

Performance
Audit

OPEGA
REPORT



Urban-Rural Initiative Program - Program Well Managed; Data on Use of Funds Should be Collected

Report No. SR-URIP-06

a report to the
Government Oversight Committee
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

July
2007

GOVERNMENT OVERSIGHT COMMITTEE

Sen. Elizabeth H. Mitchell, Chair
Sen. Kevin L. Raye
Sen. Philip L. Bartlett II
Sen. Jonathan T. E. Courtney
Sen. Joseph C. Perry
Sen. Dana L. Dow

Rep. Marilyn E. Canavan, Chair
Rep. Scott E. Lansley
Rep. Andrea M. Boland
Rep. Everett W. McLeod
Rep. Peggy A. Pendleton
Rep. Michael A. Vaughan

OFFICE OF PROGRAM EVALUATION & GOVERNMENT ACCOUNTABILITY

Director Beth Ashcroft, CIA

Staff

Wendy Cherubini, Analyst
Scott Farwell, Analyst
Jennifer Reichenbach, Analyst
Susan Reynolds, Analyst
Etta Begin, Administrative Secretary

Mailing Address:

82 State House Station
Augusta, ME 04333-0082

Phone: (207) 287-1901

Fax: (207) 287-1906

Web: <http://www.maine.gov/legis/opega/>

Email: beth.ashcroft@legislature.maine.gov

ABOUT OPEGA & THE GOVERNMENT OVERSIGHT COMMITTEE

The Office of Program Evaluation and Government Accountability (OPEGA) was created by statute in 2003 to assist the Legislature in its oversight role by providing independent reviews of the agencies and programs of State Government. The Office began operation in January 2005. Oversight is an essential function because legislators need to know if current laws and appropriations are achieving intended results.

Although the Maine Legislature has always conducted budget reviews and legislative studies, until OPEGA, the Legislature had no independent staff unit with sufficient resources and authority to evaluate the efficiency and effectiveness of Maine government. The joint legislative Government Oversight Committee (GOC) was established as a bipartisan committee to oversee OPEGA's activities.

OPEGA's reviews are performed at the direction of the Government Oversight Committee. Legislators, committees, or members of the public should make their requests for reviews to the Chairpersons or any other member of the Committee.

Copies of OPEGA's reports are free.
Reports are available in electronic format at:
<http://www.maine.gov/legis/opega/>

Hard copies of reports may be obtained by contacting OPEGA at:

(207) 287-1901

Office of Program Evaluation & Government Accountability
82 State House Station • Augusta, ME • 04333-0082

Table of Contents

EXECUTIVE SUMMARY	
Purpose	1
Conclusions	1
Findings and Action Plans	2
FULL REPORT	
Purpose	5
Methods	6
Background	6
What is the purpose of URIP?	6
How is URIP funded?	8
How are URIP funds allotted and distributed to recipients?	9
What may URIP funds be used for?	11
How do funding recipients process and utilize URIP funds?	12
Conclusions	13
Findings and Action Plans	14
Observation	15
Acknowledgments	15
APPENDICES	
A. Full text of 23 MRSA §§1801-1804	16
B. URIP rural capital improvements certification	19
C. URIP urban maintenance certification	20
Response Letter from Maine Municipal Association	

Terminology Used in this Report

Capital Improvement – Any work on a road or bridge which has a life expectancy of at least 10 years and restores the load-carrying capacity. For example, pavement and resurfacing, road reconstruction, or bridge replacement, rehabilitation and repair.

Maintenance – Any work which extends, preserves or improves the life of existing infrastructure, such as plowing and sanding, routine ditching, culvert cleaning and repair, patching, pothole repair, surface treatments, road striping and mowing.

Rural Road Initiative – Component of URIP that provides funding to entities that do not meet the criteria for the Urban Compact Initiative.

State Aid Highways -Those highways not included in the system of the State highways, which primarily serve as collector and feeder routes connecting local service roads to the arterial State highway system. Generally, State aid highways in the rural area are maintained by the MaineDOT in the summer and by the municipality in the winter. Any State aid highways in the urban compact area are maintained by the municipality.

State Aid Minor Collectors -The lowest level of State roads, sometimes with no route number, which typically connect two smaller towns but are not major commuter or freight routes. These roads are plowed by the municipality and maintained by the State in the summer.

State Highways - A system of connected main highways throughout the State which primarily serve arterial or through traffic. Generally, State highways in the rural area are maintained by the MaineDOT. Any State highways in the urban compact area are plowed and maintained by the municipality.

Townways and Seasonal Townways - All other roads not included in the State highways and State aid highway systems, which primarily serve as local service roads providing access to adjacent land. The municipality is responsible for work on townways and seasonal townways.

Urban Compact Initiative – Component of URIP that provides funding to municipalities whose population exceeds 7,500 inhabitants, or whose population is between 2,499 and 7,500 where the ratio of people working in the municipality to employed people residing in that municipality is 1.0 or greater.

Urban Compact Area - A section of highway where structures are less than 200 feet apart for a distance of one quarter mile or more.

EXECUTIVE SUMMARY**Urban-Rural Initiative Program – Program Well Managed; Data on Use of Funds Should be Collected****Purpose**

This audit's purpose was to determine whether URIP funds are fairly distributed, and processed and utilized in accordance with statute.

The Maine State Legislature's Office of Program Evaluation and Government Accountability (OPEGA) has completed a performance audit of the Urban-Rural Initiative Program (URIP). The Legislature's Joint Standing Committee on Transportation had expressed an interest in reviewing programs supported by the Highway Fund and this program was selected and added to OPEGA's work plan by the Government Oversight Committee.

OPEGA's purpose in performing this audit was to determine whether the funding available to municipalities, counties, and Indian reservations is being fairly distributed, whether the funds are processed and distributed in accordance with statute, and whether the funds are being utilized in accordance with statute.

Conclusions

OPEGA concluded that MaineDOT is allotting URIP funding fairly, and is processing funds in accordance with statute.

OPEGA has concluded that URIP funding is being allotted fairly amongst eligible funding recipients and that those allotments are being processed and distributed in accordance with statute. Funding recipients appear to be sufficiently aware of their eligibility for URIP funding and MaineDOT is very proactive in working with them. MaineDOT also has sound processes and procedures for complying with statute and assuring that:

- URIP calculations are accurate;
- certifications are returned on time; and
- URIP allocations are distributed to the funded entities in a timely manner.

Funding recipients are not required to report on how funds were actually used. Despite this, it seems highly likely that the majority of funds are utilized as intended.

OPEGA also found, however, that there is very little specific data available to verify that URIP funds are being utilized by funding recipients in accordance with statute. Funding recipients must submit certification statements pledging to use the funds appropriately, but they are not required to report to MaineDOT how the funds were actually used or what roads were involved. Consequently, other than projects that MaineDOT participates in through the Rural Road Initiative program, MaineDOT is not aware of how the recipients use their URIP funds. In addition, the information contained in municipal

accounting systems generally does not specify which expenditures were paid for with URIP funds. Consequently, a detailed audit of financial records in individual municipalities would be required to determine definitively if URIP funds are utilized in accordance with statute in those municipalities.

Despite the lack of specific data, OPEGA believes it is highly likely that the majority of URIP funds are utilized as intended. MMA's 2004 Municipal Fiscal Survey showed that total URIP funding in 2004 was only about 14% of total municipal road expenditures, and that municipal road work expenses in both rural and urban areas far exceed the amount the State distributes in URIP funds.

Findings and Action Plans

Finding 1 – Data On Fund Use Not Being Collected

Data is not being collected on how URIP funds are actually used by the communities receiving them. As a result, MaineDOT cannot specifically verify that funding recipients are in compliance with statutory requirements on the use of the funding. While the majority of funds are likely being used as intended, some risk does exist that recipients facing financial pressures may opt to use the funds for other purposes. Without specific data, MaineDOT also cannot evaluate whether URIP is being effective in meeting its intent, especially with regard to capital improvements.

Management Action

Effective July 1, 2008, MaineDOT will require funding recipients to provide information regarding how URIP funding was used in the previous year as part of the certification process that is already in place. This data, including the specific roads involved and the type of road work completed, will be captured and recorded by MaineDOT to be used in determining whether progress is being made in improving road conditions and in verifying that the funding is being used in accordance with statute. MaineDOT will seek to make the data capture process as simple and efficient for funding recipients as possible and may consult with funding recipients and Maine Municipal Association on the design.

Finding 2 – Administrative Costs Could Be Reduced

Opportunity exists to reduce URIP administrative costs by reducing the number of actual physical checks processed. MaineDOT currently processes 502 URIP payments four times per year. Although MaineDOT offers direct deposit payments, only about 75 funding recipients currently take advantage of this option. This means that about 1,700 physical checks are being processed per year. Eliminating physical checks by using direct deposit instead would save an estimated \$700 each year in costs for physical checks and postage.

Management Action

MaineDOT will work with Maine Municipal Association over the next year to encourage recipients to take advantage of the direct deposit option for URIP payments. Articles are planned for MMA and MaineDOT newsletters and MaineDOT will include special notices with the next round of certification letters.