PERFORMANCE AUDIT
OF THE

USE OF TRANSPORTATION-RELATED FUNDING

February 2005

07-629-05

"...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof."

– Article IV, Section 53 of the Michigan Constitution

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Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit

Use of Transportation-Related Funding

Report Number:
07-629-05

Released:
February 2005

Act 561, P.A. 2002, 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). These agencies are also required to annually report the amount of funding contracted for, expended from, and returned to the transportation funds. The Office of the Auditor General is required to report to the Legislature on the charges to transportation funds by State agencies.

Background:

In fiscal year 2002-03, Act 561, P.A. 2002, appropriated transportation-related funding to the following State agencies: the Departments of State, Treasury, Management and Budget, State Police, Civil Service, Attorney General, Environmental Quality, and Transportation and the Office of the Auditor General. Additional transportation-related funds were also provided to the following agencies per Section 504(4), Act 561, P.A. 2002: the Department of Information Technology; the Michigan Economic Development Corporation; the Department of History, Arts and Libraries; and the Department of Natural Resources.

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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.

Audit Conclusion:

We determined that 7 of the 8 State agencies that were appropriated transportation-related funding by Section 504(3), Act 561, P.A. 2002, had adequate cost allocation methodologies to identify transportation related costs. We also determined that 12 of the 13 State agencies receiving transportation funds made appropriate charges in accordance with contracts to transportation funds. However, our audit disclosed a reportable condition regarding MDOT's review and approval of State agencies' cost allocation methodologies and the Department of Treasury's cost allocation methodology and incorrect calculation of transportation-related charges for the State Aeronautics Fund (Finding 1).

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Audit Objective:

To determine whether unused transportation funds' appropriations were returned to the appropriate transportation fund.

Audit Conclusion:
We determined that all the State agencies had returned their unused transportation fund appropriations for fiscal year 2002-03 to the appropriate transportation fund.

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

Audit Conclusion:
We determined that all 12 State agencies that were provided transportation-related funding had executed the required contracts with MDOT for fiscal year 2002-03. However, only 10 of the 12 State agencies submitted an annual report as required by the appropriations act. Our audit disclosed a reportable condition regarding proper reporting (Finding 2).

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Agency Response:
MDOT and the Department of Treasury responded that they agree with the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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AUDITOR GENERAL

February 23, 2005

The Honorable Shirley M. Johnson, Chair
Senate Appropriations Committee
Michigan Senate
and
The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Dear Senator Johnson and Representative Hummel:

This is our report on the performance audit of the Use of Transportation-Related Funding by the Departments of State, Treasury, Management and Budget, State Police, Civil Service, Attorney General, and Environmental Quality and the Office of the Auditor General and by the Department of Information Technology, the Michigan Economic Development Corporation, the Department of History, Arts and Libraries and the Mackinac Island State Park Commission, and the Department of Natural Resources, as required by Section 306, Act 561, P.A. 2002.

This report contains our report summary; description of funding requirements; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; detailed review comments by agency, central support allocated costs, and transportation-related spending by State agencies, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agencies' responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agencies develop a formal response within 60 days after release of the audit report.

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

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Funding Requirements

Act 561, P.A. 2002, requires State agencies that receive transportation-related funding per interdepartment and statutory contracts 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. Section 504(3) of the Act requires these agencies to annually report the amount of funding contracted for, expended from, and returned to the transportation funds. In fiscal year 2002-03, transportation-related funding of $111.1 million was appropriated with interdepartmental grants to the following 8 State agencies: the Departments of State, Treasury, Management and Budget, State Police, Civil Service, Attorney General, and Environmental Quality and the Office of the Auditor General.

Section 504(4) of the Act allows MDOT to receive billings from other State agencies that provide transportation-related services and to make payments from the transportation funds as determined by MDOT based on allowable expenditures and verification by MDOT. In fiscal year 2002-03, transportation-related funding of $36.2 million was provided to 13 agencies in total, including the preceding 8 State agencies and the following additional 4 State agencies per Section 504(4) of the Act: the Department of Information Technology; the Michigan Economic Development Corporation; the Department of History, Arts and Libraries; and the Department of Natural Resources. In addition, in fiscal year 2002-03, transportation-related funding of $3.5 million was provided to MDOT for its central support allocated costs.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Use of Transportation-Related Funding had the following objectives:

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

2. To determine whether unused transportation funds' appropriations were returned to the appropriate transportation fund.

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

Audit Scope

Our audit was required by Section 306, Act 561, P.A. 2002. Our audit scope was to examine the records supporting transportation-related costs and charges to transportation funds. 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 regards to 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 (MDOT). Our audit was not directed toward expressing an opinion on the supplemental information and, accordingly, we express no opinion on it.

Audit Methodology

Our audit procedures, conducted during April through October 2004, included examination of records and activities for the period October 1, 2002 through September 30, 2003.

* *See glossary at end of report for definition.*

To determine the adequacy of the cost allocation methodologies used to identify transportation-related costs and the appropriateness of charges to transportation funds, we examined the 8 State agencies' processes for allocating costs to MDOT. Also, we verified that costs were appropriate charges to transportation funds and in compliance with the State agencies' contracts with MDOT. These procedures were conducted for the 8 agencies that received funding from Section 504(3), Act 561, P.A. 2002.

To determine whether unused transportation funds' appropriations were returned to the appropriate transportation fund, we reviewed the State agencies' actual charges for services provided to transportation funds. We examined the State's accounting records to verify the return of unused funds. These procedures were conducted for all 13 agencies (including MDOT) that received funding from Section 504(4), Act 561, P.A. 2002.

To determine compliance with contractual and reporting requirements for transportation-related funding as prescribed by the appropriations acts, we reviewed the contracts with MDOT for the 12 State agencies' (excluding MDOT) and verified that the required reports were submitted to the Department of Management and Budget in compliance with Act 561, P.A. 2002.

Agency Responses and Prior Audit Follow-Up

Our audit report includes 2 findings and 3 corresponding recommendations. MDOT and the Department of Treasury responded that they agree with the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agencies' written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the audited agencies to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior financial related audit of the Use of Transportation-Related Funding (#0762904) in March 2004. Within the scope of this audit, we followed up all 3 prior audit recommendations. One of the 3 prior audit recommendations was complied with and 2 recommendations were rewritten for inclusion in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

COST ALLOCATION METHODOLOGIES AND TRANSPORTATION FUNDS' CHARGES

COMMENT

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: We determined that 7 of the 8 State agencies that were appropriated transportation-related funding by Section 504(3), Act 561, P.A. 2002, had adequate cost allocation methodologies to identify transportation-related costs. We also determined that 12 of the 13 State agencies receiving transportation-related funding made appropriate charges in accordance with contracts to transportation funds. However, our audit disclosed a reportable condition* regarding the Michigan Department of Transportation's (MDOT's) review and approval of State agencies' cost allocation methodologies and the Department of Treasury's cost allocation methodology and incorrect calculation of transportation-related charges for the State Aeronautics Fund (Finding 1).

FINDING

1. **Cost Allocation Methodologies**

   MDOT did not review and approve each detail cost allocation methodology used by other State agencies to ensure that the types of services provided were appropriate charges to transportation funds. In addition, the Department of Treasury did not implement an adequate cost allocation methodology and did not properly calculate transportation-related charges for the State Aeronautics Fund.

   Section 504, Act 561, P.A. 2002, requires annual contracts between MDOT and the State agencies that were appropriated and transferred amounts for providing services applicable to transportation funds. The contracts shall include the estimated costs, description of services provided, and detailed cost allocation methods that are appropriate to the type of services provided and supporting rationale for the portion of costs allocated to transportation funds.

* *See glossary at end of report for definition.*

Act 561, P.A. 2002, appropriated interdepartmental grants totaling $120.7 million to 8 State agencies that utilized transportation funds during fiscal year 2002-03. We reviewed the contracts between MDOT and these 8 State agencies (see the detailed review comments by agency, presented as supplemental information). Our review noted:

a. Four of the agencies with appropriations totaling $108.3 million did not include detailed cost allocation methods in their contracts as required by the Act. Without written detailed cost allocation methodologies, MDOT could not ensure that costs charged to the transportation funds were appropriate.

b. The Department of Treasury did not implement an adequate cost allocation methodology and, therefore, did not properly calculate transportation-related charges for the State Aeronautics Fund. The contract with MDOT did not specify a cost allocation methodology for the State Aeronautics Fund. Using the Department of Treasury's planned methodology of allocating expenditures related to the collection of transportation taxes, we estimate that the Department of Treasury overbilled the State Aeronautics Fund by $23,073.

RECOMMENDATIONS

We recommend that MDOT review and approve each detail cost allocation methodology used by other State agencies to ensure that the types of services provided are appropriate charges to transportation funds.

We also recommend that the Department of Treasury implement an adequate cost allocation methodology and properly calculate transportation-related charges for the State Aeronautics Fund.

AGENCY PRELIMINARY RESPONSE

MDOT agrees with the recommendation and will ensure that the fiscal year 2004-05 contracts contain the detail cost allocation methodologies. Each cost allocation methodology will be reviewed to ensure that the types of services provided are appropriate.

The Department of Treasury agrees with the recommendation and plans to implement the adjustments in the allocation method for the State Aeronautics Fund in fiscal year 2003-04.

UNUSED TRANSPORTATION FUNDS' APPROPRIATIONS

COMMENT

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

Conclusion: We determined that all the State agencies had returned their unused transportation fund appropriations for fiscal year 2002-03 to the appropriate transportation fund. Our report does not include any reportable conditions related to this audit objective.

CONTRACTUAL AND REPORTING REQUIREMENTS

COMMENT

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

Conclusion: We determined that all 12 State agencies that were provided transportation-related funding had executed the required contracts with MDOT for fiscal year 2002-03. However, only 10 of the 12 State agencies submitted an annual report as required by the appropriations act. Our audit disclosed a reportable condition regarding proper reporting (Finding 2).

FINDING

2. Proper Reporting

MDOT, in consultation with the Department of Management and Budget (DMB), had not developed procedures for State agencies to ensure proper and consistent annual reporting of charges to transportation funds.

Detailed reporting procedures would assist State agencies in defining which expenditures and services should be reflected in the annual reports and in determining if an annual report should be filed.

Section 504, Act 561, P.A. 2002, requires that each agency submit a written report to MDOT and the State Budget Director stating, by spending authorization account,

the amount of estimated funds contracted with MDOT, the amount of funds expended, and the amount of funds returned to the transportation funds.

In our review of transportation-related expenditures and the annual reports submitted by the agencies, we noted the following inconsistencies related to annual reports:

a. The Department of Environmental Quality did not include information technology charges of $32,927 in its annual report; however, other State agencies did include information technology charges in their annual reports.

b. Of four State agencies that were reimbursed for allowable expenditures only under Section 504(4), the Department of History, Arts and Libraries (HAL) and the Department of Information Technology (DIT) did not submit annual reports. HAL informed us that it did not submit its report as a result of executive reorganizations related to the Mackinac Island State Park Commission and records management. HAL and DIT incurred transportation-related expenditures of $24.3 million.

MDOT should establish procedures to ensure proper and consistent reporting of this financial activity. These procedures should be established in consultation with DMB because of its oversight responsibility for the State's financial activity, financial reporting, and internal control. Furthermore, DMB's Office of the State Budget is one of the primary users of the annual reports and should ensure the proper and consistent reporting necessary for the budget process.

RECOMMENDATION

We recommend that MDOT, in consultation with DMB, develop procedures for State agencies to ensure proper and consistent annual reporting of charges to transportation funds.

AGENCY PRELIMINARY RESPONSE

MDOT agrees with the recommendation. Standard report format and instructions will become part of the fiscal year 2004-05 contracts to ensure that agencies consistently report activity related to transportation funding.

SUPPLEMENTAL INFORMATION

Description of Supplemental Information

Section 1 - Detailed Review Comments by Agency

We compiled the tables in the detailed review comments by agency on pages 18 through 39 from information contained in the Michigan Administrative Information Network* (MAIN) fiscal year 2002-03 records and the Michigan Department of Transportation's (MDOT's) records related to State agencies' use of transportation-related funding. These tables include the following information:

- Contract Amount: This column includes the annually reported interagency contract amount between MDOT and the State agency. The contract amount includes amounts funded through interdepartmental grants, transfers, routine expenditure transactions, or expenditure credits.

- Expended/Encumbered: This column includes amounts reported by the State agency as expended. If the agency included encumbrances in its annual report, these amounts are also included in this column.

- Authorized But Not Used: This column includes contract amounts that were not used because the agency's expenditures were less than anticipated. If the excess was provided to the agency in the form of funding, the funding was returned to MDOT. If the amount was authorized, but no funding was transferred to the State agency, the amount in the table represents the unused authorization.

- Section 504(3) - Interdepartment and Statutory Contracts: This portion of the table represents the use of transportation funds that were appropriated to the agency in Section 103, Act 561, P.A. 2002.

- Section 504(4) - Other Miscellaneous Charges: This portion of the table represents the use of transportation funds that were not appropriated to the agency in Act 561, P.A. 2002, but were authorized by MDOT as allowable expenditures.

* *See glossary at end of report for definition.*

Section 2 - Central Support Allocated Costs

We compiled the tables presented on pages 40 through 42 from information contained in MAIN fiscal year 2002-03 records. We defined "Central Support Allocated Costs" as costs incurred by MDOT that relate to supporting departmentwide services and do not directly relate to State infrastructure project costs or local funding distributions.

Section 3 - Transportation-Related Spending by State Agencies

The supplemental information on page 43 summarizes transportation-related spending by State agencies.

DEPARTMENT OF STATE

Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount *	Expended/ Encumbered **	Authorized But Not Used *
Section 504(3) - Interdepartment and Statutory Contracts			
Michigan Transportation Fund			
Collection of taxes, fees, and other services			
Executive direction - Operations		$ 764,647	
Department services		10,523,737	
Regulatory services		6,616,313	
Customer delivery services		52,237,275	
Departmentwide		4,494,248	
Information technology		14,236,471	
Section 504(3) Total	$ 94,500,000	$ 88,872,691	$ 5,627,309
Section 504(4) - Other Miscellaneous Charges			
State Trunkline Fund			
Vehicle codebooks and service charges		$ 186	
Section 504(4) Total		$ 186	
TOTAL EXPENDED/ENCUMBERED		**$ 88,872,877**	

* The contract between the Michigan Department of Transportation and the Department of State does not include individual line item amounts.

** The Department of State included encumbrances in its annual report in accordance with Department of Management and Budget Administrative Guide procedure 1210.27, Attachment A.

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Department of State's charges to the Michigan Transportation Fund (MTF) were used to finance the collection of transportation taxes, fees, and other transportation-related services.

  The Department of State's charges to MTF were based on MTF's share of funding (funding ratio) of the appropriated expenditures. The Department calculated the amount expended consistent with prior years. Each year, the Department retains an independent consulting firm to conduct time-and-effort cost studies. These studies serve as an after-the-fact analysis to determine the full cost of services

provided by the Department and the appropriateness of MTF funding. The firm determined that the Department should have charged MTF $95,204,986 for the services provided in fiscal year 2002-03. We reviewed the firm's documentation and concluded that it supports the firm's position for fiscal year 2002-03. We determined that the Department's charges were appropriate and the cost allocation methodology was reasonable.

Status of Pending Lawsuit

County Road Association of Michigan et al v *John M. Engler et al*: On March 6, 2002, the County Road Association of Michigan and the Chippewa County Road Commission filed a complaint in Ingham County Circuit Court challenging various provisions of Executive Order No. 2001-9. The complaint consisted of five counts, one of which alleges that the State violated Article IX, Section 9 of the State Constitution by unlawfully allowing the Department of State to bill MDOT for expenses in excess of those necessary to collect motor vehicle taxes and fees.

On December 23, 2002, the trial court determined that $20 million of the disputed costs were not necessary collection expenses, and the court issued a preliminary injunction enjoining the transfer of that amount of the funds. On appeal, defendants challenged whether the trial court had abused its discretion when determining that the plaintiffs were likely to prevail on the merits and, thus, inappropriately issued the injunction. On December 10, 2003, the parties gave oral arguments in the Court of Appeals on the injunctions.

On January 13, 2004, the Court of Appeals directed the trial court on remand to modify the preliminary injunction at issue so that it applies to only the amount of $7.3 million. This amount relates to costs associated with processing automobile dealer licenses and drivers' license appeals and operating driver improvement programs. The Court of Appeals concluded that the trial court properly determined that the plaintiffs were likely to prevail on the merits with respect to only the $7.3 million of the $20 million and, therefore, had a basis for issuing the injunction.

Based on information provided by the Department of Attorney General on May 19, 2004, the State has filed an application for leave to appeal in the Michigan Supreme Court. The State seeks to appeal the decision of the Court of Appeals that barred the State from paying $7.3 million in necessary collection expenses. The County Road Association of Michigan has also filed an application for leave in the Michigan Supreme Court seeking to appeal the decision of the Court of Appeals that reversed the trial court

and allowed the State to pay $12.4 million in necessary collection expenses. If the Supreme Court does not grant leave to appeal for either party, then the decision of the Michigan Court of Appeals will stand.

Therefore, we cannot conclude as to the appropriateness of these charges until a legal determination is made as to whether the disputed costs are a necessary collection expense and, thus, an appropriate charge to the transportation funds.

DEPARTMENT OF TREASURY
Use of Transportation-Related Funding
Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered *	Authorized But Not Used
Section 504(3) - Interdepartment and Statutory Contracts			
Comprehensive Transportation Fund			
Investment services	$ 5,300	$ 5,300	
Michigan Transportation Fund			
Collection of fuel taxes	8,000,000	6,794,659	$ 1,205,341
Motor fuel diesel simplification project	225,000	225,000	
Information technology services	2,000,000	2,000,000	
State Aeronautics Fund			
Investment services	1,400	1,400	
Collection of aviation fuel taxes	62,700	62,700	
State Trunkline Fund			
Investment services	29,100	22,800	6,300
Section 504(3) Total	$ 10,323,500	$ 9,111,859	$ 1,211,641
Section 504(4) - Other Miscellaneous Charges			
Michigan Transportation Fund			
Investment services		$ 47,900	
State Aeronautics Fund			
Subscription fees		480	
State Trunkline Fund			
Manual warrant costs		146	
Subscription fees		5,386	
Section 504(4) Total		$ 53,912	
TOTAL EXPENDED/ENCUMBERED		**$ 9,165,771**	

* The Department of Treasury included encumbrances in its annual report in accordance with Department of Management and Budget Administrative Guide procedure 1210.27, Attachment A.

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Department of Treasury charged $6,794,659 for collecting fuel taxes on behalf of the Michigan Transportation Fund (MTF), $29,500 for investment services conducted on behalf of the transportation funds, and $62,700 for collecting aviation fuel tax revenues on behalf of the State Aeronautics Fund. The Department of Treasury also charged the transportation funds $2,000,000 for information

technology services and $225,000 for the motor fuel diesel simplification project on behalf of MTF.

The Department of Treasury allocated $6,794,659 of tax collection costs to MTF based on the transportation related tax collections' proportionate share to total tax collections. This allocation was based on estimated collections and costs obtained prior to fiscal year-end final amounts. We determined that the charges to MTF were appropriate and the cost allocation methodology was reasonable.

The Department of Treasury's charge of $29,500 for investment services was based on the transportation funds' proportionate share of the Department of Treasury's cost of investing activities. The Department of Treasury conducts similar services for other State special revenue funds and the allocation method used for the transportation funds was consistent with the method used for State special revenue funds. We determined that the investment services charges were appropriate and the cost allocation methodology was reasonable.

The Department of Treasury did not properly allocate costs to the State Aeronautics Fund. Therefore, we conclude that of the $64,100 charged to the State Aeronautics Fund, the Department of Treasury overbilled by $23,073 (see Finding 1).

DEPARTMENT OF MANAGEMENT AND BUDGET

Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(3) - Interdepartment and Statutory Contracts			
Comprehensive Transportation Fund			
Central support services	$ 53,500 *	$ 53,500	
State Aeronautics Fund			
Central support services	29,900 *	29,900	
State Trunkline Fund			
Central support services	1,215,300 *	1,215,300	
Section 504(3) Total	$ 1,298,700 **	$ 1,298,700	$ 0
Section 504(4) - Other Miscellaneous Charges			
Comprehensive Transportation Fund			
MAIN user charges		$ 68,100	
Michigan Transportation Fund			
MAIN user charges		231,600	
State Aeronautics Fund			
MAIN user charges		38,100	
State Trunkline Fund			
MAIN user charges		1,547,900	
Building occupancy charges		4,803,735	
Workers' compensation legal and administrative fees		262,920	
Miscellaneous operating projects' administration fees		4,430	
Section 504(4) Total		$ 6,956,785	
TOTAL EXPENDED/ENCUMBERED		**$ 8,255,485**	

* The total appropriated interdepartmental grant amount for these lines was $1,211,700; however, an additional $87,000 was collected to bring the total contract amount to $1,298,700. The Department of Management and Budget (DMB) indicated that the authorization for the additional amount collected is contained in Section 706, Act 528, P.A. 2002.

** The total amount contracted and expended for Section 504(3) includes $3,200, $1,800, and $73,200 received from the Comprehensive Transportation Fund, State Aeronautics Fund, and State Trunkline Fund respectively, for records management. The records management function was transferred to the Department of History, Arts and Libraries during fiscal year 2002-03, but it was appropriated to the Department of Management and Budget in the Michigan Department of Transportation's appropriations act.

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Department of Management and Budget's (DMB's) charges to the Comprehensive Transportation Fund, State Aeronautics Fund, and State Trunkline Fund were for central support services, such as financial management, real estate, interdepartmental mail, acquisition services - purchasing, State Employer services, and budget office services.

  For these charges, DMB uses the Statewide Cost Allocation Plan* (SWCAP) to allocate expenditures to the transportation funds. This method allocates costs based on estimated expenditures. We concluded that the types of charges were consistent with prior years and the cost allocation methodology was reasonable.

- **Section 504(4) - Other Miscellaneous Charges**

  DMB has an additional contract with the Michigan Department of Transportation (MDOT) for Michigan Administrative Information Network (MAIN) user charges. These charges are limited by the contract and are not included as part of the SWCAP calculation. We concluded that the charges were appropriate and in accordance with the contract and the cost allocation methodology was reasonable.

  DMB reported building occupancy charges to the State Trunkline Fund for all buildings occupied by MDOT personnel. For these charges, DMB uses the SWCAP to allocate expenditures to the transportation funds. This method allocates costs based on estimated expenditures. We concluded that the types of charges were appropriate and the cost allocation methodology was reasonable.

  Additional miscellaneous charges by DMB to MDOT are included in the preceding table for workers' compensation legal and administrative fees and miscellaneous operating projects' administration fees. The legal charges are for billings DMB receives from the Department of Attorney General for handling legal issues related to MDOT employee workers' compensation cases and the administrative fees are apportioned to MDOT based on MDOT's number of workers' compensation claims in relation to total workers' compensation claims for the State. Miscellaneous operating project administration fees are fees for DMB oversight on building projects for MDOT and are a straight percentage of the total cost of such projects. We concluded that these cost allocation methodologies were reasonable.

DMB also incurred an additional $481,244 in SWCAP charges that were not billed to MDOT because DMB did not seek reimbursement in excess of appropriations.

MICHIGAN DEPARTMENT OF STATE POLICE
Use of Transportation-Related Funding
Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered*	Authorized But Not Used
Section 504(3) - Interdepartment and Statutory Contracts			
State Trunkline Fund			
Motor Carrier Division	$ 7,883,200	$ 5,902,046	$ 1,981,154
Criminal Justice Information Center	336,900	321,030	15,870
Information technology	33,200	33,200	
Section 504(3) Total	$ 8,253,300	$ 6,256,276	$ 1,997,024
Section 504(4) - Other Miscellaneous Charges			
State Aeronautics Fund			
Special Operations Division		$ 60,822	
State Trunkline Fund			
Training		8,032	
Uniform Services Bureau		351,033	
Section 504(4) Total		$ 419,887	
TOTAL EXPENDED/ENCUMBERED		**$ 6,676,163**	

* The Michigan Department of State Police included encumbrances in its annual report in accordance with Department of Management and Budget Administrative Guide procedure 1210.27, Attachment A.

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Michigan Department of State Police (MSP) charged the transportation funds for the cost of services provided to the Michigan Department of Transportation (MDOT) by MSP's Motor Carrier Division and MSP's Criminal Justice Information Center (CJIC).

  The Motor Carrier Division charged $5,902,046 for enforcing State Trunkline Fund related regulations as well as other motor carrier regulations financed with motor carrier fees. This transportation-related funding was used to support 123 full-time equated employees who administered and enforced the Motor Carrier Division's programs and regulations. The Motor Carrier Division performed enforcement activities related to traffic safety, commercial vehicle regulations, and other

activities performed through weigh stations and road patrol. The Motor Carrier Division used a random moment sampling system to identify the percentage of an officer's time that is spent on general enforcement and safety inspections for its cost allocation.

MSP's CJIC charged $321,030 for the salary and wage, retirement, insurance, and other related costs of personnel who directly supported the processing of traffic accident reporting. CJIC also used funding for software, mainframe processing, data keying equipment, and related services to maintain the traffic accident records database. MSP's contract with MDOT states that costs of the traffic accident records function will be allocated between the three State departments (Department of State, MDOT, and MSP) that received and used the data produced.

MSP also charged $33,200 to MDOT for a portion of an information technology position for maintaining department computers which were used for transportation-related purposes by the Motor Carrier Division.

We concluded that the charges were appropriate and in accordance with the contract and the cost allocation methodologies were reasonable.

- **Section 504(4) - Other Miscellaneous Charges**

  MDOT also reimbursed MSP for miscellaneous charges of $351,033 for the Uniform Services Bureau, $60,822 for Special Operations Division, and $8,032 for training costs. The Uniform Services Bureau is reimbursed by MDOT for patrols of construction zone areas and Special Operations Division is reimbursed by MDOT for use of aviation fuel. These charges were authorized in the contract. Training costs were for rental fees that MDOT incurred for using the MSP academy for training and for MDOT employees attending training classes given by MSP. We determined that all of the miscellaneous charges were transportation related.

DEPARTMENT OF CIVIL SERVICE
Use of Transportation-Related Funding
Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(3) - Interdepartment and Statutory Contracts			
Comprehensive Transportation Fund			
Constitutionally required 1% funding	$ 90,000	$ 88,482	$ 1,518*
State Aeronautics Fund			
Constitutionally required 1% funding	50,000	50,285*	
State Trunkline Fund			
Constitutionally required 1% funding	2,000,000	1,973,568	26,432*
Section 504(3) Total	$ 2,140,000*	$ 2,112,335	$ 27,950
Section 504(4) - Other Miscellaneous Charges			
Comprehensive Transportation Fund			
MDOT training		$ 21,467	
MDOT flexible spending		942	
State Aeronautics Fund			
MDOT training		200	
MDOT flexible spending		678	
State Trunkline Fund			
MDOT training		441,119	
MDOT flexible spending		11,973	
Section 504(4) Total		$ 476,379	
TOTAL EXPENDED/ENCUMBERED		**$ 2,588,714**	

* The amounts granted to the Department of Civil Service for the constitutionally required 1% program are estimates and are reviewed and made current during year-end closing.

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Department of Civil Service (DCS) charged the transportation funds $2,112,335 for the constitutionally required 1% of the aggregate payroll associated with the transportation funds.

  The primary funding for the operations of DCS is provided under Article XI of the State Constitution. Article XI, Section 5 of the State Constitution states: ". . . the legislature shall appropriate to the [civil service] commission for the ensuing fiscal

year a sum not less than one percent of the aggregate payroll of the classified services for the preceding fiscal year . . . ."

For fiscal year 2002-03, DCS charges to transportation funds for the constitutionally required 1% were based on actual fiscal year 2001-02 salary and fringe benefit expenditures charged to the transportation funds. We concluded that the charges were appropriate.

- **Section 504(4) - Other Miscellaneous Charges**

  The Michigan Department of Transportation (MDOT) incurred $462,786 for training expenses provided by DCS and $13,593 for MDOT's portion of the State-sponsored group insurance for flexible spending accounts. DCS offers various training sessions available to all State departments. DCS does not contract with State agencies for these types of services; instead, they are handled through a reservation process. Therefore, these services and related charges are not covered in the contract between MDOT and DCS. We reviewed these charges and concluded that they were transportation related.

DEPARTMENT OF ATTORNEY GENERAL

Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(3) - Interdepartment and Statutory Contracts			
Comprehensive Transportation Fund			
Legal services	$ 131,500	$ 111,591	$ 19,909
State Aeronautics Fund			
Legal services	125,400	76,139	49,261
State Trunkline Fund			
Legal services	2,566,200	1,835,220	730,980
Section 504(3) Total	$ 2,823,100	$ 2,022,950	$ 800,150
Section 504(4) - Other Miscellaneous Charges			
State Trunkline Fund			
Travel		$ 11,071	
Building occupancy charges		24,880	
Section 504(4) Total		$ 35,951	
TOTAL EXPENDED/ENCUMBERED		**$ 2,058,901**	

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Department of Attorney General's appropriated charges of $2,022,950 consisted of salary, insurance, and retirement costs of attorneys and staff assigned to work on legal issues relating to the transportation funds. These positions provided legal services to transportation programs within the Highway Negligence Division and the Transportation Division.

  The charges shown in the table were allocated according to the percentage of time that the attorney or staff member worked on legal issues relating to that fund. We reviewed the Department of Attorney General's methodology and determined that the charges were appropriate and the methodology was reasonable.

DEPARTMENT OF ENVIRONMENTAL QUALITY

Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(3) - Interdepartment and Statutory Contracts			
Michigan Transportation Fund			
Permits for transportation projects	$ 884,800	$ 754,424	$ 130,376
State Aeronautics Fund			
Permits for transportation projects	40,000	18,285	21,715
Section 504(3) Total	$ 924,800	$ 772,709	$ 152,091
Section 504(4) - Other Miscellaneous Charges			
Comprehensive Transportation Fund			
Crystal Lake Bike Trail		$ 213,125	
State Trunkline Fund			
Membership dues for Great Lakes Commission		15,000	
Miscellaneous fees		70,942	
Section 504(4) Total		$ 299,067	
TOTAL EXPENDED/ENCUMBERED		**$ 1,071,776**	

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Department of Environmental Quality's (DEQ's) appropriated charges of $772,709 consisted of salaries, fringe benefits, and other associated expenses of employees who reviewed environmental permits for transportation projects. DEQ used a time-and-effort system for allocating payroll costs to the Michigan Transportation Fund and the State Aeronautics Fund. These charges were in accordance with the contract with the Michigan Department of Transportation (MDOT). We concluded that the cost allocation methodology was reasonable.

- **Section 504(4) - Other Miscellaneous Charges**

  Additionally, MDOT reimbursed DEQ for miscellaneous charges of 299,067. Included in these miscellaneous charges are two separate contracts between MDOT and DEQ. One contract funds soil remediation and trail surfacing along Crystal Lake and the other funds MDOT's share of Great Lakes Commission membership dues. MDOT also reimbursed DEQ for numerous fees, such as noncommunity public water supply annual fees for rest areas and roadside parks,

underground storage tank annual registration fees for tanks at MDOT garages, stormwater discharge permit fees for highway construction activities, and fees for classes put on by DEQ for MDOT employees. We reviewed a sample of these charges and determined they were appropriate, in accordance with the contracts, and transportation related.

OFFICE OF THE AUDITOR GENERAL
Use of Transportation-Related Funding
Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(3) - Interdepartment and Statutory Contracts			
Comprehensive Transportation Fund			
Audit services	$ 48,200	$ 48,200	
Michigan Transportation Fund			
Audit services	138,000	138,000	
State Aeronautics Fund			
Audit services	17,100	17,100	
State Trunkline Fund			
Audit services	404,200	404,200	
Section 504(3) Total	$ 607,500	$ 607,500	$ 0
Section 504(4) - Other Miscellaneous Charges			
Comprehensive Transportation Fund			
MDOT Single Audit		$ 3,825	
State Aeronautics Fund			
MDOT Single Audit		14,602	
State Trunkline Fund			
MDOT Single Audit		111,573	
Section 504(4) Total		$ 130,000	
TOTAL EXPENDED/ENCUMBERED		**$ 737,500**	

Appropriateness of Charges and Cost Allocation Methodology

- **Section 504(3) - Interdepartment and Statutory Contracts**

  The Office of the Auditor General's (OAG's) charges of $607,500 to the transportation funds consisted of salaries, fringe benefits, supplies, materials, and travel costs for conducting audits of transportation programs and funds.

  The OAG maintains a time-and-effort reporting system to account for audits conducted. The time-and-effort reporting system is the basis for allocating costs by audit, program, and fund. Audit charges are based on actual audit hours and hourly audit costs and are charged either annually or allocated over a number of years. In fiscal year 2002-03, the OAG methodology calculated a rate of

approximately $75 per hour. We concluded that the charges were appropriate and the cost allocation methodology was reasonable.

- **Section 504(4) - Other Miscellaneous Charges**

  The OAG's charges of $130,000 to the Comprehensive Transportation Fund, State Aeronautics Fund, and State Trunkline Fund consisted of salaries, fringe benefits, supplies, and travel costs for conducting the Single Audit of the Michigan Department of Transportation for the fiscal year ended September 30, 2002 and September 30, 2001. The amount charged was based on actual audit hours and the calculated hourly audit rate. We concluded that these charges were transportation related.

DEPARTMENT OF INFORMATION TECHNOLOGY

Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(4) - Other Miscellaneous Charges			
Comprehensive Transportation Fund			
Information technology services and projects		$ 145,361	
Michigan Transportation Fund			
Information technology services and projects		16,427	
State Aeronautics Fund			
Information technology services and projects		94,210	
State Trunkline Fund			
Information technology services and projects		23,153,807	
Section 504(4) Total		$ 23,409,805	
TOTAL EXPENDED/ENCUMBERED		**$ 23,409,805**	

Appropriateness of Charges

- **Section 504(4) - Other Miscellaneous Charges**

  The Department of Information Technology (DIT) charges the Michigan Department of Transportation (MDOT) for services such as direct charges associated with the delivery of information technology services, program and enterprise administration costs, rated services, desktop services, distributed processing, portal costs, and rental costs. These services are agreed upon within a service level agreement between DIT and MDOT. We determined that DIT's charges were in accordance with the agreement.

  DIT also charges other departments for information technology services. We identified approximately $17 million of additional information technology services that were paid to DIT through the other departments. These costs are reported in the departments' individual schedules.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(4) - Other Miscellaneous Charges			
State Trunkline Fund			
Welcome center operations		$ 3,454,810	
TOTAL EXPENDED/ENCUMBERED		**$ 3,454,810**	

Appropriateness of Charges

- **Section 504(4) - Other Miscellaneous Charges**

  The Michigan Economic Development Corporation's (MEDC's) charges of $3,454,810 to the State Trunkline Fund were for actual expenditures for the daily operations of the Michigan welcome centers. An interagency agreement between the Michigan Strategic Fund, administered by MEDC, and the Michigan Department of Transportation provides funding for program staffing, custodial services, equipment and supplies, vendor services, telephone and telecommunication expenses, travel expense of welcome center staff, utilities, and materials for ground maintenance and repairs. We reviewed these charges to the transportation funds and determined that they were transportation related and in accordance with the interagency agreement.

DEPARTMENT OF HISTORY, ARTS AND LIBRARIES
AND MACKINAC ISLAND STATE PARK COMMISSION
Use of Transportation-Related Funding
Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(4) - Other Miscellaneous Charges			
State Trunkline Fund			
Land acquisition - MISPC		$ 555,000*	
Highway maintenance - MISPC		46,899	
Archaeological records contract		43,700	
Walker Tavern contract		88,116	
Lighthouse documentary contract		40,000	
Bridge markers		5,800	
Microfilm and imaging services		89,581	
State Aeronautics Fund			
Airport maintenance - MISPC		36,267	
Microfilm and imaging services		266	
Section 504(4) Total		$ 905,629	
TOTAL EXPENDED/ENCUMBERED		**$ 905,629**	

* Per Section 324.76503(6) of the *Michigan Compiled Laws*, the Mackinac Island State Park Commission (MISPC) was moved from the Department of Natural Resources (DNR) to the Department of History, Arts and Libraries. However, DNR still passes the transportation funding through to MISPC for purposes of land acquisition so these amounts were reported by DNR in its annual report of uses of transportation-related funding.

Appropriateness of Charges

- **Section 504(4) - Other Miscellaneous Charges**

  The Department of History, Arts and Libraries' (HAL's) charges of $267,463 to the State Trunkline Fund and the State Aeronautics Fund included transportation-related projects for improving archaeological records; funding the Walker Tavern historic preservation project; completing, broadcasting, and distributing a documentary on preservation of Michigan's lighthouses; and erecting two historical bridge markers. HAL's charges also included microfilming and imaging services. We reviewed the expenditures incurred by HAL and determined that the charges were transportation related.

  The Mackinac Island State Park Commission (MISPC) received $555,000 in transportation-related funding from the Michigan Department of Transportation

(MDOT), via a pass-through from the Department of Natural Resources (DNR), for acquisition of land. This use of transportation-related funding is authorized by contract between MDOT, MISPC, and DNR to ensure protection of land from private development as part of the Transportation Enhancement Activities federal program. MISPC also provided maintenance services for $83,166 for a State trunkline highway and the local airport. We concluded that these MISPC charges were transportation related and in accordance with the interagency contract.

DEPARTMENT OF NATURAL RESOURCES

Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Services and Other Charges to the Transportation Funds	Contract Amount	Expended/ Encumbered	Authorized But Not Used
Section 504(4) - Other Miscellaneous Charges			
State Trunkline Fund			
Aircraft usage and miscellaneous easement fees		$ 12,333	
Comprehensive Transportation Fund			
Use of MacMullan Center		16,101	
Section 504(4) Total		$ 28,434	
TOTAL EXPENDED/ENCUMBERED		**$ 28,434**	

Appropriateness of Charges

- **Section 504(4) - Other Miscellaneous Charges**

  The Department of Natural Resources' (DNR's) charges to the State Trunkline Fund were for the Michigan Department of Transportation's (MDOT's) occasional use of DNR aircraft and fees related to land easements. We concluded that these charges were transportation related.

  DNR charged the Comprehensive Transportation Fund for meal and lodging expenses related to MDOT's Transit Vehicle and Equipment Seminar held at the MacMullan Center from June 11 through 13, 2003. We concluded that these charges were appropriate.

MICHIGAN DEPARTMENT OF TRANSPORTATION
Central Support Allocated Costs
Fiscal Year Ended September 30, 2003

Fund/Purpose	Appropriated Funding	Allocated Charges	Returned Appropriations	Overallocated (Underallocated) Charges
Michigan Transportation Fund				
Administrative services	$ 77,100	$ 0	$ 77,100	$ 0
Bureau of Finance and Administration	1,127,500	1,127,500	0	0
Total	$ 1,204,600	$ 1,127,500	$ 77,100	$ 0
Comprehensive Transportation Fund				
Administrative services	$ 1,599,000	$ 1,599,000	$ 0	$ 0
Total	$ 1,599,000	$ 1,599,000	$ 0	$ 0
State Aeronautics Fund				
Administrative services	$ 657,400	$ 657,400	$ 0	$ 0
Total	$ 657,400	$ 657,400	$ 0	$ 0

Cost Allocation Methodology and Transportation Fund Charges

- **Michigan Transportation Fund**

  Section 247.660(1) of the *Michigan Compiled Laws* (Section 10(1), Act 51, P.A. 1951, as amended) appropriates funds for the necessary expenses incurred in the administration and enforcement of the Motor Fuel Tax Act, the Motor Carrier Act, and specific sections of the Michigan Vehicle Code. Funds appropriated for necessary expenses shall be based upon established cost allocation methodology that reflects actual costs.

  Maximus, Inc., has completed a cost allocation study for the Michigan Department of Transportation (MDOT) that identifies all costs associated with activities directed at counties, cities, and villages (local units of government) and identifies methods for the equitable allocation of all costs to the local units of government and the State Trunkline Fund. MDOT plans to implement changes as a result of this study

beginning in fiscal years 2004-05 and 2005-06. The administration charges are as follows:

a. Administrative Services

Annually, MDOT calculates the Michigan Department of Transportation Fund's (MTF's) share of workers' compensation costs by multiplying total workers' compensation costs times the percentage of MDOT employees' time spent on MTF related activities. However, the Maximus report recommends that MTF should only fund workers' compensation costs if an employee who spends time on MTF related activities actually incurs a claim. It was suggested that MDOT develop costs of the actual claims history of employees that spend time on MTF related activities. For fiscal year 2002-03, MDOT determined that no employees who spent time on MTF related activities received workers' compensation. Although $77,100 was appropriated, MDOT did not bill or collect any costs.

b. Bureau of Finance and Administration

The Maximus report noted that there are three divisions within the Bureau of Finance and Administration that allocate costs to MTF. The Technological Services Division produces and certifies mileage maps for local road agencies. MDOT charges for the staff assigned to produce the maps using coding within the payroll system to identify costs.

The Contract Services Division provides a range of services to local units of government related to road construction contract development, letting, monitoring, and payments. To determine costs associated with these activities, the Division estimates the percentage of staff resources devoted to these efforts. However, the Maximus report suggests that the Division also include costs of travel; contractual services, supplies, and materials; or equipment.

The Financial Operation Division allocates costs to MTF related to managing project accounting costs and maintaining accounts receivable associated with local projects. Per the Maximus report, this Division has many staff members contributing varying portions of their time and it may be difficult for staff to accurately determine their actual time related to local projects. MDOT is currently in the process of a time study to accurately determine costs associated with these activities.

MDOT also reviewed the costs related to the Contract Services Division and the Financial Operation Division and determined that there were $3,665 additional allowable costs that the Divisions could have charged MTF; however, MDOT did not seek reimbursement in excess of appropriations. For fiscal year 2002-03, $1,127,500 was appropriated and paid.

- **Comprehensive Transportation Fund and State Aeronautics Fund**
  The administration charges of $1,599,000 and $657,400 to the Comprehensive Transportation Fund and the State Aeronautics Fund consisted of their allocated portion of administrative costs. The cost methodologies for the administrative divisions are discussed above.

USE OF TRANSPORTATION-RELATED FUNDING

Summary of Nontransportation Agencies' Use of Transportation-Related Funding

Fiscal Year Ended September 30, 2003

Receiving Agency	Charges Paid By: Comprehensive Transportation Fund	Michigan Transportation Fund	State Aeronautics Fund	State Trunkline Fund	Transportation Related Trust Funds	Agency Total
Department of State	$	$ 88,872,691	$	$ 186	$	$ 88,872,877
Department of Treasury	5,300	9,067,559	64,580	28,332		9,165,771
Department of Management and Budget	121,600	231,600	68,000	7,834,285		8,255,485
Michigan Department of State Police			60,822	6,615,341		6,676,163
Department of Civil Service	110,891		51,163	2,426,660		2,588,714
Department of Attorney General	111,591		76,139	1,871,171		2,058,901
Department of Environmental Quality	213,125	754,424	18,285	85,942		1,071,776
Office of the Auditor General	62,802	138,000	20,925	515,773		737,500
Department of Information Technology	145,361	16,427	94,210	23,153,807		23,409,805
Michigan Economic Development Corporation				3,454,810		3,454,810
Department of History, Arts and Libraries and Mackinac Island State Park Commission			36,533	869,096		905,629
Department of Natural Resources	16,101			12,333		28,434
Total for Nontransportation Agencies	$ 786,771	$ 99,080,701	$ 490,657	$ 46,867,736	$ 0	$ 147,225,865

GLOSSARY

Glossary of Acronyms and Terms

CJIC	Criminal Justice Information Center.
DCS	Department of Civil Service.
DEQ	Department of Environmental Quality.
DIT	Department of Information Technology.
DMB	Department of Management and Budget.
DNR	Department of Natural Resources.
HAL	Department of Histories, Arts and Libraries.
Michigan Administrative Information Network (MAIN)	The State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consists of four major components: MAIN Enterprise Information System (EIS); MAIN Financial Administration and Control System (FACS); MAIN Human Resource System (HRS); and MAIN Management Information Database (MIDB).
MDOT	Michigan Department of Transportation.
MEDC	Michigan Economic Development Corporation.
MISPC	Mackinac Island State Park Commission.
MSP	Michigan Department of State Police.
MTF	Michigan Transportation Fund.
OAG	Office of the Auditor General.

performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing, or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
Statewide Cost Allocation Plan (SWCAP)	The official cost allocation methodology accepted by federal grantor agencies for the State's negotiated indirect cost rate.