

EXECUTIVE DIGEST

USE OF TRANSPORTATION-RELATED FUNDING

INTRODUCTION

This special report contains the results of our financial related audit* of the Use of Transportation-Related Funding for the period October 1, 1995 through September 30, 1996.

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 permit the Auditor General to express an opinion on the State's financial statements. This audit is also mandated by Section 309, Act 133, P.A. 1995, which was approved on July 9, 1995.

BACKGROUND

Appropriations acts require departments that receive transportation-related funding for providing tax collection and other services for transportation funds to contract with the Michigan Department of Transportation. 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. Departments are also required to annually report the amount of funding received, expended, and returned to the transportation funds.

In fiscal year 1995-96, 10 nontransportation agencies accounted for \$104,831,372 of the \$1,389,901,501 in transportation-related funding expended during fiscal year 1995-96 (see the summary of grants 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 11 agencies reviewed, 8 (the Departments of State, State Police, Management and Budget, Attorney General, Environmental Quality, Natural Resources, and Transportation and the Office of the Auditor General) had complied with the appropriations acts by applying adequate cost allocation methodologies to identify transportation-related costs. The other 3 agencies (the Departments of Treasury, Civil Service, and Consumer and Industry Services) had not employed or updated time and effort cost allocation methodologies and could not substantiate the appropriateness of their cost allocation methodologies used during fiscal year 1995-96. The agencies' charges were based on appropriation funding ratios rather than time and effort spent on transportation-related activities. The charges were consistent with the amounts appropriated; however, the agencies did not have specific support for their charges allocated to the transportation funds. (Finding 1)

Audit Objective: To determine that unused transportation fund appropriations were returned to the appropriate transportation fund.

Conclusion: All the agencies reviewed had returned their unused transportation fund appropriations for fiscal year 1995-96 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 10 nontransportation agencies reviewed had executed the required contracts with the Michigan Department of Transportation for fiscal year 1995-96. However, 2 agencies (the Department of Natural Resources and the Office of the Auditor General) did not submit the required annual report to the Department of Management and Budget and to the Office of the Auditor General and 2 agencies (the Departments of State Police and Consumer and Industry Services) did not submit their reports until we requested them during our audit. Also, 2 agencies (the Departments of Civil Service and Consumer and Industry Services) did not submit contractually required cost allocation methodologies to the Michigan Department of Transportation. (Finding 2)

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, 1995 through September 30, 1996. 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 prepared supplemental information about the agencies' use of transportation-related funding. Our audit was not directed toward expressing an opinion on the supplemental information and, accordingly, we express no opinion on it.

**PRIOR AUDIT
FOLLOW-UP**

The audited agencies complied with 1 of our 4 prior audit recommendations. We are repeating the other 3 recommendations in this report.