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Performance Audit of Michigan PA 51 of 1951 Funding
Independent Auditor's Report

To the Board of County Road Commissioners
Road Commission of Kalamazoo County

Introduction

This report contains the results of our performance audit of the administration of Michigan Public Act 51 of 1951, as amended (Act 51), funding by the local agency, Road Commission of Kalamazoo County (the "Road Commission"), as of and for the year ended December 31, 2021.

Purpose

The Road Commission has engaged us to conduct a performance audit of whether it has expended funds in compliance with Act 51. Such performance audit shall be made in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS).

Background

Article IX, Section 9, of the Michigan Constitution of 1963, as amended, states that "All specific taxes imposed directly or indirectly on fuels sold or used to propel motor vehicles upon highways or on registered motor vehicles shall, after payment of necessary collection expenses, be used exclusively for transportation purposes." Act 51 governs the distribution of this revenue. Act 51 creates a fund into which specific transportation taxes are deposited and prescribes how this revenue is to be distributed and the purpose for which it can be spent. Act 51 establishes jurisdictional road networks, sets priorities for the use of transportation revenue, and allows bonded indebtedness for transportation improvements and guarantees repayment of debt. Act 51 also imposes administrative requirements on road agencies.

Act 51 creates the Michigan Transportation Fund (MTF). Revenue collected through highway user taxes - state motor fuels taxes, vehicle registration fees, and other miscellaneous automobile-related taxes - is deposited in MTF. After various statutory deductions and distributions, the revenue is distributed to the State, counties, cities, and villages.

Audit Objective

To determine whether the local agency has administered its Act 51 funds in compliance with the requirements of Michigan Public Act 51 of 1951, as amended.

Audit Methodology and Scope (Including Both Internal Control and Compliance)

We conducted our performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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To the Board of County Road Commissioners
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Our methodology included examining records and activities for the period from January 1, 2021 through December 31, 2021. To accomplish our objectives, we reviewed Michigan Public Act 51 of 1951, as amended, to identify applicable compliance and reporting requirements. We reviewed the local agency's applicable internal controls, obtained and reviewed the relevant Act 51 reports, and tested a sample of local unit expenditures that the local unit reported as qualifying expenditures under Act 51 along with the supporting documentation for the expenditure.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives, as well as internal controls and compliance. Sample items were haphazardly selected for testing.

The areas addressed in the performance audit are as follows:

- Timely filing of Act 51 report
- Allowable transfers between primary and local systems
- Proper allocation of labor costs
- Proper bidding of projects
- Allowability of expenditures
- Administration expense limitation
- Bridge and roadside parks expense limitation
- Debt service expense limitation
- Maintenance expense requirement
- Corridor planning requirement
- Nonmotorized transportation facilities expense requirement

Audit Results

Based on the procedures performed, we believe the local unit administered its Act 51 funds in substantial compliance with Michigan Public Act 51 of 1951, as amended, during the period from January 1, 2021 through December 31, 2021.

Plante & Moran, PLLC

June 2, 2022