

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, 1999 through September 30, 2000.

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 136, P.A. 1999, which was approved by the Governor on July 27, 1999. This section mandates that the Auditor General conduct an audit of fiscal year 1999-2000 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-related funding used pursuant to Section 505, Act 136, P.A. 1999, and charges and

operating transfers among transportation funds. The Michigan Transportation Fund made \$901,701,721 in grant payments in fiscal year 1999-2000 to the counties, cities, and villages for highway purposes, which were not included in the scope of this audit.

BACKGROUND

Act 136, P.A. 1999, requires 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 (MDOT). 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.

MDOT accounted for \$924,782,670 in operating transfers among transportation funds and other State agencies accounted for \$66,468,937 of the \$991,251,607 in total transportation-related funding expended during fiscal year 1999-2000 (see the summary of annual reports of transportation-related funding 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-related funding, 7 agencies (the Departments of State, Management and Budget, Civil Service, Environmental Quality, Natural Resources,

and Treasury 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 3 agencies (the Departments of State Police, Attorney General, and Transportation) regarding cost allocation methodologies (Finding 1). Our recently issued performance audit report entitled "Services Provided to Local Road Agencies" (59-132-01), issued in November 2001, also provides more detailed information related to Finding 1 of this report.

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

Conclusion: All the agencies had returned their unused transportation funds' appropriations for fiscal year 1999-2000 to the appropriate transportation funds.

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 MDOT for fiscal year 1999-2000. However, our audit disclosed reportable conditions regarding annual contracts and proper reporting (Findings 2 and 3).

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, 1999 through September 30, 2000. 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 MDOT. Our audit was not directed toward expressing an opinion on the supplemental information and, accordingly, we express no opinion on it.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report includes 3 findings and 4 corresponding recommendations. The State Budget Office responded that it would consider the recommendations.

Two of the 3 prior audit recommendations were repeated in this report. The third recommendation was no longer applicable.