

EXECUTIVE DIGEST

USE OF TRANSPORTATION-RELATED FUNDING

INTRODUCTION

This report contains the results of our financial related audit* of the Use of Transportation-Related Funding for the period October 1, 1998 through September 30, 1999.

AUDIT PURPOSE

This financial related audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial related audits are conducted at various intervals to provide for enhanced financial reporting of significant State programs and/or activities and to complement the annual audit of the State's financial statements.

Also, this audit is mandated by Section 306, Act 309, P.A. 1998, which was approved on July 27, 1998. This section requires the Auditor General to conduct an audit of fiscal year 1998-99 charges to transportation funds by State agencies. The report shall include recommendations and conclusions, including a list of services charged to the transportation funds, the appropriateness of the charges, and the cost allocation methodologies.

This audit report addresses State agencies' charges to the transportation funds as submitted on their annual reports of transportation funds used pursuant to Section 505, Act

309, P.A. 1998, and charges and operating transfers among transportation funds. The Michigan Transportation Fund made \$879.6 million in grant payments in fiscal year 1998-99 to the counties, cities, and villages for highway purposes, which were not included in the scope of this audit.

BACKGROUND

Appropriations acts require State agencies that receive transportation-related funding for providing tax and fee collection and other services for transportation funds to contract with the Michigan Department of Transportation. The contracts must include estimated costs to be recovered from transportation funds, a description of the services financed by transportation funds, and cost allocation methods and rationale for the portion of costs allocated to transportation funds. These agencies are also required to annually report the amount of funding contracted for, expended, and returned to the transportation funds.

The Michigan Department of Transportation accounted for \$902,738,999 in operating transfers among transportation funds and other State agencies accounted for \$61,695,232 of the \$964,434,231 in total transportation-related funding expended during fiscal year 1998-99 (see the summary of reported transportation funds used and the summary of charges and operating transfers among transportation funds, presented as supplemental information).

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To determine the adequacy of the cost allocation methodologies used to identify transportation-related costs and the appropriateness of charges to transportation funds.

Conclusion: Of the 10 agencies that received transportation funding, 8 agencies (the Departments of State, Management and Budget, Attorney General,

Civil Service, Environmental Quality, Natural Resources, and Transportation and the Office of the Auditor General) had complied with the appropriations acts by applying adequate cost allocation methodologies to identify transportation-related costs. However, our audit disclosed a reportable condition* involving the other 2 agencies (the Department of Treasury and the Michigan Department of State Police), which had not followed appropriate cost allocation methodologies (Finding 1).

Audit Objective: To determine whether unused transportation fund appropriations were returned to the appropriate transportation fund.

Conclusion: All the agencies had returned their unused transportation fund appropriations for fiscal year 1998-99 to the appropriate transportation fund.

Audit Objective: To determine compliance with contractual and reporting requirements for transportation-related funding as prescribed by the appropriations acts.

Conclusion: All State agencies reviewed had executed the required contracts with the Michigan Department of Transportation for fiscal year 1998-99. However, our audit disclosed a reportable condition regarding an appropriations act requirement (Finding 2).

AUDIT SCOPE

Our audit scope was to examine the financial and other records supporting transportation-related costs and charges to transportation funds for the period October 1, 1998 through September 30, 1999. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records

and such other auditing procedures as we considered necessary in the circumstances, except that we were not independent in our audit of the Office of the Auditor General.

In connection with our audit, we compiled supplemental information about the agencies' use of transportation-related funding based on information provided by the agencies and the Michigan Department of Transportation. Our audit was not directed toward expressing an opinion on the supplemental information and, accordingly, we express no opinion on it.

**PRIOR AUDIT
FOLLOW-UP**

The audited agencies complied with 2 of the 5 prior audit recommendations. We are repeating the recommendations that were not complied with in this report.