



# OAG

Office of the Auditor General

## Report Summary

### Performance Audit

### *Office of Rail (OOR)*

### *Michigan Department of Transportation (MDOT)*

**Report Number:**  
**591-0195-26**

**Released:**  
**October 2026**

OOR is responsible for the management of 665 miles of State-owned rail lines, helping assure safety of more than 4,500 public at-grade railroad crossings, and supporting freight rail economic development and passenger rail services. OOR works in collaboration with federal and private entities to ensure Michigan's rail system meets the economic needs of the State and is safe for the motoring public, rail passengers, and railroad employees. OOR incurred expenditures of \$85.9 million in fiscal year 2025 and \$12.4 million from October 1, 2025 through February 28, 2026. Fiscal year 2025 included \$44.4 million in Amtrak-related expenditures.

| Audit Objective                                                                                                                                                                                                                                                                                           |                           |                             | Conclusion                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------|-----------------------------|
| Objective 1: To assess the sufficiency of the Office of Rail's efforts to maintain and improve Michigan's rail system.                                                                                                                                                                                    |                           |                             | Sufficient, with exceptions |
| Findings Related to This Audit Objective                                                                                                                                                                                                                                                                  | <u>Material Condition</u> | <u>Reportable Condition</u> | Agency Preliminary Response |
| OOR had not fully developed and implemented policies and procedures documenting many of its operational responsibilities and associated <u>internal controls</u> ( <u>Finding 1</u> ).                                                                                                                    | X                         |                             | Agrees                      |
| OOR did not pay invoices in a timely manner for consultant services and local and trunkline crossing improvement and repair projects. It also miscalculated the retainage amount for 7 Freight Economic Development Program (FEDP) contracts resulting in overpayments of \$208,000 ( <u>Finding 2</u> ). |                           | X                           | Agrees                      |
| Annual conflict-of-interest disclosure forms were not completed for all 10 of the sampled MDOT employees to help ensure the employees are not biased, in fact or appearance, when hiring contractors and awarding grants and loans ( <u>Finding 3</u> ).                                                  |                           | X                           | Disagrees                   |

| Audit Objective                                                                                                                                                                               |                    |                      | Conclusion                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|-----------------------------|
| Objective 2: To assess the <u>effectiveness</u> of the Office of Rail's efforts to monitor contractor's performance related to the delivery of passenger rail service.                        |                    |                      | Moderately effective        |
| Findings Related to This Audit Objective                                                                                                                                                      | Material Condition | Reportable Condition | Agency Preliminary Response |
| OOR did not ensure it received invoices for the State-supported services operating contract in a timely manner, which could result in penalties for each month past due ( <u>Finding 4</u> ). |                    | X                    | Agrees                      |
| See <u>Finding 3</u> .                                                                                                                                                                        | Not applicable.    |                      |                             |

| Audit Objective                                                                                                                                                                                                                                                                                          |                    |                      | Conclusion                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|-----------------------------|
| Objective 3: To assess the sufficiency of the Office of Rail's efforts to ensure the safety of crossings within Michigan's rail system.                                                                                                                                                                  |                    |                      | Sufficient, with exceptions |
| Findings Related to This Audit Objective                                                                                                                                                                                                                                                                 | Material Condition | Reportable Condition | Agency Preliminary Response |
| OOR did not verify corrective action was completed by the due date for 1,169 (55%) of 2,124 maintenance deficiencies at public at-grade highway railroad crossings. Timely correction of maintenance deficiencies helps maintain the safety and confidence of the traveling public ( <u>Finding 5</u> ). |                    | X                    | Partially Agrees            |
| See ( <u>Finding 1</u> ).                                                                                                                                                                                                                                                                                | Not applicable.    |                      |                             |
| See ( <u>Finding 3</u> ).                                                                                                                                                                                                                                                                                | Not applicable.    |                      |                             |

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