

## EXECUTIVE DIGEST

# SERVICES PROVIDED TO LOCAL ROAD AGENCIES

---

### INTRODUCTION

This report, issued in November 2001, contains the results of our performance audit\* of Services Provided to Local Road Agencies, Michigan Department of Transportation (MDOT).

---

### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Section 306, Act 271, P.A. 2000, mandated that the Auditor General conduct a one-time performance audit of the services provided to local road agencies by MDOT and supported by the Michigan Transportation Fund (MTF).

---

### BACKGROUND

MDOT was organized under Act 380, P.A. 1965 (specifically, Sections 16.450 - 16.458 of the *Michigan Compiled Laws*). MDOT is governed by the State Transportation Commission, whose six members are appointed by the Governor with the advice and consent of the Senate, and by a director, who is also appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for establishing MDOT policies, and the director is responsible for administering MDOT and implementing the policies established by the Commission. MDOT's mission\* is to provide the people of

Michigan with the highest quality transportation services for economic benefit and improved quality of life.

MDOT, which is financed through the MTF, consists of six bureaus: Transportation Planning, Highway Technical Services, Finance and Administration, Urban and Public Transportation, Highway Operations, and Aeronautics. MDOT provides administrative support to the MTF. Also, each bureau, in conjunction with MDOT's overall responsibilities for maintaining a coordinated Statewide transportation system, performs activities that benefit counties, cities, and villages (local units of government).

The MTF is the receiving fund for several tax revenues that are dedicated for highway purposes. The revenues collected are distributed each year to the State Trunkline Fund (39.1%), counties (39.1%), and cities and villages (21.8%), after the deduction of amounts for certain statutory and appropriated purposes, including MDOT's calculated cost of the services that it provides to the local units of government. In fiscal year 1999-2000, \$10.8 million was transferred from the MTF to the State Trunkline Fund for reimbursement of costs related to services provided to the local units of government.

---

**AUDIT OBJECTIVE  
AND CONCLUSION**

**Audit Objective:** To examine the basis for charges to the MTF and to determine if the charges were documented and were for activities directed at local units of government.

**Conclusion:** We have described the basis for the charges to the MTF in the summaries of charges, presented as supplemental information in this report. We determined that the amount that MDOT charged to the MTF was documented and was for activities directed at local units of government. However, our

audit disclosed a reportable condition\* regarding the completion of a cost allocation study (Finding 1).

---

**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the Michigan Department of Transportation's records supporting its charges to the Michigan Transportation Fund. 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.

We prepared supplemental information based on the State's accounting records that provides an overview of the process MDOT uses for determining the costs to charge to the MTF.

Our methodology included examination of MDOT records and activities for the period October 1, 1999 through September 30, 2000.

We reviewed MDOT's appropriated and actual charges for services provided on behalf of the local road agencies. Also, we verified that the services or products charged were actually delivered. In addition, we reviewed documentation of construction bids let, projects closed, map certifications, local road agency project applications, local public agency reviews, and purchase orders and receiving reports.

We examined MDOT's processes for allocating costs to the local road agencies and calculated State and local participation in the costs.

---

**AGENCY RESPONSE**

Our audit report includes one finding and recommendation. MDOT's preliminary response indicated that it concurs with the recommendation.