanting to be DBE certified submit applications and required documentation into the MUCP system.

OBD controls user access rights for the MUCP system users at MDOT, DDOT, and Wayne County. As of November 25, 2025, the MUCP system had 35 MDOT, 6 DDOT, and 7 Wayne County employees with active internal user access.

AUDIT OBJECTIVE

To assess the effectiveness of selected OBD access controls over the Michigan Unified Certification Program (MUCP) system.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- All 2,031 active nonorganizational MUCP users as of November 25, 2025 had appropriate access to MUCP.
- One reportable condition related to improvements for selected MUCP user access controls.

* See glossary at end of report for definition.

FINDING 3

Improvements needed over MUCP user access controls.

MDOT should improve user access controls over the MUCP system to help prevent and detect inappropriate access and protect confidential information from unauthorized use, disclosure, modification, or destruction.

MUCP is accessed by internal users to track certified businesses who are eligible to bid and work on SB and DBE projects and by external (nonorganizational users) to complete the application and recertification process for DBE eligibility. The system houses confidential information including tax returns and other personal and business data. State of Michigan (SOM) Technical Standard 1340.00.020.01 requires the agency information system owner to ensure baseline access controls are established for its information systems.

We reviewed 2,086 MUCP users, 54 internal users, and 2,032 nonorganizational users as of November 25, 2025 and noted MDOT did not:

- a. Obtain access request forms for 12 (22%) of 54 internal MUCP users as of November 25, 2025. SOM Technical Standard 1340.00.020.03 requires State agencies maintain documentation of authorized users from the initial request for creation of user ID and access to the final deregistration of users.
- b. Annually update and review user access agreements. MDOT was unable to provide documentation of a review for all internal user accounts. SOM Technical Standard 1340.00.020.01 requires State agencies to document and retain annual updates and/or reviews of user access agreements for all user accounts.
- c. Automatically disable inactive internal user accounts after 60 days and nonorganizational user accounts after 18 months. Specifically,
 - (1) 24 (50%) of 48 active internal user accounts were inactive for 69 days or longer, ranging from 69 days to 4.5 years, with an average of 372 days.
 - (2) 1,181 (58%) of 2,031 nonorganizational user accounts were inactive for greater than 18 months, ranging from 19 months to 6.6 years, with an average of 3.7 years.

SOM Technical Standard 1340.00.020.01 requires information systems automatically disable inactive internal user accounts after 60 days and nonorganizational user accounts after 18 months.

- d. Remove access in a timely manner for 4 (67%) of 6 inactive internal users who had between 100 days to 3.2 years of inactivity prior to deactivation. SOM Technical

Standard 1340.00.020.03 requires agencies to request DTMB to terminate all SOM IT system privileges within 24 hours of the time an employee, contract worker, agent, or volunteer ceases to provide services to SOM or when a change in agency or assigned work status occurs, requiring removal of the existing access.

For part a., MDOT stated DTMB MiLogin does not have controls in place to prevent Michigan.gov email addresses from registering via public and business portal addresses. For parts b., c.(1), and d., MDOT stated an oversight occurred because of partial implementation of internal controls and monitoring activities. For part c.(2), MDOT stated it did not disable inactive nonorganizational accounts because of low financial, operational, and reputational risk.

RECOMMENDATION

We recommend MDOT improve user access controls over the MUCP system.

AGENCY PRELIMINARY RESPONSE

MDOT provided us with the following response:

MDOT partially agrees with the recommendation.

MDOT agrees with subparts b through d. The Office of Business Development, in coordination with the Office of Enterprise Information Management, have either already implemented or will implement oversight and monitoring regarding access controls per SOM Technical Standard 1340.00.020.01 pertaining to the annual update and review of access agreements for user accounts, automatic disabling of inactive internal and non-organizational accounts, and timely removal of user accounts.

MDOT partially agrees with subpart a of the finding. MDOT agrees that user access request forms were not obtained for the 12 users; however, this is because these users have non-organizational access only and although they utilized a government e-mail address, they cannot access the database. Therefore, MDOT accepts the financial, operational, and/or reputational risk of not obtaining the user access request forms.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE*

The 12 internal users are subject to SOM technical standards which require a user access form indicating the level of access required for the system they are accessing. It is irrelevant the kind of access the user is granted, if they are granted system access, a user access form is required.

We considered the agency response and based on our comments above, the finding stands as written.

* See glossary at end of report for definition.

CERTIFICATION REQUIREMENTS

BACKGROUND

The SB and DBE programs are federally required programs designed to increase the participation of small businesses and other socially and economically disadvantaged business owners in federally funded MDOT projects. The SB and DBE programs are administered by MDOT's OBD.

OBD reviews applications submitted by prospective SB's and DBE's to ensure applicants meet federal eligibility requirements defined by the USDOT. SB and DBE applicants must meet all the certification criteria to participate in the programs which includes, but is not limited to, being independently owned and operated and meeting the personal asset threshold and business size requirements. DBE program applicants have similar requirements, however, the major difference is the businesses applying are owned and controlled by socially and/or economically disadvantaged individuals.

During the DBE certification process, OBD must inform the applicant within 15 days if applications are incomplete and require additional information. After OBD determines an application is complete, it has 90 days to approve or deny the application or provide notice to the applicant of a 60-day extension.

Both SB and DBE firms must recertify each year by submitting an annual affidavit declaring they continue to maintain certification eligibility.

Between October 1, 2023 and July 28, 2025 non-DBE SB firms participated in 6 MDOT projects and between October 1, 2023 and August 18, 2025, 99 different DBE firms participated in 828 unique MDOT contracts.

OBD maintains an online directory of all certified SB and DBE firms to allow MDOT and contractors to readily identify SBs and DBEs for potential subcontracting opportunities.

AUDIT OBJECTIVE

To assess OBD's compliance with selected Small Business and Disadvantaged Business Enterprise programs certification requirements.

CONCLUSION

Complied.

FACTORS IMPACTING CONCLUSION

- DBE initial compliance was appropriate, and annual recertification requirements were met for all 13 sampled Michigan DBE firms.

- Documentation was compliant and annual recertification requirements were met for all 10 sampled interstate* certified DBE firms.
- All certified SB and DBE firms were included in the MUCP online DBE directory as of September 19, 2025.

* See glossary at end of report for definition.

AGENCY PRELIMINARY RESPONSE

SMALL BUSINESS AND DISADVANTAGED BUSINESS ENTERPRISE PROGRAMS

Office of Business Development
Michigan Department of Transportation

Finding 1 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response

This section contains MDOT's preliminary response to Finding 1 and our auditor's comments providing further clarification and context where necessary.

Finding 1: Completion and timeliness of CUF forms needs improvement.

MDOT provided us with the following response:

AGENCY PRELIMINARY RESPONSE

MDOT partially agrees with the recommendation.

MDOT agrees with subparts a and c and ensuring accurate completion of Form 4109. MDOT will update Form 4109 to include that the form is due on or before submittal of the Final Estimate Submittal Form (1105). Also, MDOT will communicate and discuss the update reinforcing accurate completion of Form 4109 with the Statewide Construction Alignment Team. In addition, DBEs do not receive credit for performing CUFs; rather, prime contractors receive the credit. MDOT will accordingly clarify Form 4109 and associated procedures, as applicable.

MDOT disagrees with subparts b, d, and e because completion of Form 4109 is on or before final estimate submittal by the project engineer. In alignment with USDOT and FHWA requirements and approvals, MDOT's priority and focus on monitoring and oversight efforts are to review Form 4109 and confirm the DBE is performing a CUF and that the project engineer signature/date is on or before submittal of the Final Estimate Submittal Form 1105. The 1105 submittal is the appropriate and FHWA-approved timeframe for ensuring all Forms 4109 are submitted by the project engineer.

In addition, for subpart d, MDOT does not agree there cannot be different reviewers and signers. MDOT also does not agree office technicians cannot be at a job site, perform field work, and sign the CUF form. MDOT has field staff (typically complete top half of the form) and office staff (typically complete bottom half of the form) who have different responsibilities in the coordination and completion of CUF forms. In addition, project office staff work under the direction of the project engineer who retains all authority over the project including delegating and designating staff for specific functions.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

The 4109 CUF form should be completed while the DBE is performing its commercially useful function, as explained in the USDOT guidance, which states monitoring cannot be conducted ONLY at project closeout and trained staff must evaluate DBE's while active on the project at an early stage. Our testing utilized the date the final inspection and acceptance form 1120 was signed, which is the date certifying the project work was completed. Also, we allowed a 60-day grace period before we calculated the number of days late noted in the finding. As noted in the report, 5% of our sampled inspections were completed AFTER the project completions date. Once a project is completed the reviewer/signer of the CUF form cannot attest they actually observed the DBE perform its CUF because the work was already completed.

MDOT's Construction Manual clearly states under the DBE section, tasks related to DBE oversight are to be completed on all federally funded projects which includes monitoring and documenting CUF compliance (form 4109) during construction operations. Further, the Final Estimate Submittal form is a formality for financially closing out the contract and can take weeks to months to complete, which is long past the final inspection of the MDOT project.

According to USDOT's CUF form, from which MDOT's 4109 form is derived, there is only one section for a printed name and signature.

Section III - CUF Determination

Based on the observations reported in this document, including relevant attachments, I affirm that the participation of the DBE entered at the top of this form has been counted in accordance with 49 CFR §26.55, and accurately reflected in our agency's reporting system.

Reviewer Signature: Date:

Printed Name and Title of Reviewer:

Determination Comments:

This form indicates the printed name and title of the reviewer and their signature is one and the same, not different individuals. If the form was intended to be completed and signed by different individuals the form would have indicated as such. Also, It does not make sense for an individual to sign the 4109 form attesting to someone else's observations. Additionally, 10 (25%) of the 40 sample items we reviewed did have the same reviewer and signer.

We requested the credentials of the office technician on several occasions, for which MDOT could only provide completed training for office administration tasks. It is not appropriate to require an untrained technician, who may not be in a position to attest to or question the actions of a more senior and qualified engineer. In such situations the signature appears to be pro forma in nature.

We considered the agency response and based on our comments above, the Finding stands as written.

[Go Back to Finding 1](#)

[Go to Finding 2](#)

SMALL BUSINESS AND DISADVANTAGED BUSINESS ENTERPRISE PROGRAMS

Office of Business Development
Michigan Department of Transportation

Finding 2 Agency Preliminary Response and Auditor's Comments to Agency Preliminary Response

This section contains MDOT's preliminary response to Finding 2 and our auditor's comments providing further clarification and context where necessary.

Overall Auditor's Comment

MDOT procures contracts for MDOT let projects worth billions of dollars in State and federal funding, and as such, should require an annual, written attestation from its employees relating to conflicts of interest. Doing so will help ensure financial impartiality, avoid the appearance of preferential treatment, and help protect MDOT and the State of Michigan from legal and financial penalties. Transactions related to the expenditure of public funds require the highest degree of public trust and an impeccable standard of conduct. The general rule is to strictly avoid any conflict of interest or even the appearance of a conflict of interest in Government-contractor relationships.

Finding 2: Conflict of interest disclosures need to be completed annually.

MDOT provided us with the following response:

AGENCY PRELIMINARY RESPONSE

MDOT disagrees with the recommendation.

Per Civil Service Commission Rule 2.8, an appointing authority has the ability to establish its procedures, forms, and times of disclosure, and MDOT, in coordination with its appointing authority, has an annual process for conflict of interest disclosures and also a process for positive and negative confirmation for employees at the time of hire.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

MDOT's annual conflict of interest process is to email its Form 0039 to its employees in February each year. Employees sign, date, and return the form **only** if a conflict of interest exists. Therefore, if MDOT never receives a signed and dated form, it **assumes** negative assurance from the employee, meaning MDOT believes the employee does not have a conflict even though it received nothing from the employee. However, MDOT cannot attest its employees received or opened the annual email as evidence of negative assurance.

Further, MDOT's positive and negative confirmation at the time of hire refers to the disclosure of interest form CS-1783 which employees complete upon initial hiring.

CS-1783
Rev 4/2004

State of Michigan
Department of Civil Service
400 South Pine Street
P.O. Box 30002
Lansing, Michigan 48909

Disclosure of Interest

Employee's Name: _____
(Please print or type)

I hereby certify that I have been notified that I must disclose potential conflicts of interest at least annually under Civil Service Commission Rule 2-8 and relevant departmental work rules and directives. I also certify that:

☐ Neither I nor any member of my immediate family* has any personal or financial interest in any business or entity with which I have direct contact while performing official duties as a classified employee.

OR

☐ I, or a member of my immediate family, have personal or financial interests in a business or entity with which I have direct contact while performing official duties as a classified employee, as summarized below:

Should my assignment, my interests, or the interests of my immediate family members change so that this no longer is accurate, I will submit the new information for review to my appointing authority within 14 calendar days.

Employee's Signature: _____

Date Signed: _____

*Immediate family means your grandparent, parent, parent-in-law, stepparent, sibling, spouse, child, or stepchild.

As noted in the Finding, for the 22 employees we reviewed, on average it has been over 17 years since MDOT received an annual, signed conflict of interest disclosure from its employees, with 6 of these employees not having signed a disclosure anywhere between 25 and 37 years.

Civil Service Commission Rule 2-8.7 states an appointing authority (MDOT) may issue agency work rules or other written directives to define, implement, and enforce ethical standards. MDOT can establish ethical standards for employees which are **stricter** than the basic standards established in this rule and the regulations. However, MDOT's ethical standards are inappropriately weaker than the civil service rule.

We considered the agency response and based on our comments above, the Finding stands as written.

[Go Back to Finding 2](#)

[Go to Finding 3](#)

PROGRAM DESCRIPTION

MDOT was organized under Sections 16.450 - 16.458 of the *Michigan Compiled Laws* (sections of the Executive Organization Act of 1965). The State Transportation Commission establishes policy for MDOT and is made up of six members who are appointed by the Governor with the advice and consent of the Senate. The MDOT director, who is appointed by the Governor, is responsible for administering and executing the policies established by the State Transportation Commission. MDOT's mission is serving and connecting people, communities, and the economy through transportation.

The SB and DBE programs are federally mandated programs, established by federal regulation 49 *CFR* 26.55(c)(1), which is designed to ensure fair contracting opportunities for small businesses and socially and economically disadvantaged businesses, on federally funded highway, transit, and airport projects. SB and DBE objectives strive to level the playing field and help small, socially and economically disadvantaged firms develop the ability to compete in their industry. Both programs are administered by MDOT's OBD.

OBD expended \$3.8 and \$3.2 million on salaries, wages, and administrative costs in fiscal years 2024 and 2025, respectively.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the policies and procedures, documentation, and IT systems of the SB and DBE programs. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2023 through November 30, 2025.

METHODOLOGY

We conducted a preliminary survey of the SB and DBE programs. During our preliminary survey, we:

- Interviewed OBD management and staff to gain an understanding of their responsibilities and policies and procedures regarding the SB and DBE programs.
- Reviewed applicable federal laws and MDOT policies and procedures.
- Obtained an understanding of and assessed internal control applicable to OBD and the SB and DBE programs.

OBJECTIVE 1

To assess the effectiveness of OBD's administration of the Small Business Program and Disadvantaged Business Enterprise Program.

To accomplish this objective, we:

- Requested the applicable 42 conflict of interest annual disclosure forms to determine if each employee had a signed annual disclosure on file for fiscal years 2024 and 2025.

* See glossary at end of report for definition.

- Randomly sampled 40 of 885 completed MDOT projects, between October 1, 2023 through August 27, 2025 where a DBE was contracted to perform a CUF, to determine if the CUF form was appropriately signed and completed in a timely manner.
- Compared Michigan's DBE participation goals to those in surrounding states.
- Judgmentally selected 1 of 4 high-usage DBE prime/subprime contract combinations, between October 1, 2023 and September 18, 2025, to determine the possible existence of a conflict of interest.
- We reviewed all 24 SB non-DBE firms, approved between August 29, 2024 and July 16, 2025, to determine whether applications were processed in a timely manner.
- Randomly sampled 18 of 48 and reviewed 11 biweekly procurement card cycles from two cardholders, between September 30, 2023 and July 19, 2025, to determine if the purchases were approved and supported by appropriate documentation.
- Obtained and reviewed OBD's list of training provided during the audit period to determine whether OBD offered training to SBPs and DBEs throughout the audit period.
- Randomly sampled 10 of 157 DBE expense reimbursements, between October 1, 2023 through August 22, 2025, to determine if OBD:
 - Obtained appropriate documentation.
 - Properly approved the reimbursement requests.
 - Reimbursed DBEs for the proper amount.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations. We judgmentally selected our samples based on contractor size, therefore, we could not project the results to the entire population.

OBJECTIVE 2

To assess the effectiveness of selected OBD access controls over the Michigan Unified Certification Program (MUCP) system.

To accomplish this objective, we:

- Obtained and reviewed 2,086 MUCP users (54 internal and 2,032 nonorganizational users), as of November 25, 2025, to determine if:
 - Both internal and nonorganizational user account access was disabled after 65 days and 19 months, respectively.

- Internal user accounts were removed in a timely manner.
- Reviewed access request forms for the 54 internal MUCP users during our audit period.

OBJECTIVE 3

To assess OBD's compliance with selected Small Business and Disadvantaged Business Enterprise programs certification requirements.

To accomplish this objective, we:

- Randomly sampled 10 of 220 interstate-certified DBE firms, active as of August 27, 2025, to determine the completeness of the home-state certification documentation.
- Randomly sampled 10 of 292 Michigan-certified DBE firms, active as of August 27, 2025, and reviewed the initial certification and recertification documentation to determine whether OBD properly approved certifications and recertifications during the audit period.
- Randomly sampled 3 of 24 SB non-DBE certified firms active as of August 27, 2025 and reviewed initial certification and recertification documentation to determine whether OBD properly approved certifications and recertifications during the audit period.
- Compared MUCP DBE data to the public online DBE directory listing, as of September 19, 2025, to determine if the available online DBE listing was complete and accurate.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 3 findings and 3 corresponding recommendations. MDOT's preliminary response indicates it partially agrees with 2 of the recommendations and disagrees with 1 of the recommendations.

* See glossary at end of report for definition.

The agency preliminary response following each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* requires an audited agency to develop a plan to comply with the recommendations and submit it to SBO upon audit completion. The State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) requires the audited agency to develop the plan as early as practicable and within 60 days after report issuance and submit the plan to OIAS, SBO. Within 30 days of receipt, OIAS will either accept the plan as final or contact the agency to take additional steps to finalize the plan.

PRIOR AUDIT FOLLOW-UP

The following is the status of the reported findings from our December 2020 performance audit of the [Disadvantaged Business Enterprise Program](#), Office of Business Development, Michigan Department of Transportation (591-0351-20):

<u>Prior Audit Finding Number</u>	<u>Prior Finding Classification</u>	<u>Topic Area</u>	<u>Current Status</u>	<u>Current Finding Number</u>
1	Reportable	Improvements needed in preparing and completing CUF review forms.	<u>Rewritten*</u>	1
2	Reportable	Improved controls needed over the MUCP system.	Rewritten	3

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

access controls	Controls protecting data from unauthorized modification, loss, or disclosure by restricting access and detecting inappropriate access attempts.
advertised	Placed on the bid-letting information page of MDOT's website.
auditor's comments to agency preliminary response	Comments the OAG includes in an audit report to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
Code of Federal Regulations (CFR)	The codification of the general and permanent rules published by the departments and agencies of the federal government.
commercially useful function (CUF)	A function performed by a DBE when it is responsible for executing the contracted work of a contract and is carrying out its responsibilities by performing, managing, and supervising the work involved. To perform a CUF, the DBE must also be responsible, with respect to materials and supplies used on the contract, for negotiating price, determining quality and quantity, ordering the material, installing (where applicable), and paying for the material itself.
CST	contract selection team.
DDOT	Detroit Department of Transportation.
Disadvantaged Business Enterprise (DBE)	A for-profit small business concern: (1) that is at least 51% owned by one or more individuals who are both socially and economically disadvantaged or, in the case of a corporation, in which 51% of the stock is owned by one or more such individuals; and (2) whose management and daily business operations are controlled by one or more of the socially and economically disadvantaged individuals who own it.
effectiveness	Success in achieving mission and goals.
interstate	Existing between, or in relation to, two or more states.

IT	information technology.
material condition	A matter, in the auditor's judgment, which 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.
MUCP	Michigan Unified Certification Program.
OBD	Office of Business Development.
OIAS	Office of Internal Audit Services.
performance audit	An audit which 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.
prime contractor	The primary business entity which holds a direct, official contract with MDOT to execute and deliver a transportation construction or infrastructure project.
procurement	The act of obtaining a contractor to perform duties to complete a specific job.
reportable condition	A matter, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
rewritten	The recurrence of similar conditions reported in a prior audit in combination with current conditions warranting the prior audit recommendation to be revised for the circumstances.

SB	Small Business.
SBO	State Budget Office.
SOM	State of Michigan.
USDOT	United States Department of Transportation.

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