

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**DISTRICT DEPARTMENT OF
TRANSPORTATION
HIGHWAY TRUST FUND
MANAGEMENT ADVISORY LETTER
FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2007**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 21, 2008

Natwar M. Gandhi, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Room 209
Washington, D.C. 20004

Frank Seales, Jr.
Interim Director
District Department of Transportation
2000 14th Street, N.W., 6th Floor
Washington, D.C. 20009

Dear Dr. Gandhi and Mr. Seales:

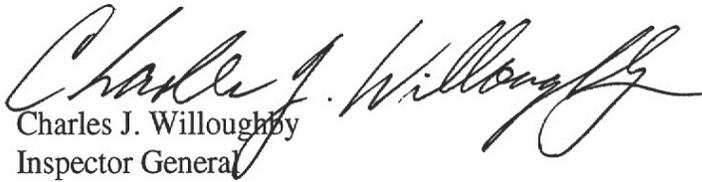
Enclosed is our final Management Advisory Letter for the Highway Trust Fund (HTF) for the fiscal year ended September 30, 2007, OIG No. 07-1-26KA(b). The District Department of Transportation (DDOT) administers the HTF. This management letter does not modify our opinion as expressed in the auditor's report dated February 1, 2008, on the HTF's financial statements as of September 30, 2007.

As a result of our audit, we directed four recommendations to the Office of the Chief Financial Officer (OCFO) and DDOT. We received a detailed response from OCFO/DDOT to the draft advisory letter on May 30, 2008. Actions taken and planned by OCFO/DDOT fully address the first recommendation. OCFO/DDOT disagreed with recommendations 2 and 3 and neither agreed nor disagreed with recommendation 4. However, proposed remedies and considerations by OCFO/DDOT provide acceptable resolutions of recommendations 3 and 4. We request that OCFO/DDOT reconsider its response to recommendation 2 and provide final comments within 60 days from the date of this report. OCFO/DDOT's responses are incorporated in the report, as appropriate. The full text of OCFO/DDOT's response is included at Exhibit B.

Dr. Gandhi and Mr. Seales, Jr.
OIG No. 07-1-26KA(b) – Final Report
August 21, 2008
Page 2 of 4

We appreciate the cooperation extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

CW/tj

Enclosure

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**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND MANAGEMENT LETTER
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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INTRODUCTION AND OVERVIEW

INTRODUCTION

Pursuant to D.C. Code § 9-109.02(e) (2001), the Office of the Inspector General (OIG) audited the financial statements of the District of Columbia's Highway Trust Fund (HTF) for the period ended September 30, 2007. The report, "Audit of the District of Columbia Highway Trust Fund" (OIG No. 07-1-26KA), was issued February 1, 2008.

The District of Columbia Emergency Highway Relief Act (Act), Pub. L. No. 104-21, § 2109 Stat. 257 (1995), codified at D.C. Code §§ 9-109.01 - 9-109.03 (2001), authorized the federal government to increase its share of eligible project costs to fund the District of Columbia's (District) share of highway project costs under Title 23, United States Code, for fiscal years (FYs) 1995 and 1996. The Act also required the District to establish a highway trust fund and revolving fund account to finance and pay for highway projects. *Id.* at § 3.

Consistent with the Act's requirements, the District established a dedicated highway trust fund separate from the District's General Fund. The HTF is comprised of amounts equivalent to all motor vehicle fuel tax receipts, fees, civil fines, and penalties collected by the District pursuant to D.C. Code § 9-111.01(c) (Supp. 2007). The receipts are required to be deposited in the fund by the Mayor on a monthly basis. The amounts in the fund were to be sufficient to repay the United States Department of Transportation's Federal Highway Administration (FHWA) for the increased federal share of project costs during FYs 1995 and 1996, and to pay the District's cost-sharing requirements for eligible federal-aid highway projects under Title 23 of the United States Code, beginning with FY 1997. *See* D.C. Code § 9-111.01(d) (Supp. 2007).

Also consistent with the Act's requirements, the District established a revolving bank account, now called the D.C. Highway Trust Fund account, separate from the Capital Operating Fund of the District Department of Transportation (DDOT) and reserved for the prompt payment of contractors completing federal-aid highway projects in the District. *See* D.C. Code § 9-109.03(b) (2001).

During FY 2006, emergency legislation was enacted to provide new funding for the HTF. The legislation provided that as of July 1, 2006, all sales and use tax revenue in excess of \$30 million collected by the District for parking and storing vehicles was to be deposited into the HTF. The HTF also was to receive any incremental increase from the collection of public right-of-way user fees, charges, and penalties, as well as incremental revenue from public space rental fees for vaults. *See* Fiscal Year 2007 Budget Support Act of 2006, D.C. Act 16-477, § 6023; Highway Trust Fund and District Department of Transportation Second Congressional Review Emergency Amendment Act of 2006, D.C. Act 16-498, § 3.

OVERVIEW

INTRODUCTION AND OVERVIEW

In accordance with generally accepted government auditing standards, we performed a review of existing internal controls for the purpose of providing a basis for the reliance on accounting and administrative records and determining the extent of substantive testing. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations and would not have necessarily disclosed all weaknesses in the system. Also, we performed compliance testing to ascertain if the HTF was administered in accordance with applicable laws and regulations.

This management letter includes four recommendations for improving the financial reporting and accounting process of the HTF related to proper accounting treatment of various transactions including accruals and advance construction costs.

SUMMARY OF RECOMMENDATIONS

We directed four recommendations to the Associate Chief Financial Officer (CFO) at DDOT to establish and implement financial policies and procedures to:

- (1) timely and adequately estimate accruals for HTF projects;
- (2) identify and account for contingent liabilities in accordance with GASB¹ Statement 10 and properly budget for estimated losses;
- (3) properly account for advance construction transactions; and
- (4) record recovery of costs as revenue and not negative expenditures.

MANAGEMENT ACTIONS

On July 25, 2008, the Associate Chief Financial Officer, Government Services Cluster, provided a detailed response to the recommendations in our draft audit report. OCFO/DDOT's actions taken and planned fully address recommendations 1, 3, and 4. We request that OCFO/DDOT reconsider its response to recommendation 2. OCFO/DDOT's responses are incorporated in the report, as appropriate. The full text of OCFO/DDOT's response is included at Exhibit B.

¹ The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles applicable to state and local governments.

FINDING AND RECOMMENDATIONS

FINDING: TREATMENT OF ACCOUNTING EVENTS
--

The Office of the Chief Financial Officer (OCFO) did not always properly record, in accordance with Generally Accepted Accounting Principles (GAAP), accounting events related to federal highway projects. Expenses/funding sources were overstated or understated because: (1) accrued expenses were charged in total to the HTF whereas only 20 percent should have been charged; (2) an accrual for estimated legal liability costs was not budgeted and recorded in the proper fund; (3) advance construction projects were initially charged in full to the HTF; (4) charges were made to the HTF that should have been charged to the Local Roads Construction and Maintenance Fund (LRCMF); and (5) budget authority did not exist in the proper fund. As a result, based on our test sample, some transactions recorded in the HTF for FY 2007 overstated expenditures by \$6.7 million and other transactions understated expenditures by \$5.5 million.

DISCUSSION

OCFO/DDOT did not always properly record accounting events for four activities: accrued expenses, legal liability costs, advance construction costs, and local roads costs. The results of our random sample expenditure test revealed that accounting events were recorded in the wrong fund or improperly recorded in the proper fund. For example, some accrual costs belonging to the federal fund were recorded in the HTF. Recoveries of legal settlement costs charged to the HTF were recorded as negative expenditures. GAAP defines revenues as increases in financial resources and defines expenditures as decreases in financial resources.² Hence, OCFO/DDOT's accounting treatment of these events was not in accordance with GAAP. Failure to record revenue transactions in accordance with GAAP resulted in some revenue and expense categories being understated or overstated. The accounting events for the four activities are discussed in detail below.

Accrued Expenses

OCFO/DDOT recorded the total of accrued expenses in the HTF even though 80 percent of the accrued costs should have been charged to the federal fund. In FY 2007, DDOT recorded accrued expenses, totaling \$2.4 million, to the HTF. Eighty percent (\$1.97 million) of the accrued expenses should have been charged to the federal fund. OCFO/DDOT realized the error, but not in time to make adjusting journal entries. According to OCFO/DDOT, staff overlooked allocating the accruals due to the volume of work connected with the District's fiscal year-end closing process.

² MICHAEL A. CRAWFORD AND D. SCOT LOYD, GOVERNMENTAL GAAP GUIDE FOR STATE AND LOCAL GOVERNMENTS, 5.10 – 5.11 (CCH 2008) (2006).

FINDING AND RECOMMENDATIONS

Table 1 below illustrates the excessive charges.

Table 1. Summary of Excessive Accrued Expenses Charged to the HTF			
Project	Project Description	Total Amount Charged	Excessive Charges
SR014A	FY 2006 FA CW Pavement Restoration	\$1,226,500	\$981,200
FDT20A	T.R. Bridge #1200 Concrete Deck Overlay and Repair	\$1,226,500	\$981,200
CKT64A	Reconstruction of R St NW, 15 th to 18 th St	\$17,992	\$14,394
TOTAL FY 07 Accruals		\$2,470,992	\$1,976,794

Legal Liability Costs

In FY 2006, OCFO/DDOT charged \$3.6 million in expenditures to the HTF as a result of settlement of a lawsuit filed by a contractor on a federal highway project, the Northeast Vehicle Inspection Station. The Federal Highway Administration (FHWA) considered the cost of the lawsuit to be non-participating costs and hence not eligible for reimbursement. In FY 2007, OCFO/DDOT received general obligation bond funding to cover the costs of the lawsuit. OCFO/DDOT transferred the cost of the lawsuit to the general obligation bond fund in FY 2007. By treating recovery of the costs as negative expenditures, instead of revenue, OCFO/DDOT improperly reduced total expenditures for HTF and was not in compliance with GAAP.

We believe that OCFO/DDOT should have anticipated the lawsuit and initially set up an accrual in the proper fund for the lawsuit. GASB 10 states that state and local government entities should report an estimated loss from a claim as an expenditure/expense and liability if the following conditions are met:

- a. Information available before the financial statements are issued indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will also occur confirming the fact of the loss.
- b. The amount of the loss can be reasonably estimated.³

³ GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING STANDARDS (Statement 34 Ed.), GASB 10, § 53 (Governmental Accounting Standards Bd. 2002).

FINDING AND RECOMMENDATIONS

GASB 10 further states that an amount should be accrued for the loss if the above conditions are met.

OCFO/DDOT did not accrue for the accounting event nor disclose the possible loss in the notes to the financial statements. The District of Columbia Office of the Attorney General (OAG), in response to our FY 2005 audit request for information on current or anticipated litigation, stated that the District and the contractor for the Northeast Vehicle Inspection Station project were engaged in settlement negotiations and would likely settle for \$3.9 million in October 2005 (the beginning of FY 2006). OCFO/DDOT should have conferred with the OAG and the Office of Risk Management (ORM) as to whether legal liabilities existed and the likelihood that a loss or impairment of assets would occur. If OCFO/DDOT had considered the likelihood of a contingency, the agencies could have planned for adequate budget authority in the proper fund to record the expenditure. OCFO/DDOT treated the accounting event as an HTF expenditure when the lawsuit was settled for \$3.6 million in FY 2006. When general obligation bond funding was received in FY 2007, OCFO/DDOT treated the recovery of costs as a negative expenditure in the HTF.

OCFO/DDOT's treatment of the accounting events does not properly reflect expenditures in either year from an accounting perspective. Additionally, we believe that charging the lawsuit to the HTF was not in compliance with the statutory purpose of the HTF, as found in D.C. Code § 9-109.02.

Table 2 below shows the FY 2006 charge for settlement of the lawsuit and also shows FY 2007 negative expenditures recorded in HTF as a result of General Obligation Bonds receipts made available to cover the cost of the lawsuit.

Project	Project Description	FY 2007 Costs Transferred Out (Negative Expenditures)	FY 2006 Improper Charges
CM007A	North East Vehicle Inspection Station Lawsuit	(3,900,000)	\$3,635,721
TOTAL		(3,900,000)	\$3,635,721

Advance Construction Costs

In FY 2006, OCFO/DDOT began using the "advance construction" option allowed by the FHWA for federal highway projects. FHWA defines advance construction as:

FINDING AND RECOMMENDATIONS

a technique which allows a State to initiate a project using non-federal funds while preserving eligibility for future federal-aid projects. Eligibility means that FHWA has determined that the project technically qualifies for Federal-aid; however, no present or future Federal funds are committed to the project. After an advance construction project is authorized, the State may convert the project to regular Federal-aid funding provided Federal funds are made available for the project.⁴

OCFO/DDOT charged advance construction costs to the HTF in FYs 2006 and 2007. Table 3 summarizes FY 2006 and FY 2007 advance construction expenditures totaling \$7,594,520 charged to the HTF as of September 30, 2007.

Table 3. Summary of FYs 2006 and 2007 Charges to the Highway Trust Fund as Advance Construction			
Project	Project Description	Amount	Potential Federal Share
AD012A	Lighting Asset Management	\$185,025	\$148,020
CD023A	FY05 FA Preventive Main/Emergency Repairs on Highway Structure	\$11,665	\$9,332
CDTA3A	Rehab of Anacostia Freeway Bridges – Construction	\$300,343	\$240,274
C1014A	FY03 Traffic Signal Maintenance STP Routes	\$4,038,491	\$3,230,793
C1015A	FY03 Traffic Signal Maintenance-NHS Routes	\$1,009,623	\$807,698
CKTA9A	Reconstruction 2nd St., NE Mass Ave-M Street	\$93,518	\$74,814
SR036A	Reconstruction of 18 th St., NW, Florida Ave., to Columbia Rd	\$238,259	\$190,607
	Total FY 2007 Charges	\$5,876,924	\$4,701,538
AD012A	FY 2006 Lighting Asset Management	\$1,717,596	\$1,374,076
	TOTAL FY 2006 and FY 2007 Charges	\$7,594,520	\$6,075,614

We have concerns regarding the accounting treatment for these transactions. The expenditures were initially entirely charged to the HTF. However, if and when the

⁴ U.S. Department of Transportation Federal Highway Administration, Guidance on Section 308 of the NHS Act, Advance Construction of Federal Aid Projects, <http://www.fhwa.dot.gov/innovativefinance/sc308510.htm> (last visited March 27, 2008).

FINDING AND RECOMMENDATIONS

OCFO/DDOT converts these expenditures to federal charges, approximately 80 percent will be charged to the federal fund. Under their current method of treatment, OCFO/DDOT will record negative expenditures to the HTF to reflect recovery of these funds.

Local Roads Construction and Maintenance Fund (LRCMF)

DDOT also charged expenditures to the HTF that should have been charged to the LRCMF. In FY 2006, approximately \$1.6 million was charged to the HTF that should have been charged to the LRCMF. In FY 2007, approximately \$1.6 million was transferred out of HTF to the LRCMF. We believe that expenditures should have been charged to the proper fund initially in order to eliminate the need for adjustments, which distort the true expenditures incurred in any one fiscal year. As with the legal settlement, accrued expenses, and advance construction economic events, by recording the transaction as a negative expenditure, OCFO/DDOT’s financial reporting is distorted.

Impact of Treatment of Accounting Events in Question

Table 4 below summarizes the effects of the accounting events in our test sample for FY 2007.

Table 4. Effects of Treatment of Accounting Events on FY 2007 HTF Expenditures			
Accounting Events	Amount Charged	Expenditures Overstated	Expenditures Understated
Accrued Expenditures		\$1,976,793	
Legal Liability	(\$3,900,000)		\$3,900,000
Advance Construction	\$5,876,924	\$4,701,539	
Local Roads Construction and Maint. Fund	\$0		\$1,600,000
Total Over and Understated		\$6,678,332	\$5,500,000

Office of Financial Operations and Systems (OFOS)

We inquired of OFOS regarding OCFO/DDOT’s recording/reporting (accounting treatment) of the accounting events in question. As far as the treatment of advance construction costs were concerned, an OFOS official concurred with our finding (that the HTF expenditures

FINDING AND RECOMMENDATIONS

were overstated in FY 2006), but also agreed with DDOT's contention that there was no basis for recording the advance construction costs as a "Due From." The OFOS official stated that because 100 percent of the advance construction costs had been budgeted to the HTF, the expenditures had to be charged there. OFOS stated that a new accounting treatment has been devised "whereby DDOT will record only the allocable 20 percent of advanced construction costs incurred in HTF. The remaining 80 percent which may or may not be reimbursed by the federal government will be recorded in the Capital fund."⁵ OFOS officials agreed that due to the current budget structure, the accounting treatment could not be changed until future budget modifications are made.

Moreover, OFOS agreed that when funding is received to reimburse prior year expenditures (as with the lawsuit), the funding is revenue, not negative expenditures (as OCFO/DDOT treated previous accounting events).

RECOMMENDATIONS

We recommend that the District's Chief Financial Officer at DDOT establish and implement financial policies and procedures to:

1. Estimate timely and accurately accruals for HTF projects.
2. Identify and account for contingent liabilities in accordance with GASB 10 and properly budget for estimated losses.
3. Properly budget and account for advance construction transactions.
4. Record recovery of costs as revenue, or transfers-in, and not negative expenditures.

⁵ Memorandum from OFOS Financial Reporting and Policy Manager to OIG (January 18, 2008).

FINDING AND RECOMMENDATIONS

OCFO/DDOT RESPONSES

RECOMMENDATION 1

OCFO/DDOT agreed with the finding and stated that an error had been made in preparing an entry for accrued expenditures for FY 2007. OCFO/DDOT also stated that procedures have been created to improve accounting for accruals in the future. OCFO/DDOT also recomputed the accruals and determined that the excessive accrual to the Highway Trust Fund was \$1.28 million and not \$1.9 million as stated in Table 1. OCFO/DDOT stated that Project Number CKT64A (\$17,992) in Table 1 was not part of the estimated accrual.

OIG COMMENT

Project number CKT64A was listed as part of the accrual on a schedule OCFO/DDOT provided to the OIG during the audit field work. We consider OCFO/DDOT's actions to be responsive to the recommendation.

RECOMMENDATION 2

OCFO/DDOT'S RESPONSE

OCFO/DDOT disagreed with the recommendation and the discussion of the legal costs. OCFO/DDOT stated that DDOT's internal auditor, who was responsible for commitments and contingencies, was unaware of the potential settlement. OCFO/DDOT also stated that it does not know why the OIG did not propose an accrual. Moreover, OCFO/DDOT stated that when the OIG requested an opinion from OFOS, OFOS disagreed with the OIG on accounting treatment for legal costs. Finally, OCFO/DDOT stated that it has discussed recovery of costs with OFOS and understands that the "correct GAAP treatment would recognize revenue rather than create a negative expenditure" as OCFO/DDOT had recorded the transactions.

OIG COMMENT

On December 28, 2007, the OIG HTF audit team sent a memorandum to OFOS regarding various HTF transactions. Included among these transactions was the cost of a lawsuit settlement, which OCFO/DDOT had recorded as an expenditure in the HTF during FY 2006. In FY 2007, OCFO/DDOT recovered the costs of the lawsuit and recorded it as a negative expenditure in HTF. OIG had concern as to the propriety of recording the recovery as a negative expenditure. The inquiry in our memorandum to OFOS regarding the accounting treatment of the lawsuit costs/recovery centered on propriety in terms of GAAP, not in terms of being proper in compliance with the D.C. Code.

FINDING AND RECOMMENDATIONS

As part of our audit procedures of possible contingent liabilities, we make inquiries to OAG and ORM as to legal contingencies. Normally, we provide and discuss the information we receive from OAG and ORM with the controller for OCFO/DDOT. However, it is OCFO/DDOT's responsibility to have internal controls over financial reporting in place so that it can timely identify economic events that may affect the HTF, including legal contingencies. In OCFO/DDOT's response, DDOT stated that it has an internal auditor who is responsible for identifying possible contingencies, but that the internal auditor was not aware of the settlement.

We maintain our position and reiterate Recommendation 2. It is OCFO/DDOT's primary responsibility to design and implement policies, procedures, and internal controls to timely identify contingent liabilities in accordance with GAAP. Having internal controls in place to capture contingency information affords OCFO/DDOT greater opportunity to properly budget and account for the contingencies.

RECOMMENDATION 3

OCFO/DDOT'S RESPONSE

OCFO/DDOT stated that it does not agree with the recommendation and that it has properly budgeted and accounted for advance construction costs in accordance with FHWA procedures and the District's budget. Further, OCFO/DDOT stated it has discussed the issue with OFOS and agrees with OFOS that the current budget structure does not allow a change in accounting for advance construction. However, OCFO/DDOT also stated that OFOS has devised a new accounting treatment for advance construction that is dependent upon the availability of local funding.

OIG COMMENT

As we stated in the report, OFOS said it "has devised a new accounting treatment whereby DDOT will record only the allocable 20% of advanced construction costs incurred in HTF. The remaining 80% which may or may not be reimbursed by the federal government will be recorded in the Capital fund. DDOT asked that implementation of the new accounting treatment be deferred until the expenditure budget which is currently 100% HTF is modified to shift 80% to the Capital fund." Therefore, the OIG requests that OCFO/DDOT provide a time period (date) for implementing the new accounting treatment that will be based upon the availability of local funding.

FINDING AND RECOMMENDATIONS

RECOMMENDATION 4

OCFO/DDOT RESPONSE

OCFO/DDOT stated neither concurrence nor non-concurrence but that it understands the issue. OCFO/DDOT discusses at length a proposed remedy, stating that it will treat recovery of expenditures as revenue only for years when recoveries are considered material. In the discussion, OCFO/DDOT states that: (1) it must also answer to the FHWA when addressing accounting issues; (2) the OIG's recommendation would be cost prohibitive; and (3) the OIG did not consider the complexity of multi-year capital accounting and other GAAP principles, such as materiality and consistency.

OIG COMMENTS

The OIG considers OCFO/DDOT's treatment of recovery of costs as illustrated in Exhibit E of OCFO/DDOT's response as responsive to the recommendation. However, we stand by our comments that GAAP defines revenues as increases in financial resources and expenditures as decreases in financial resources. Also, we note that an OFOS official stated that, "When funding is received which reimburses [a] prior year's expenditure the funding is revenue, not negative expenditures." The OFOS official went further to state that including comments about "negative expenditures" in the notes to the financial statements was not in compliance with GAAP.

OCFO/DDOT's comments that the OIG did not consider materiality and consistency during the audit are incorrect as we did consider these factors. We weighed the transactions we questioned and considered them immaterial to the extent that the HTF financial statements did fairly present, as a whole, the results of operations and financial position. Also, when we conduct our audits, we generally test transactions on a random sample basis. Therefore, we would not necessarily have come across similar transactions in prior years.

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OTHER MATTERS OF INTEREST

Advance Construction Financing Technique

OCFO/DDOT uses the advance construction option for federal highway projects as provided by 23 U.S.C. § 115. This section of the U.S. Code states that a jurisdiction may undertake a project eligible for federal funds before the FHWA actually approves and provides funding for the project. The FHWA authorizes the project agreement but this does not constitute a commitment of federal funds. Under this method, the FHWA does not obligate funds to reimburse advance construction projects. DDOT has used this option even though there is the possibility that the FHWA will not make funds available for the projects. Therefore, DDOT risks that the entire amount of expenditures for advance construction projects will be incurred by the HTF.

We believe that District management officials need to be aware that local HTF funds may be ultimately used entirely to fund advance construction projects. Also, District management should consider that under 23 U.S.C § 122, projects using bond proceeds are eligible for reimbursement for interest incurred and other related bond costs. In addition, all projects budgeted as advance construction should be included in the HTF's 5-year forecast of expenditure conditions and operations. For example, project CDTA3A was not listed in the 5-year forecast for FY 2006. Including the projected cost of all advance construction projects in the HTF forecast would ensure the District's ability to meet future local matching requirements under FHWA for capital improvements to the District's infrastructure.

Interpretation of D.C. Code § 9-109.02

D.C. Code § 9-109.02 (b) (2001) states that amounts in the HTF "shall be sufficient to pay, at a minimum, the cost-sharing requirements established under Title 23, United States Code...." Therefore, this section of the D.C. Code appears to open the door for a wide array of different types of expenditures from the HTF. For example, projects for local roads construction would apparently be proper even though a separate LRCMF exists. OCFO/DDOT should confer with the OAG to ensure that all expenditures from the HTF (i.e., legal expenses, advance construction, non-participating costs, etc.) are within the intent of the legislation.

FINDING AND RECOMMENDATIONS

OCFO/DDOT'S RESPONSE – OTHER MATTERS OF INTEREST

Advance Construction Technique

OCFO/DDOT disagreed with our comments and stated that they are fully aware that local funds may ultimately be used entirely to fund advance construction projects.

Interpretation of D.C. Code § 9-109.02

OCFO/DDOT stated that it has conferred with the OAG which confirmed that use of the HTF is unrestricted provided that HTF's balance is sufficient to meet cost-sharing requirements in the current fiscal year.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
 RESULTING FROM AUDIT**

Recommendations	Description of Benefit	Amount and Type of Monetary Benefit	Agency Reported Estimated Completion Date	Status⁶
1	Compliance and Internal Control. Timely and accurately estimates accruals for HTF projects, improving controls over financial reporting. Funds charged erroneously to the HTF can be recovered from the federal fund.	Monetary and Nonmonetary (\$1.1 million to HTF)	July 25, 2008	Closed
2	Compliance and Internal Control. Properly accounts for contingent liabilities and accurately budgets for estimated losses.	Nonmonetary	TBD	Unresolved
3	Compliance and Internal Control. Properly accounts for advance construction transactions.	Nonmonetary	July 25, 2008	Closed

⁶ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

Recommendations	Description of Benefit	Amount and Type of Monetary Benefit	Agency Reported Estimated Completion Date	Status⁶
4	Compliance and Internal Control. Improves internal controls over accounting events and makes financial reporting more accurate.	Nonmonetary	July 25, 2008	Closed

EXHIBIT B: MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ASSOCIATE CHIEF FINANCIAL OFFICER



2008 JUL 25 PM 3:05

ENTERED
9654

Government Services Cluster

July 25, 2008

Charles Willoughby
Inspector General
Office of The Inspector General
717 14th St., NW
Washington, DC 20009

Dear Mr. Willoughby:

This letter is in response to the District Department of Transportations Highway Trust Fund Management Advisory Letter for FY 2007.

DISCUSSION OF FINDINGS:

Accrued Expenses:

An error was made in preparing the accrued expenditure entry in FY 2007. As a result procedures for the annual accrual have been created and are attached as "Exhibit A". However we request that the discussion and Table 1 be modified as the Office of the Inspector General's (OIG) analysis of the accrued expenditure entry failed to include the overall effect of federal grant expenditures in the calculation of the estimated accrual. The revision shows that the change in the accrual amount is on the allocation between funding sources and not the gross accrual amount.

The OIG schedule (Table 1) also includes a reference to project number CKT64A, which was not part of the estimated accrual. There is no explanation as to why this project is included.

The correct calculation of the accrued expenditures for FY 2007 is detailed below:

EXHIBIT B: MANAGEMENT RESPONSE

Corrected Year End 2007 Capital Expenditure Accual					
	Spending FY 2007 through 10/22/07	% of Total	FY 2007 Estimated Accrual Pool	Rounded Pool Amount	Charge to Project
GO Bonds	23,847,341.53	10.32%	670,863.90	670,900.00	CAL14C 04
LRCMF	44,951,539.15	19.45%	1,264,558.76	1,264,500.00	CE302C 04
HTF	41,696,907.63	18.05%	1,173,000.77	1,173,000.00	FDT20A 03 SR014A 03
Federal Grants	120,561,093.19	52.18%	3,391,576.57	3,391,600.00	
	231,056,881.50	100.00%	6,500,000.00	6,500,000.00	
Corrected Versus Actually Recorded at Year End 2007					
	Actually Recorded		Corrected Amount		Difference
GO Bonds	1,403,000.00		670,900.00		732,100.00
LRCMF	2,644,000.00		1,264,500.00		1,379,500.00
HTF	2,453,000.00		1,173,000.00		1,280,000.00
Federal Grants	-		3,391,600.00		(3,391,600.00)
	6,500,000.00		6,500,000.00		-

Based on the calculation above, Table 1 Summary of Excessive Accrued Expenses Charged to the Highway Trust Fund (HTF) should be modified as follows:

Table 1. Summary of Excessive Accrued Expenses Charged to the HTF			
Project	Project Description	Total Amount Charged	Excessive Charges
SR014A	FY 2006 FA CW Pavement Restoration	\$ 1,226,500	\$ 640,000
FDT20A	T.R. Bridge #1200 Concrete Deck Overlay & Repair	\$ 1,226,500	\$ 640,000
TOTAL FY 07 Accruals		\$ 2,453,000	\$ 1,280,000

Legal Liability Costs:

The issue relates to a FY 2006 transaction. Availability of alternative funding subsequent to 2006 and DDOT/OCFO employment of this funding does not imply impropriety in use of Highway Trust Fund monies to fund the settlement.

It is unreasonable to state that in FY 2005 the District Department of Transportation/Office of the Chief Financial Officer (DDOT/OCFO) "should have anticipated the lawsuit and initially set up an accrual in the proper fund for the lawsuit". The OIG states that responses from the Office of the Attorney General (OAG) for FY 2005 disclosed a potential settlement for

EXHIBIT B: MANAGEMENT RESPONSE

the NE Inspection Station in early FY 2006. As the OIG is aware, OCFO staff depended upon the certification of Commitments and Contingencies from the OAG and program staff to complete required closing packages for the FY 2005 CAFR audit. [REDACTED] the internal auditor for DDOT who was responsible for completion of the FY 2005 Commitments and Contingencies closing package, was not advised of the potential settlement as evidenced by his submission to the Office of Financial Operations and Systems (OFOS) dated November 7, 2005.

The OIG states that they "believe charging the lawsuit to the HTF was not in compliance with the statutory purpose of the HTF, as found in DC Code § 9-109.02". This is not correct. There is no prohibition on use of the HTF for this purpose. Moreover, when the OIG requested an opinion from OFOS on accounting treatment for the legal costs, OFOS disagreed with the OIG, and stated "Since HTF was required to absorb the cost, it is a valid expenditure of HTF and has been properly recorded as such" (a copy of the opinion is attached as Exhibit B).

The DDOT/OCFO has discussed treatment of the recovery of costs with OFOS and understands that the correct GAAP treatment would recognize revenue rather than create a negative expenditure. DDOT/OCFO believed that the transactions were occurring within the same GAAP fund, but were informed by OFOS that the HTF is reported as a separate GAAP fund for CAFR purposes, therefore the proper accounting treatment is the recording of a GAAP reclassification journal entry that is non-budgetary to present the negative expenditures as revenue in the HTF.

Advance Construction Costs:

As discussed in the section below on Recovery of Costs, we have discussed the conversion of advance construction costs to federal charges with OFOS and have agreed that a GAAP reclassification journal entry that is non-budgetary will be used to present negative expenditures as revenue when recovery is material as defined below (please see discussion of Recovery of Costs).

Local Road Construction Maintenance Fund (LRCMF):

Per the OIG the \$1.6 million in expenditures charged to the HTF in FY 2006 (actually \$1.1 million in FY 2006 and \$.5 million in FY 2007) and subsequently moved to the LRCMF in FY 2007 was properly processed/adjusted. The project in question, CD006A (I-295 2(181) 11th Street Bridges EIS), is eligible for funding from local sources and federal grants. The local sources included the HTF, LRCMF and GO Bond funding. The Federal source of funding is the Federal Highway Grant. The agency attempts to optimize the funding mix for its projects on a rolling basis. This maximizes the utility of HTF funding that is dependent upon the volatility of the collection of motor fuel taxes.

The funding source is a business decision, with the OCFO continually monitoring the funding activities required from each funding source. A review of the HTF fund balance and the 5 year forecast is routine and in this instance resulted in a decision to reimburse the HTF from other available funds.

EXHIBIT B: MANAGEMENT RESPONSE

Impact of Treatment of Accounting Events in Question:

The OIG Table 4 should be removed from the report due to its lack of clarity. It is not meaningful as it combines transactions from multiple years and inaccurately characterizes costs discussed previously in this response that are legitimate charges to the HTF as "Expenditures Overstated".

Office of Financial Operations and Systems (OFOS):

The DDOT/OCFO agrees with the OFOS that the current budget structure does not allow a change in accounting for advance construction. The OFOS stated that a new accounting treatment had been devised; however use of the accounting method is dependent upon the availability of local funding. DDOT is free to use HTF monies for the advance construction program, and FHWA approves the use of the program as structured by DDOT. There are no prohibitions on use of the HTF for advance construction. The choice of funding is a business decision that is initiated by the Director and senior program staff at the DDOT.

Please see the discussion of Recovery of Costs below to complete this item.

RESPONSE TO RECOMMENDATIONS:

1. We agree and have attached procedures developed to ensure accuracy of the accruals.
2. We do not concur with the OIG on this issue. Please see discussion above.
3. We do not agree. DDOT/OCFO have properly budgeted and accounted for advance construction in accordance with procedures for advance construction promulgated by the FHWA and in compliance with the District budget.
4. We understand the issue and at the same time are proposing a remedy to the issue. Please see the discussion below under "Recovery of Costs".

RESPONSE TO OTHER MATTERS OF INTEREST:

Advance Construction Financing Technique:

We do not concur with the issue presented. Advance construction has been an accepted Federal Highway Administration program since 1996. The use of advanced construction in the District since FY 2006 has been a significant alternative financing method that allows the District to more efficiently plan and schedule the initiation of Federal Highway funded projects.

DDOT and OCFO management officials are fully aware that local HTF funds may be ultimately used entirely to fund advance construction projects. However, to mitigate this risk, all projects utilizing advance construction are technically qualified by FHWA as eligible under FHWA guidelines, contingent upon availability of federal funding.

The OIG's comment concerning bond funding is not relevant as the advance construction program does not employ any bond funding.

EXHIBIT B: MANAGEMENT RESPONSE

Additionally, project CDTA3A was included in the FY 2006 and FY 2007 five year forecasts. We are attaching copies from the five year plans for both these years as Exhibit C.

Interpretation of DC Code § 9-109.02:

The DDOT/OCFO have conferred with the OAG, who confirmed that use of the HTF is unrestricted provided that the fund's balance is sufficient to meet cost-sharing (matching) fund requires in the current fiscal year. The OIG's quotation of D.C. Code § 9-109.02 (b) did not include the final four words of section (b), which are "for such fiscal year". A copy of the code is attached as Exhibit D.

Additional Key Issues

RECOVERY OF COSTS:

The DDOT/OCFO must also answer to the FHWA when addressing accounting issues that affect the HTF. FHWA requires that the District's book of record, SOAR, record project and project phase expenditures that tie to the Fiscal Management Information System (FMIS), the FHWA system book of record. The HTF is inextricably linked to the federal grant fund. When expenditures are increased or reduced to the FHWA grant, an inverse decrease or increase in expenditures must be recorded in the HTF. Moreover, the FHWA system tracks matching and non-participating expenditures paid by the HTF. Failure to record actual expenditures by fund, including decreases in expenditures for the HTF threatens availability of federal grant funding and raises single audit issues.

The proper treatment for reduction of an expense reported in a prior year is a prior period adjustment, resulting in restated financial statements. Materiality would prevent such a restatement. Failure to comply with GAAP is a serious charge that should be made with all facts considered. All principles of GAAP were not considered in the OIG's recommendation. The OIG management advisory letter does not address the complexity of the capital grant program, the large volume of transactions that cross years or the inverse relationship between the Highway Trust Fund and other capital funds.

The DDOT/OCFO will continue to provide annual analysis of non-participating costs and will create summary level entries reflecting recovery of prior year expenditures as revenue only for years when recoveries are considered material. Materiality will be considered to be recoveries in excess of \$3 million per transaction, or when aggregate recoveries for the year exceed 10% of total costs. The cost in time and paper of detailed entries to record and offset revenue entries required only for OIG's interpretation of GAAP would be prohibitive, involving a tripling of entries for cost adjustments, special approvals from OFOS and additional budget programming for OBP. The DDOT/OCFO have met with representatives from OFOS and concluded that the cost-benefit may not support implementation of such procedures and that a year end (non-budgetary) GAAP reclassification of negative expenditures to revenue is sufficient. The GAAP reclassification entries are illustrated in Exhibit E attached.

EXHIBIT B: MANAGEMENT RESPONSE

In closing, Exhibits A through E are attached for your review. If you have any questions, please feel free to contact me directly on 202-671- [REDACTED] or [REDACTED], controller, 202-671- [REDACTED]

[REDACTED]
Associate Chief Financial Officer
Government Services Cluster

July 25, 2008

EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT A

Effective February, 2008

District Department of Transportation

YEAR END CAPITAL FUND ESTIMATED ACCRUAL

As part of the annual financial closing of current liabilities, the District Department of Transportation creates an annual estimated accrued expenditure for capital contractual invoices for services performed prior to the fiscal year end for which invoices cannot be received prior to the closing date for accrued liabilities.

Reasons that invoices are not received vary. Preparation of construction draws is a lengthy process and approval of the draws require multiple layers of sign off that can include District engineers or engineering consultants, FHWA engineers, WASA engineers, and other related parties. Use of the estimated accrual pool was requested by the District independent auditors in 2004 as receipt of multiple invoices for capital projects required restatement of revenues, receivables, construction in process and fixed asset multiple times and delayed completion of audit work. It was recognized that DDOT is not able to obtain all invoices in time to meet reporting deadlines and that use of an estimate was acceptable. Since 2004, the amount accrued has been adjusted based on experience in each prior year.

In order to ensure that the accrual is properly allocated to each of the capital funding sources a report of local expenditures for all capital funding sources is run by appropriation number and appropriations are broken down by funding type. Total federal expenditures are determined by taking the total federal spending per the DAFRD520 report for appropriated fund 0200. A sample of the worksheet and accounting elements used to record the annual estimated accrual is below:

DDOT CAPITAL FUNDS ESTIMATED ACCRUAL WORKSHEET										
	Spending Current Fiscal Year	% of Total Spending	Current Year Estimated Accrual Pool	Tcode	Charge to: Project	A Y	Fund	Index	PCA	Agy Obj
GO Bonds	20,000,000.00	10.00%	650,000.00	808	DUMMY1.00	98	0300	GO300	00001	0409
Local Roads Construction Maintenance Fund	40,000,000.00	20.00%	1,300,000.00	808	DUMMY1.00	03	0330	LR330	00001	0409
Highway Trust Fund	40,000,000.00	20.00%	1,300,000.00	808	DUMMY1.00	99	0320	HT320	00001	0409
Federal Grants	100,000,000.00	50.00%	3,250,000.00	808	DUMMY1.00	99	0350	HT350	00001	0409
	200,000,000.00	100.00%	6,500,000.00							

NOTE: Tcode 808 does not automatically reverse, a Tcode 809 reversing entry must be prepared and entered.

EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT B

MEMORANDUM

To: [REDACTED], Audit Manager (OIG)

From [REDACTED] Financial Reporting & Policy Manager (OFOS)

Date: January 18, 2008

Subject: Highway Trust Fund Transactions

In your memo dated December 28, 2007, you sought the opinion of the Office of Financial Operations & Systems (OFOS) on whether the District Department of Transportation (DDOT) is recording certain Highway Trust Fund (HTF) transactions in accordance with Generally Accepted Accounting Principles (GAAP). Following an internal discussion of your memo and inquiry of DDOT, the OFOS position is as follows:

Advance construction costs

The OIG preliminarily found that HTF expenditures were overstated because DDOT charged 100% of advance construction costs to HTF when the fund was responsible for only 20%. OIG opines that the 80% federal share should have been recorded as a "Due From."

DDOT stated that there was no basis for recording a "Due From" in HTF at the time the expenditures were incurred because the federal government had no obligation to reimburse HTF. Besides, the District had budgeted 100% of the expenditure in HTF.

The OFOS concurs with OIG's finding and DDOT's contention that there was no basis for recording a "Due From." It has devised a new accounting treatment whereby DDOT will record only the allocable 20% of advanced construction costs incurred in HTF. The remaining 80% which may or may not be reimbursed by the federal government will be recorded in the Capital fund. DDOT asked that implementation of the new accounting treatment be deferred until the expenditure budget which is currently 100% HTF is modified to shift 80% to the Capital fund.

The OFOS agrees with DDOT that implementation of the new accounting treatment before the budget is modified is not practical.

Legal Costs

The OIG preliminarily found that the cost of a legal settlement resulting from a work stoppage on a FHWA funded project should have been recorded as a "Due From" because "the city will provide GO Bond funding in 2007 to reimburse settlement costs the Highway Trust Fund was required to absorb."

EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT C (4 pages from 2006 and 2007 Budget Books)

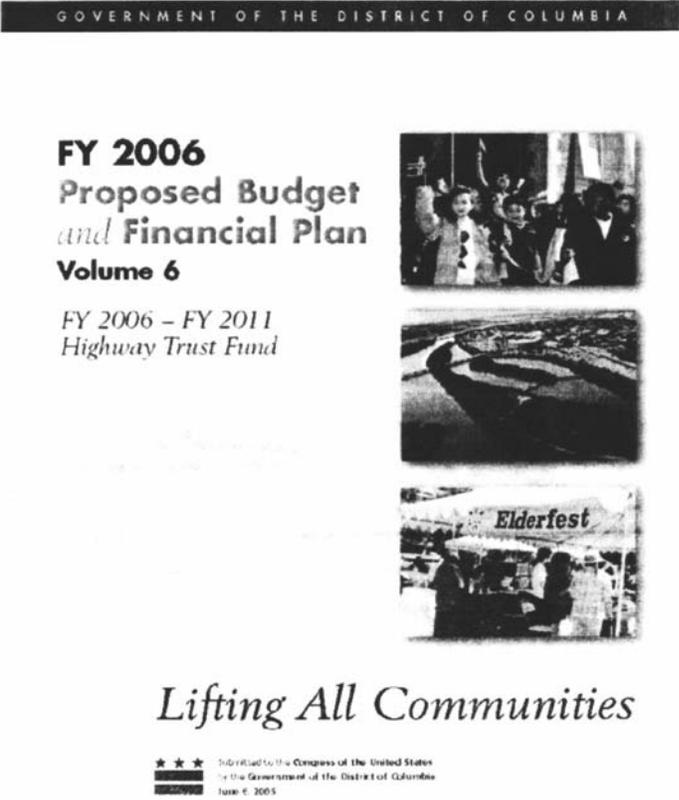


EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT C (4 pages from 2006 and 2007 Budget Books)

Department of Transportation											ANNUAL OPERATING BUDGET IMPACT		
Project Code	SubProject Code	Agency Code	Implementing Agency Code								Funds		
CDT	A3	KAB	KAB								Personnel Services		
Project Name:		Sub Project Name:		Implementing Agency Name:								Non Personnel Services	
Bridge Rehabilitation		NB/SB Anac Fwy. FR STERLING-CHESEPE		Department of Transportation								Maintenance Costs	
Subproject Location:		NB/SB Anac Fwy, First Sterling-Chesapeake											
ALLOTMENT SCHEDULE											Milestone Data		
Cost Element Name	Through FY 2004	Budgeted FY 2005	Total	Year 1 FY 2006	Year 2 FY 2007	Year 3 FY 2008	Year 4 FY 2009	Year 5 FY 2010	Year 6 FY 2011	8 Years Budget	Total Budget	Initial Authorization Limit	1990
(23) Design	178	-25	153	121	0	0	0	0	0	0	121	Initial Cost	39,000
(23) Project Management	338	-18	320	50	300	0	0	0	0	0	350	Implementation Status	Under Design
(24) Construction	3375	-3375	0	250	1,000	0	0	0	0	0	1,250	Useful Life	30
Total	4491	-3644	847	421	1,300	0	0	0	0	0	1,721	CIP Approval Criteria	Efficiency Improvements
FUNDING SCHEDULE											Efficiency Improvements		
Cost Element Name	Through FY 2004	Budgeted FY 2005	Total	Year 1 FY 2006	Year 2 FY 2007	Year 3 FY 2008	Year 4 FY 2009	Year 5 FY 2010	Year 6 FY 2011	8 Years Budget	Total Budget	Functional Category <th>Head and Budget</th>	Head and Budget
Highway Trust Fund (2030)	0	0	0	425	600	0	0	0	0	1,025	1,025	Major Policy Priority	Unity of Purpose
Gross Highway Trust (2030)	1,689	-1,164	525	2,572	1,885	0	0	0	0	4,457	4,457	Program Category	Public Works
Total	1,689	-1,164	525	2,997	2,485	0	0	0	0	5,482	5,482	Schedule	Actual
Subproject Description:											Development of Scope:		
This project repairs, restores and replaces deteriorated, unsafe bridge structures, tunnels and elevated highway facilities on and off the national and highway system.											Approval of AS:		
Scope of Work:											Notice to Proceed		
The scope of work includes, but is not limited to, feasibility and design, preparation of contract plans, specifications and bid abstracts, engineering and construction management for the restoration or replacement of existing bridge decks, superstructures, and substructures, tunnels and elevated highway facilities.											Final design Complete		
											CDP Executive Control		
											NTP for Construction		
											Construction Complete		
											Project Closeout Date		
											MAP		
													
											NB/SB Anac Fwy, First Sterling-Chesapeake		
Government of the District of Columbia											Page KAB - 131		
Education: Public Safety and Opportunity for All											ck/10/07		

EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT C (4 pages from 2006 and 2007 Budget Books)

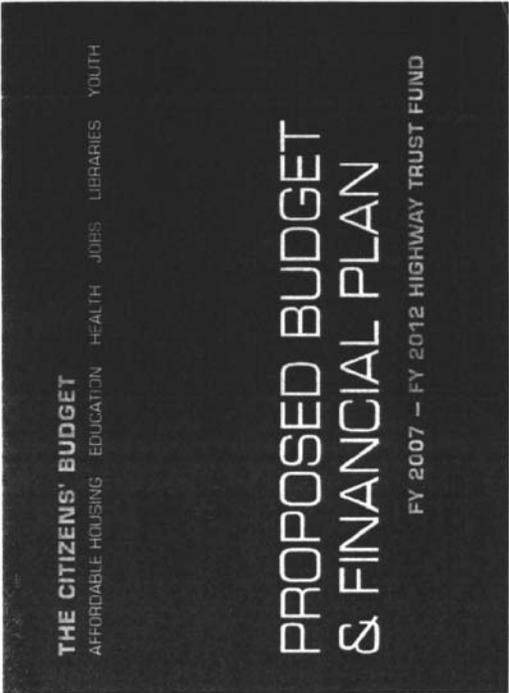


EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT C (4 pages from 2006 and 2007 Budget Books)

Department of Transportation												(Dollars in thousands)					
Project Code		Subproject Code		Agency Code		Implementing Agency Code											
CDT		A2		KAD		KAD											
Project Name				Sub Project Name				Implementing Agency Name									
Bridge Rehabilitation				ANA FWY FIFTH STERLING-CHESAPEAKE I6-291				Department of Transportation									
Subject Location												NBSB Anac Fwy, First Sterling-Chesapeake					
ALLOTMENT SCHEDULE												Milestone Data					
Cost Element Name	Through FY 2006	Budgeted FY 2006	Year 1 FY 2007	Year 2 FY 2008	Year 3 FY 2009	Year 4 FY 2010	Year 5 FY 2011	Year 6 FY 2012	6 Years Total Budget	Total Outlay	Initial Authorization (dollars)	Cost Implementation Status	Justified	Actual			
(0-1) Design	124	19	144	127	0	0	0	0	127	1,746	100	38,286	Under design				
010 Project Management	0	0	0	300	0	0	0	0	300	300	0	0	0				
040 Construction	0	0	0	3,000	0	0	0	0	3,000	3,000	0	0	0				
Total	124	19	144	3,227	0	0	0	0	3,227	3,227							
FUNDING SCHEDULE												Milestone Data					
Cost Element Name	Through FY 2006	Budgeted FY 2006	Year 1 FY 2007	Year 2 FY 2008	Year 3 FY 2009	Year 4 FY 2010	Year 5 FY 2011	Year 6 FY 2012	6 Years Total Budget	Total Outlay	Development of Scope Approval of A/R	Match to Proceed	Final design Complete	DCP Executes Cost Contract	RFP for Construction	Construction Complete	Project Closed/Out Date
Highway Trust Fund (2006)	0	0	0	575	0	0	0	0	575	567							
Urban-Highway Trust (2006)	124	19	144	1,500	0	0	0	0	1,522	4,940							
Total	124	19	144	1,527	0	0	0	0	1,527	5,507							
Subject Description:																	
The project repairs, restores and replaces deteriorated, unsafe bridge structures, tunnels and related highway facilities on and off the federal and highway systems.																	
Scope of Work:																	
The scope of work includes, but is not limited to feasibility and design, preparation of contract plans, specifications and cost estimates, engineering and construction management for the reconstruction or replacement of existing bridge decks, superstructures, and substructures, tunnels and elevated highway facilities.																	
Government of the District of Columbia																	
												MAP					
												NBSB Anac Fwy, First Sterling-Chesapeake					
												Page KAD-154					

EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT D

DC ST § 9-109.02

Formerly cited as DC ST 1981 § 7-134.2

District of Columbia Official Code 2001 Edition Currentness
Division I. Government of District.

Title 9. Transportation Systems. (Refs & Annos)

Subtitle I. Highways, Bridges, Streets, and Alleys.

Chapter 1. Highway Plans. (Refs & Annos)

Subchapter V. Emergency Highway Relief.

⇒§ 9-109.02. Dedicated highway fund and repayment of temporary waiver amounts.

(a) *Establishment of fund.* -- Not later than December 31, 1995, the District of Columbia shall establish a dedicated highway fund to be comprised, at a minimum, of amounts equivalent to receipts from motor fuel taxes and, if necessary, motor vehicle taxes and fees collected by the District of Columbia to pay in accordance with this section the cost-sharing requirements established under Title 23, United States Code, and to repay the United States for increased Federal shares of eligible projects paid pursuant to § 9-109.01(a). The fund shall be separate from the general fund of the District of Columbia.

(b) *Payment of non-federal share.* -- For fiscal year 1997 and each fiscal year thereafter, amounts in the fund shall be sufficient to pay, at a minimum, the cost-sharing requirements established under Title 23, United States Code, for such fiscal year.

EXHIBIT B: MANAGEMENT RESPONSE

EXHIBIT E

EXAMPLE OF GAMP COMPLIANCE ENTRY FOR ADVANCE CONSTRUCTION WHEN HIGHWAY TRUST FUND COST IS TRANSFERRED TO FEDERAL FUNDING

Event/Time Line	STATE FUND GROUP 820B Fund 0501 Highway Trust Fund						STATE FUND GROUP 820B Fund 0501 Federal Grants					
	Doc	Reqmnts & Trade	Project	Index	PCA	App Obj	Doc	Reqmnts & Trade	Project	Index	PCA	App Obj
Year 1												
Relative Vendor Payment	001 - Highway Trust Fund	300	10272				007 Cash					007 Cash
	ZE	300	10272									DR
												CR
Summary Year 1	Net Effect on Income and Expenditures for Year 1						Net Effect on Income and Expenditures for Year 1					
Year 2												
Federal Funding Obligated with 8020 split	JC	001	412									
Summary Year 2	Net Effect on Income and Expenditures for Year 2						Net Effect on Income and Expenditures for Year 2					
Year 3												
FHWA Bill for Federal Share of Cash	JC	002	413									
Summary Year 3	Net Effect on Income and Expenditures for Year 3						Net Effect on Income and Expenditures for Year 3					
GRAND TOTAL	Total Net Effect on Income, Expenditures, and Cash						Total Net Effect on Income and Expenditures					
	NET FUND BALANCE						NET FUND BALANCE					
	Original Cash Available for Project						Original Cash Available for Project					
	After Final Audit Adjustments - Cash for Project						After Final Audit Adjustments - Cash for Project					
	HTF Local Cash						HTF Local Cash					
	Non-Participating						Non-Participating					