



# OAG

Office of the Auditor General

## Report Summary

### Performance Audit

**Report Number:**  
591-0410-21

### Administration of Act 51-Related Funds

### Michigan Department of Transportation (MDOT)

**Released:**  
January 2022

The Michigan Transportation Fund (MTF), established by Public Act 51 of 1951, as amended, is the depository for revenues such as vehicle registration fees and gasoline and diesel fuel taxes. After various statutory deductions, the revenue is allocated to the State (39.1%), counties (39.1%), and cities and villages (21.8%). Act 51 restricts the use of disbursed funds to transportation-related activities such as road preservation, road maintenance, road construction, and snow removal. MDOT calculates deductions, allocations, and distributions and monitors use of Act 51-related funds. In fiscal year 2020, deductions from and allocations of MTF totaled \$3.2 billion.

Audit Objective			Conclusion
Objective 1: To assess the accuracy of MDOT's allocation and distribution of Act 51-related funding.			Accurate, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
In fiscal years 2019 and 2020, MDOT: <ul style="list-style-type: none"> <li>Did not properly distribute MTF revenue totaling nearly \$16 million, resulting in underpayments to the Comprehensive Transportation Fund, State Trunkline Fund, and local units of government (local units).</li> <li>Miscalculated jurisdiction mileage, resulting in underpayments of \$2.5 million to cities.</li> <li>May have made payments for snow removal costs (snow payments) of nearly \$2 million to ineligible locals (<a href="#">Finding 1</a>).</li> </ul>		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The formula for calculating snow payments to local units has not been updated since 1987 and is based on outdated average snowfall totals from calendar years 1972 through 1987. Under the current snow payment methodology, 48% of county and 71% of city and village road miles are located in counties ineligible for partial reimbursement, although these local units incurred \$106 million in snow removal costs in fiscal year 2019 ( <a href="#">Observation 1</a> ).			Not applicable for observations.

<b>Audit Objective</b>			<b>Conclusion</b>
Objective 2: To assess the sufficiency of MDOT's processes for monitoring and reporting on the use of Act 51-related funding.			Sufficient, with exceptions
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
Opportunities exist for MDOT to make enhancements to its monitoring of local units for compliance with Act 51 requirements ( <u>Finding 2</u> ).		X	Disagrees
Local units did not report whether warranties had been obtained for 37% of relevant projects ( <u>Finding 3</u> ).		X	Agrees
For fiscal years 2018 and 2019, 43 and 32 local units, respectively, may have been in noncompliance with the requirement to spend 1% of MTF funds on nonmotorized transportation services and facilities ( <u>Finding 4</u> ).		X	Agrees
<b>Observations Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
Information in the Act 51 Distribution and Reporting System (ADARS) describing the purpose of local units' Act 51 expenditures could be provided to the Legislature to offer additional insight on the use of MTF funds ( <u>Observation 2</u> ).	Not applicable for observations.		
Opportunities exist for MDOT to provide guidance related to posting of Act 51 reports on local units' Web sites to increase Statewide transparency and accountability related to transportation spending ( <u>Observation 3</u> ).	Not applicable for observations.		

<b>Audit Objective</b>			<b>Conclusion</b>
Objective 3: To assess the effectiveness of selected security and access controls over ADARS.			Effective
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
None reported.	Not applicable.		

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