

## EXECUTIVE DIGEST

# USE OF TRANSPORTATION-RELATED FUNDING

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### INTRODUCTION

This report contains the results of our financial related\* audit of the Use of Transportation-Related Funding for the period October 1, 1997 through September 30, 1998.

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### AUDIT PURPOSE

This financial related audit was conducted as part of the constitutional responsibility of the Office of the Auditor General (OAG). Financial related audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

Also, this audit is mandated by Section 306, Act 117, P.A. 1997, which was approved on October 2, 1997. This section requires the Auditor General to conduct an audit of fiscal year 1997-98 charges to transportation funds by the Michigan Department of Transportation (MDOT) and the nine nontransportation agencies that received transportation funding.

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### BACKGROUND

MDOT appropriations acts require the nine nontransportation agencies that receive transportation-related funding for providing tax collection and other services for transportation funds to contract with 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. These agencies are also required to annually report the amount of funding received, expended, and returned to the transportation funds.

The nine nontransportation agencies accounted for \$58,524,431 (3.2%) of the \$1,842,262,215 in total transportation-related funding expended during fiscal year 1997-98 (see the summary of grants, presented as supplemental information).

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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 10 agencies that received transportation-related funding, 8 agencies (the Departments of State, Management and Budget, Civil Service, Attorney General, Environmental Quality, and Natural Resources, MDOT, and the OAG) had complied with the appropriations acts by applying adequate cost allocation methodologies to identify transportation-related costs. However, our audit disclosed a reportable condition\* involving the other 2 agencies (the Departments of Treasury and State Police), which had not followed appropriate cost allocation methodologies (Finding 1).

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

**Conclusion:** All the agencies had returned their unused transportation fund appropriations for fiscal year 1997-98 to the appropriate transportation fund.

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

**Conclusion:** All nine nontransportation agencies reviewed had executed the required contracts with MDOT for fiscal year 1997-98. However, our audit disclosed a reportable condition regarding appropriations acts' requirements (Finding 2).

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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, 1997 through September 30, 1998. 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 OAG.

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.

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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.