

City of Detroit

OFFICE OF THE AUDITOR GENERAL



**Audit of the Department of Public Works
Major Street Construction and Repair
Projects**

July 2007 – June 2011



City of Detroit
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LOREN E. MONROE, CPA
AUDITOR GENERAL

MEMORANDUM

DATE: April 3, 2012

TO: Honorable City Council

FROM: Loren E. Monroe, CPA *Loren E. Monroe*
Auditor General

RE: Audit of the Department of Public Works Major Street Construction and Repair Projects

C: Mayor Dave Bing
Ron Brundidge, Director
Chris Brown, Chief Operating Officer
Cheryl Johnson, Group Executive/Finance Director

Attached for your review is our report on the Audit of the Department of Public Works Major Street Construction and Repair Projects. This report contains our audit purpose, scope, objectives, methodology, and conclusions; background; and recommendation. This audit report does not include any findings.

Responsibility for the installation and maintenance of the system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Department of Public Works and the Finance Department. Responsibility for monitoring the implementation of recommendations is set forth in Section 7.5-105(4) of the City Charter, which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the employees of the Department of Public Works for their cooperation and assistance extended to us during this audit.

Copies of all of the Auditor General's reports can be found on our website at www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral/tabid/2517/Default.aspx

Audit of the Department of Public Works
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CONTENTS

	<u>Page</u>
AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS	1
BACKGROUND	3
AGENCY RESPONSE	
Department of Public Works	ATTACHMENT A

AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

Audit Purpose

The Office of the Auditor General's (OAG) performed the Audit of the Department of Public Works (DPW) Major Street Construction and Repair Projects in accordance with the OAG's Charter mandate to investigate the administration and operation of any City agency and report findings and recommendations to the City Council and the Mayor.

Audit Scope

The scope of this audit was an independent review and assessment of the effectiveness and efficiency of the DPW's management of major street construction and repair projects during the period of July 1, 2007 through June 30, 2011.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

Audit Objectives

The objectives of the audit were:

- To determine if the DPW is effective and efficient in its management of major street construction and repair projects, and
- To determine if the DPW is developing adequate staff to monitor street construction and repair projects.

Audit Methodology

To accomplish the audit objectives, our audit work included:

- A selection of a sample of major street construction and repair projects;
- Observations of conditions of a sample of major streets in Detroit;
- Interviews with representatives of Michigan Department of Transportation and Detroit Department of Public Works;
- A risk assessment of processes for selecting major street construction and repair projects and for monitoring work done on streets;
- A review of standard specifications for paving and related construction;
- A review of street and alley standard plans; and
- Reviews of file documentation related to major street construction and repair projects.

Conclusions

Based on our audit, we have concluded the following:

- DPW is effective in its management of major street construction and repair projects.
- We could not determine if DPW is efficient in its management of major street construction and repair projects. DPW does not have a written strategic plan or similar supporting documentation from which to evaluate the methodology (including factors) it uses in selecting major streets for construction or repair to optimize its resources for street projects.
- The Department of Public Works is developing adequate staff to monitor street construction and repair projects.

Recommendation

We recommend the DPW document its approach (including factors consider) in selecting streets to construct or repair.

BACKGROUND

The Department of Public Works (DPW) is mostly a special revenue agency. Its mission is to provide excellence in the delivery of essential environment and infrastructure services, thereby ensuring a safe and clean environment for its customers in a cost-effective manner. The DPW, according to the 2010-2011 adopted budget, has 655 positions, and is composed of five divisions: Administration, Traffic Engineering, Solid Waste, Street Maintenance, and City Engineering. Its fiscal year 2010-2011 goals were to:

- Provide optimum municipal solid waste management in a fiscally and environmentally responsible way resulting in a cleaner and greener City;
- Provide high quality, cost-effective design, engineering and construction services in City right-of-ways; and
- Provide quality, cost-effective and timely services for safe and expeditious flow of traffic in the City's right-of-way.

The audit focused on the DPW's street construction and repair projects that the Michigan Department of Transportation seeks bids from contractors to complete the projects. The Office of the Auditor General only audited major street projects, not any residential (local) street projects. Monies to fund the projects are gas and weight tax and grants and are included in the Major Street Fund, which is a special revenue fund.

The combined budgets of the Local and Major Street Funds for each fiscal year in the audit period is included in the following table:

	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011
Expenditures	\$67,636,400	\$66,288,660	\$69,609,000	\$60,403,707
Revenues	\$67,636,400	\$66,288,660	\$69,609,000	\$60,403,707
Positions	299	295	291	259

DPW Engineering Division is responsible for street construction and repair projects and 684 miles of major roadway in Detroit.



CITY OF DETROIT
DEPARTMENT OF PUBLIC WORKS
ADMINISTRATION DIVISION

ATTACHMENT A

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March 27, 2012

Mr. Loren E. Monroe, CPA
Auditor General
2 Woodward Avenue, Suite 208
Detroit, Michigan 48226

Re: Audit of the Department of Public Works Street Construction and Repair Projects
(Revised Draft # 4)

Dear Mr. Monroe:

The Department of Public Works has reviewed your office's audit, which according to the fourth version of the submitted report had an Audit Scope to provide "an independent review and assessment of the effectiveness and efficiency of the DPW's management of major street construction and repair projects during the period of July 1, 2007 through June 30, 2011".

Specifically, the final report indicated that the Audit Objectives were to (1) determine if DPW was effective and efficient in our management of major street construction and repair projects, and to (2) determine if DPW was adequately developing staff to monitor its street construction and repair projects.

Per the report, your office concluded that DPW was effective in its management of major street construction and repair project and that DPW was developing adequate staff to monitor street construction and repair projects successfully.

However your report also states that your staff was unable to determine if DPW was "efficient" in its management of major street construction and repair projects, with a recommendation that we document our approach for selecting streets to repair and list the factors that are taken into consideration when selecting streets for improvement. **It is this portion of your conclusion to which I take exception.**

I attended exit conferences with representatives of your office on two (2) separate occasions, and during each meeting we explained in detail how roads are selected and how we determine the type and level of repair that we provide. In addition, we explained in detail our process for performing the work, including how and why it is managed, funded, and constructed that it is. It was my expectation after our exit meetings, that your auditors would have determined that we are efficient in our selection process and the overall management of our road construction projects.

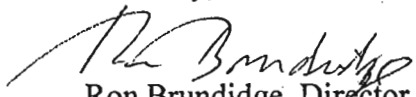


Furthermore, I cannot fathom how your auditors can come to the conclusion that DPW is effective in its management of construction projects, but not determine if we're efficient simply because we did not have a 'written strategic plan'.

During each exit meeting, I acknowledged that DPW did not have a "written" strategic plan, however we explained in detail the procedures and processes that we have in place which dictate how we efficiently select and perform this work.

While I have no objection to your recommendation that DPW document its approach to selecting streets, it is my desire and expectation that your conclusion be reassessed as it relates to our departmental efficiency in our approach to providing major street construction and repair projects services.

Sincerely,


Ron Brundidge, Director
Department of Public Works

Cc: A. Jordan
J. Abraham
R. Doherty
M. Lockridge
C. Palm