

Office of the Auditor General
Preliminary Survey Summary

**State Agencies' Use of
Transportation-Related Funding**

July 2018

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



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

July 3, 2018

The Honorable Dave Hildenbrand, Chair
Senate Appropriations Committee
Michigan Senate
State Capitol Building
Lansing, Michigan

The Honorable Laura Cox, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol Building
Lansing, Michigan

The Honorable Vincent Gregory, Min. Vice Chair
Senate Appropriations Committee
Michigan Senate
Connie B. Binsfeld Building
Lansing, Michigan

The Honorable Fred Durhal III, Min. Vice Chair
House Appropriations Committee
Michigan House of Representatives
Anderson House Office Building
Lansing, Michigan

Dear Senators Hildenbrand and Gregory and Representatives Cox and Durhal:

This is our preliminary survey summary of State Agencies' Use of Transportation-Related Funding for the period October 1, 2015 through September 30, 2017. Because we did not identify significant concerns that would warrant the additional use of our audit resources, we have decided to terminate this performance audit.

We appreciate the courtesy and cooperation extended to us during our preliminary survey. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

PRELIMINARY SURVEY SUMMARY

STATE AGENCIES' USE OF TRANSPORTATION-RELATED FUNDING

RESULTS

Our preliminary survey did not identify significant concerns that would warrant the additional use of our audit resources to complete a performance audit. Therefore, we have terminated this project and did not conduct sufficient testing to conclude on the overall effectiveness and efficiency of State agencies' use of transportation-related funding.

FACTORS IMPACTING AUDIT TERMINATION

- Our comparison of current with historical use of transportation-related funding activities, charges, and processes by State agencies' disclosed:
 - MDOT appropriations for collection, enforcement, IT, and other support services remain consistent by State agency and dollar amount.
 - State agency charges to transportation funds, both collectively and individually, remain consistent.
 - Four State agencies (Department of Technology, Management, and Budget; Department of State; Michigan Department of State Police; and Civil Service Commission) continue to represent over 90% of the total charges to transportation funds. These agencies remain in compliance with contractual and reporting requirements and their cost allocation methodologies remain consistent.
- No significant revisions to key business processes related to the Michigan Department of Transportation's (MDOT's) contracts with State agencies or the creation and review of State agency spending reports.
- MDOT validates the accuracy and completeness of State agencies' use of transportation-related funding spending reports.
- No findings noted in our prior two biennial audits of the use of transportation-related funds.

BACKGROUND

Description: Public Act 268 of 2016 and Public Act 84 of 2015 (the annual appropriations acts for MDOT for fiscal years 2017 and 2016, respectively) require that amounts appropriated to State departments to support tax and fee collection, law enforcement, and other program services by other State departments shall be expended from transportation funds pursuant to annual contracts between MDOT and those other State departments.

The Legislature appropriated transportation-related funding of \$47.3 million and \$46.5 million for fiscal years 2017 and 2016, respectively, with interdepartmental grants to the following eight State agencies:

- Department of Technology, Management, and Budget
- Department of State
- Michigan Department of State Police
- Civil Service Commission
- Department of Treasury
- Department of Attorney General
- Department of Environmental Quality
- Office of the Auditor General (OAG)

The Legislature also appropriated \$32.4 million and \$31.4 million for fiscal years 2017 and 2016, respectively, for IT services and projects.

Expenditures: MDOT funded contractual and miscellaneous transportation-related charges of \$104.6 million and \$99.0 million for fiscal years 2017 and 2016, respectively (Exhibits #1 and #2).

SCOPE

Our preliminary survey generally covered October 1, 2015 through September 30, 2017. Based on our risk analysis, we selected the following four State agencies to conduct a limited review of charges to transportation funds:

- Department of Technology, Management, and Budget
- Department of State
- Michigan Department of State Police
- Civil Service Commission

Our review included:

- Financial data and other information from State agencies' spending reports.
- Annual contracts between MDOT and the selected State agencies.
- MDOT expenditure summaries.

- Michigan Administrative Information Network (MAIN) accounting records to report State agencies' charges to transportation funds.
- Selected State agency cost allocation methodologies.

For each of the four agencies, we compiled a report of transportation-related costs (Exhibits #3 through #6), including interdepartmental contract and miscellaneous charges.

PURPOSE

Within a performance audit, we design the preliminary survey to obtain an understanding of the core activities within an entity or a program and to identify potential program improvements and/or deficiencies that could impair management's ability to conduct its operations in an effective and efficient manner. If the results of a preliminary survey do not identify significant concerns, our practice is to terminate the planned performance audit.

Preliminary survey procedures are limited in nature and should not be considered a completed performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our preliminary survey procedures would not necessarily disclose the presence or absence of any material conditions and/or reportable conditions. Given that the procedures we employed did not constitute a performance audit, we will not issue a performance audit report and we do not express conclusions regarding the effectiveness or efficiency of State agencies' use of transportation-related funding.

SUPPLEMENTAL INFORMATION

STATE AGENCIES' USE OF TRANSPORTATION-RELATED FUNDING

Summary of Agencies' Use of Transportation-Related Funding
Fiscal Year Ended September 30, 2017

Receiving Agency	Charges Paid by Fund									
	State Trunkline	Michigan Transportation	State Aeronautics	Comprehensive Transportation	Blue Water Bridge	Combined Comprehensive Transportation Bond Proceeds	Combined State Trunkline Bond Proceeds	Economic Development	Transportation Related Trust	Agency Total
Department of Technology, Management, and Budget	\$ 59,819,813	\$	\$ 317,027	\$ 496,750	\$ 389,303	\$	\$	\$ 43,002	\$	\$ 61,065,895
Department of State	83	20,000,000								20,000,083
Michigan Department of State Police	9,529,446		54,570							9,584,016
Civil Service Commission	5,562,247		110,644	200,246	76,531					5,949,668
Department of Treasury	228,844	2,684,100	18,486	13,500	17,100	2,800	14,400		2,000	2,981,230
Department of Attorney General	1,684,788		119,389	21,821						1,825,998
Department of Environmental Quality	116,954	1,235,795	396	400	228					1,353,773
Office of the Auditor General	742,679	315,800	30,300	76,400						1,165,179
Department of Corrections	445,061		2,800							447,861
Michigan Economic Development Corporation	112,783									112,783
Department of Natural Resources	71,066		71							71,137
Department of Licensing and Regulatory Affairs	34,427		180	120	1,420					36,147
Mackinac Island State Park Commission *	26,807									26,807
Michigan Department of Agriculture and Rural Development	1,935									1,935
Judiciary	775									775
Total for agencies	\$ 78,377,708	\$ 24,235,695	\$ 653,863	\$ 809,237	\$ 484,582	\$ 2,800	\$ 14,400	\$ 43,002	\$ 2,000	\$ 104,623,287

* The authority, powers, duties, functions, and responsibilities of the Mackinac Island State Park Commission are administered within the Department of Natural Resources. The Commission is presented in the State of Michigan Comprehensive Annual Financial Report separately as a component unit; therefore, we reported the Commission as a separate agency for the purposes of our report.

Source: The OAG prepared this exhibit with information obtained from MAIN and the receiving agencies' and MDOT's records related to those agencies' use of transportation-related funding.

STATE AGENCIES' USE OF TRANSPORTATION-RELATED FUNDING

Summary of Agencies' Use of Transportation-Related Funding
Fiscal Year Ended September 30, 2016

Receiving Agency	Charges Paid by Fund									
	State Trunkline	Michigan Transportation	State Aeronautics	Comprehensive Transportation	Blue Water Bridge	Combined Transportation Bond Proceeds	Combined State Trunkline Bond Proceeds	Economic Development	Transportation Related Trust	Agency Total
Department of Technology, Management, and Budget	\$53,541,747	\$	\$286,347	\$442,325	\$682,029	\$	\$	\$42,774	\$	\$54,995,222
Department of State	193	20,000,000								20,000,193
Michigan Department of State Police	9,755,834		65,163							9,820,997
Civil Service Commission	5,435,816		110,462	172,786	67,357					5,786,421
Department of Treasury	150,152	2,700,000	21,147	8,900	16,000	4,100	14,300		4,600	2,919,199
Department of Attorney General	1,751,270		117,812	26,020						1,895,102
Department of Environmental Quality	122,407	1,179,146	7,895							1,309,448
Office of the Auditor General	699,948	309,600	37,713	50,951						1,098,212
Department of Corrections	686,833		2,800	1,370						691,003
Michigan Economic Development Corporation	211,629									211,629
Department of Natural Resources	66,780		57							66,837
Department of Licensing and Regulatory Affairs	36,337		180	2,054	1,755					40,326
Mackinac Island State Park Commission *	37,314									37,314
Michigan Department of Health and Human Services	500			80,720						81,220
Michigan Department of Agriculture and Rural Development	2,550									2,550
Judiciary	2,135									2,135
Department of Military and Veterans Affairs			239							239
Total for agencies	<u>\$72,501,445</u>	<u>\$24,188,746</u>	<u>\$649,815</u>	<u>\$785,126</u>	<u>\$767,141</u>	<u>\$4,100</u>	<u>\$14,300</u>	<u>\$42,774</u>	<u>\$4,600</u>	<u>\$98,958,047</u>

* The authority, powers, duties, functions, and responsibilities of the Mackinac Island State Park Commission are administered within the Department of Natural Resources. The Commission is presented in the State of Michigan Comprehensive Annual Financial Report separately as a component unit; therefore, we reported the Commission as a separate agency for the purposes of our report.

Source: The OAG prepared this exhibit with information obtained from MAIN and the applicable State agencies' and MDOT's records related to those agencies' use of transportation-related funding.

STATE AGENCIES' USE OF TRANSPORTATION-RELATED FUNDING

Department of Technology, Management, and Budget Transportation-Related Costs
Fiscal Years Ended September 30

	<u>2017</u>	<u>2016</u>
CHARGES TO TRANSPORTATION FUNDS		
<u>Interdepartmental Contract Charges</u>		
State Trunkline Fund		
IT services and projects	\$31,411,750	\$30,409,842
Central support services	1,226,000	1,136,300
MAIN user charges	908,600	909,300
State Aeronautics Fund		
IT services and projects	79,885	98,782
Central support services	33,500	31,200
MAIN user charges	24,800	25,000
Comprehensive Transportation Fund		
IT services and projects	124,109	217,800
Central support services	42,200	36,800
MAIN user charges	31,300	29,400
Blue Water Bridge Fund		
IT services and projects	18,328	53,600
Central support services	21,700	21,900
MAIN user charges	16,100	16,700
Economic Development Fund		
IT services and projects	37,200	37,200
Total interdepartmental contract charges	<u>\$33,975,472</u>	<u>\$33,023,824</u>
<u>Miscellaneous Charges</u>		
State Trunkline Fund		
IT services and projects	\$16,965,299	\$12,765,961
Building occupancy charges	4,778,908	5,407,172
Motor Transport Fund	1,540,874	1,786,978
Office Services Revolving Fund	221,379	415,288
Risk Management Fund	1,797,900	452,282
Other fees and services	969,103	258,625
State Aeronautics Fund		
IT services and projects	61,495	33,678
Motor Transport Fund	26,029	29,017
Office Services Revolving Fund	43,677	35,261
Risk Management Fund	33,326	33,409
Other fees and services	14,315	
Comprehensive Transportation Fund		
IT services and projects	192,606	55,327
Motor Transport Fund	101,909	93,021
Office Services Revolving Fund	4,218	7,638
Risk Management Fund		479
Other fees and services	408	1,860
Blue Water Bridge Fund		
IT services and projects	322,566	581,736
Motor Transport Fund	6,801	6,973
Office Services Revolving Fund	50	550
Other fees and services	3,758	570
Economic Development Fund		
IT services and projects	5,802	5,574
Total miscellaneous charges	<u>27,090,422</u>	<u>21,971,398</u>
TOTAL CHARGES	<u>\$61,065,894</u>	<u>\$54,995,222</u>

STATE AGENCIES' USE OF TRANSPORTATION-RELATED FUNDING

Department of State Transportation-Related Costs
Fiscal Years Ended September 30

	<u>2017</u>	<u>2016</u>
CHARGES TO TRANSPORTATION FUNDS		
<u>Interdepartmental Contract Charges</u>		
Michigan Transportation Fund		
Collection of transportation taxes and fees	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
Total interdepartmental contracts	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>
<u>Miscellaneous Charges</u>		
State Trunkline Fund		
Title, registration, and application fees	<u>\$ 83</u>	<u>\$ 193</u>
Total miscellaneous charges	<u>\$ 83</u>	<u>\$ 193</u>
TOTAL CHARGES	<u><u>\$ 20,000,083</u></u>	<u><u>\$ 20,000,193</u></u>

STATE AGENCIES' USE OF TRANSPORTATION-RELATED FUNDING

Michigan Department of State Police Transportation-Related Costs
Fiscal Years Ended September 30

	<u>2017</u>	<u>2016</u>
CHARGES TO TRANSPORTATION FUNDS		
<u>Interdepartmental Contract Charges</u>		
State Trunkline Fund		
Commercial Vehicle Enforcement Division - Inspections and enforcement	\$8,113,589	\$8,405,799
Training Division - Traffic services	483,716	481,100
Criminal Justice Information Center - Traffic safety	584,584	599,838
IT services and projects	148,966	143,276
Special Operations Division - Operational support	3,900	600
Total interdepartmental contract charges	<u>\$9,334,755</u>	<u>\$9,630,613</u>
<u>Miscellaneous Charges</u>		
State Trunkline Fund		
Construction work zone patrols	\$ 173,151	\$ 94,756
Aircraft rentals	11,881	14,310
Training	9,659	8,050
Fleet leasing		8,105
State Aeronautics Fund		
Aviation fuel and rental	54,570	65,163
Total miscellaneous charges	<u>\$ 249,261</u>	<u>\$ 190,384</u>
TOTAL CHARGES	<u><u>\$9,584,016</u></u>	<u><u>\$9,820,997</u></u>

STATE AGENCIES' USE OF TRANSPORTATION-RELATED FUNDING

Civil Service Commission Transportation-Related Costs
Fiscal Years Ended September 30

	<u>2017</u>	<u>2016</u>
CHARGES TO TRANSPORTATION FUNDS		
<u>Interdepartmental Contract Charges</u>		
State Trunkline Fund		
Civil service, collection, enforcement, other	\$5,444,327	\$5,309,606
Blue Water Bridge Fund		
Civil service, collection, enforcement, other	76,143	66,971
State Aeronautics Fund		
Civil service, collection, enforcement, other	110,246	110,066
Comprehensive Transportation Fund		
Civil service, collection, enforcement, other	199,579	172,123
Total interdepartmental contracts	<u>\$5,830,295</u>	<u>\$5,658,766</u>
<u>Miscellaneous Charges</u>		
State Trunkline Fund		
Flexible spending administration	\$ 23,208	\$ 23,030
Applicable salaries and wages	94,712	103,180
State Aeronautics Fund		
Flexible spending administration	398	396
Comprehensive Transportation Fund		
Flexible spending administration	667	663
Blue Water Bridge Fund		
Flexible spending administration	388	386
Total miscellaneous charges	<u>\$ 119,373</u>	<u>\$ 127,655</u>
TOTAL CHARGES	<u><u>\$5,949,668</u></u>	<u><u>\$5,786,421</u></u>



Report Fraud/Waste/Abuse

Online: audgen.michigan.gov/report-fraud

Hotline: (517) 334-8060, Ext. 1650