

Chang, Jingjing (MDOT)

From: Michigan Dept of Transportation <MDOT@govsubscriptions.michigan.gov>
Sent: Thursday, February 28, 2019 2:28 PM
To: Cole, Lori (MDOT); Chang, Jingjing (MDOT); Loomis, Laura (MDOT); Wearsch, David (MDOT)
Subject: Courtesy Copy: 2018-2019 Michigan Transportation Fund Distributions Issues

This is a courtesy copy of an email bulletin sent by Laura Loomis.

This bulletin was sent to the following groups of people:

Subscribers of Act 51 - Counties, Cities and Villages (1752 recipients)



To: Michigan Counties
Michigan Cities and Villages
Michigan Legislative Leadership

The purpose of this communication is to provide further clarification on several issues that have impacted the monthly Michigan Transportation Fund (MTF) revenue distributions to the State Trunkline Fund, Counties, Cities, and Villages, and to clear up several misconceptions on how these issues impacted the monthly MTF distribution payments to Counties, Cities, Villages, and the State Trunkline Fund (STF). The share of funds from the MTF to the STF were proportional as outlined in Act 51 of 1951 to those funds received by the Counties, Cities, and Villages for all adjustments explained below. In addition, MDOT knowingly and intentionally took the greatest hardship with any of the adjustments regarding timing of adjustments and impacts to the distributions as explained further below.

As provided for in Public Act 51 of 1951, the revenues collected in the MTF for distribution to Counties, Cities, Villages, and the State Trunkline Fund come from fuel taxes and vehicle registration fees. Those revenues are collected by the Departments of Treasury and State, respectively. As a result of the State of Michigan's conversion to a new Enterprise Resource System (SIGMA), as well as other system changes within these Departments, there were unexpected delays in receiving information, reporting changes, and year-end accounting adjustments which impacted the monthly MTF distribution payments to Counties, Cities, Villages, and the STF.

Noted below you will find several issues that MDOT took action on to minimize the impact to local units of government that receive monthly Michigan Transportation Fund distribution payments:

1. During Fiscal Year 2018, on several occasions, the Departments of Treasury and State reports detailing the revenues received into the MTF were delayed. MDOT decided to distribute funds to the STF, Counties, Cities and Villages based on revenues reported the previous month and then reconcile to actual figures during the next monthly distribution cycle. The other option would have been to delay the monthly MTF distribution to

STF, Counties, Cities and Villages until actual revenue data became available, which would have delayed the monthly distribution for potentially several weeks.

2. At year end, the accounting accruals were not able to be reversed timely due to the complications of closing in a new Enterprise Resource System (SIGMA). As a result, the MTF revenue collections that were reported to MDOT were overstated. This caused the distribution to MDOT as well as the payments received by Counties, Cities, and Villages in December 2018 to be overstated. This overstatement was corrected when the February 2019 monthly MTF payments were distributed to STF, Counties, Cities and Villages.
3. During 2018, a Department of State revenue report provided to MDOT was changed, without MDOT's knowledge, which caused an overstatement of the monthly revenues to be distributed to STF, Counties, Cities, and Villages. This error was discovered during fiscal year 2018 year-end book closing when it was determined our MTF fund balance would be negative. Adjustments were made to MDOT's STF share of MTF funds prior to year-end book closing. However, since MDOT had already distributed the incorrect amounts to Counties, Cities and Villages, MDOT would need to correct the overpayments in future monthly distribution payments. To minimize the monthly revenue impact to Counties, Cities, and Villages as a result of this overallocation, MDOT would spread the negative adjustment over the remaining fiscal year 2019 monthly distribution cycles. Noted below are the adjustment amounts and schedules regarding the overallocation corrections:
 - o Counties - \$1,930,132.14 -Will be adjusted monthly from November 2018 through August 2019 earnings month.
 - o Cities and Villages - \$1,076,135.06 -Will be adjusted monthly from November 2018 through August 2019 earnings month.

Links to reports with the total adjustment by County, City and Village are available on the Act 51 website at www.michigan.gov/act51 under Michigan Transportation Fund (MTF) heading.

Every adjustment mentioned above has been reconciled to ensure all MTF funds are properly distributed. In addition, MDOT has taken steps to minimize the impacts these adjustments have on the monthly MTF distribution payments to Counties, Cities, and Villages. It is correct to note, that MDOT has taken our adjustments concurrently when the Counties, Cities, and Villages received their adjustments, but this was not readily viewable in the MTF receipts reports that are disseminated with the monthly distributions, as MDOT's share is transferred between funds in the State's accounting system, whereas the payments to Counties, Cities, and Villages result in physical payments outlined in the MTF receipts reports.

To better manage this process going into the future, MDOT met with representatives from the Departments of Treasury and State to clarify procedures and implement new procedures and controls to monitor the monthly MTF revenue collections. However, due to the variables involved, there can be no guarantees this will not happen again. If it does, MDOT will take actions to share information on what happened, how it will be resolved, and most importantly to limit the impact this issue will have on the Counties, Cities, and Villages share of monthly MTF distribution payments.

Lastly, it has come to MDOT's attention that comments have been made that the aforementioned adjustments will also impact the Counties, Cities, and Villages distributions from the supplemental package passed by the Legislature in December 2018, or your share of the General Funds included in the 2015 revenue package. Both of those statements are also false, and in fact, MDOT has already distributed the funds from the supplemental which you received as separate payments in April 2018 for PA 82 of 2018 (one lump sum payment) and October 2018 and January 2019 for PA 207 of 2018 (two installments). MDOT agreed to delay our share of the supplemental funding until later this fiscal year so that the payments to the Counties, Cities, and Villages could be accelerated. The State's original intention was to spread the payments out monthly, but MDOT requested that the funds be distributed first to local units of government before MDOT to maximize Counties, Cities, and Villages utilization for pending road and bridge projects.

We will continue to do our best to provide the excellent customer service that we have always prided ourselves on delivering. If you have any questions regarding the items discussed above, or any future topics which may arise, please contact the following MDOT staff for assistance:

Patrick McCarthy: 517-373-1527 or McCarthyP@Michigan.gov

Dave Wearsch: 517-373-0417 or WearschD1@Michigan.gov

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Chang, Jingjing (MDOT)

From: Michigan Dept of Transportation <MDOT@govsubscriptions.michigan.gov>
Sent: Wednesday, March 27, 2019 3:04 PM
To: Loomis, Laura (MDOT); Wearsch, David (MDOT); Chang, Jingjing (MDOT)
Subject: Courtesy Copy: Communication to Act 51 recipient agencies regarding April payment adjustments

This is a courtesy copy of an email bulletin sent by Laura Loomis.

This bulletin was sent to the following groups of people:

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To: Michigan Counties

Michigan Cities and Villages

We were informed by Treasury (see message below) of additional adjustments related to fiscal year 2018 which will result in the April payments (February revenues) being reduced by \$13.4M. The share of this adjustment for Counties is \$4.6M and for Cities/Villages is \$2.5M.

During fiscal year 2018, the state's legacy financial software and gas tax processing software were replaced by two new systems, SIGMA and MiMATS. In addition to the previously communicated adjustments, this month, Treasury discovered that reports provided to MDOT for month-end and year-end reporting in the new financial system were overstated by \$13.4 million. This resulted from a misunderstanding by the Treasury staff using the reports in the new systems. These errors were corrected in the February collections report that was provided to MDOT last week.

Treasury is committed to accurate financial reporting and is taking corrective steps to remediate the errors. Treasury is working to improve communications between key participants at Treasury and MDOT. Reports to MDOT on gas tax collections will now be centralized and generated by a group of accountants within Treasury to ensure accuracy. Additionally, further training, internal controls, and quality assurance procedures are being established to prevent errors in the future.

The Act 51 website has been updated to provide a breakdown by agency and the effects of this adjustment at the links below.

For Cities and Villages:

[https://www.michigan.gov/documents/mdot/CityVillage - Treasury 13.4M Overpayment Analysis 650458 7.pdf](https://www.michigan.gov/documents/mdot/CityVillage_-_Treasury_13.4M_Overpayment_Analysis_650458_7.pdf)

For Counties:

[https://www.michigan.gov/documents/mdot/County - Treasury 13.4M Overpayment Analysis 650457 7.pdf](https://www.michigan.gov/documents/mdot/County_-_Treasury_13.4M_Overpayment_Analysis_650457_7.pdf)

If you have any questions regarding the items discussed above, please contact the following MDOT staff for assistance:

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Chang, Jingjing (MDOT)

From: Michigan Dept of Transportation <MDOT@govsubscriptions.michigan.gov>
Sent: Friday, March 29, 2019 4:20 PM
To: Loomis, Laura (MDOT); Wearsch, David (MDOT); Chang, Jingjing (MDOT)
Subject: Courtesy Copy: Act 51 MTF Distribution Adjustments Update

This is a courtesy copy of an email bulletin sent by Jingjing Chang.

This bulletin was sent to the following groups of people:

Subscribers of Act 51 - Counties, Cities and Villages (1751 recipients)



Please note that the Act 51 website - Michigan Transportation Fund (MTF) section has been updated to include additional information on the Department of State/Treasury overpayments to assist you with your planning and projections. MDOT has added 8 tables for Counties, Cities, and Villages to breakout the overpayments into Major/Local (Cities and Villages) and Primary/Local (Counties). These reflect the previously communicated adjustments for the Treasury overpayment - \$44M, DOS overpayment - \$55M, and the Treasury overpayment - \$13.4M (September 2018 earnings month corrected in February 2019 earnings month - April 2019 payment). We have also included a summary table that rolls up all the overpayments.

If you have any questions, please contact the following MDOT staff for assistance:

Patrick McCarthy (517-373-1527) or McCarthyP@Michigan.gov

Dave Wearsch (517-373-0417) or WearschD@Michigan.gov

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