

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

**DISTRICT DEPARTMENT OF
TRANSPORTATION
HIGHWAY TRUST FUND
MANAGEMENT LETTER
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2008**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



December 10, 2009

Natwar M. Gandhi, Ph.D.
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, N.W., Room 203
Washington, D.C. 20004

Gabe Klein
Director
District Department of Transportation
2000 14th Street, N.W., 6th Floor
Washington, D.C. 20009

Dear Dr. Gandhi and Mr. Klein:

Enclosed is our final Management Letter for the Highway Trust Fund (HTF) for the Fiscal Year Ended September 30, 2008 (OIG No. 08-1-23KA(b)). The District Department of Transportation (DDOT) administers the HTF. This management letter does not modify our opinion as previously reported.

As a result of our audit, we directed seven recommendations to the Office of the Chief Financial Officer (OCFO) and DDOT. We received a response from the OCFO to the draft management letter on November 5, 2009. Actions taken and planned by the OCFO addressed the recommendations. The full text of the OCFO response is included at Exhibit B.

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

Sincerely,


Charles J. Willoughby
Inspector General

CJW/js

Enclosure

cc: See Distribution List

DISTRIBUTION:

The Honorable Adrian M. Fenty, Mayor, District of Columbia (1 copy)
Mr. Neil O. Albert, City Administrator and Deputy Mayor, District of Columbia (1 copy)
Ms. Valerie Santos, Deputy Mayor for Planning and Economic Development, District of Columbia (1 copy)
The Honorable Vincent C. Gray, Chairman, Council of the District of Columbia (1 copy)
The Honorable Mary M. Cheh, Chairperson, Committee on Government Operations and the Environment, Council of the District of Columbia (1 copy)
The Honorable Jim Graham, Chairperson, Committee on Public Works and Transportation (1 copy)
Mr. Andrew T. Richardson, III, General Counsel to the Mayor (1 copy)
Ms. Carrie Kohns, Chief of Staff, Office of the Mayor (1 copy)
Ms. Bridget Davis, Director, Office of Policy and Legislative Affairs (1 copy)
Ms. Mafara Hobson, Director, Office of Communications (1 copy)
Ms. Merav Bushlin, Chief of Budget Development and Execution, Office of the City Administrator (1 copy)
Ms. Cynthia Brock-Smith, Secretary to the Council (13 copies)
Mr. Mohamad Yusuff, Interim Executive Director, Office of Integrity and Oversight, Office of the Chief Financial Officer (1 copy)
Ms. Deborah K. Nichols, D.C. Auditor (1 copy)
Ms. Kelly Valentine, Director and Chief Risk Officer, Office of Risk Management (1 copy)
Ms. Jeanette M. Franzel, Managing Director, FMA, GAO, Attention: Sandra Silzer (1 copy)
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives, Attention: Bradley Truding (1 copy)
The Honorable Edolphus Towns, Chairman, House Committee on Oversight and Government Reform, Attention: Ron Stroman (1 copy)
The Honorable Darrell Issa, Ranking Member, House Committee on Oversight and Government Reform (1 copy)
The Honorable Stephen F. Lynch, Chairman, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, Attention: William Miles (1 copy)
The Honorable Jason Chaffetz, Ranking Member, House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia (1 copy)
The Honorable Joseph Lieberman, Chairman, Senate Committee on Homeland Security and Governmental Affairs, Attention: Holly Idelson (1 copy)
The Honorable Susan Collins, Ranking Member, Senate Committee on Homeland Security and Governmental Affairs (1 copy)
The Honorable Daniel K. Akaka, Chairman, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)
The Honorable George Voinovich, Acting Ranking Member, Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (1 copy)

The Honorable David Obey, Chairman, House Committee on Appropriations,
Attention: Beverly Pheto (1 copy)
The Honorable Jerry Lewis, Ranking Member, House Committee on Appropriations (1 copy)
The Honorable José E. Serrano, Chairman, House Subcommittee on Financial Services and
General Government, Attention: Dale Oak (1 copy)
The Honorable Jo Ann Emerson, Ranking Member, House Subcommittee on Financial
Services and General Government (1 copy)
The Honorable Daniel K. Inouye, Chairman, Senate Committee on Appropriations,
Attention: Charles Houy (1 copy)
The Honorable Thad Cochran, Ranking Member, Senate Committee on
Appropriations (1 copy)
The Honorable Richard Durbin, Chairman, Senate Subcommittee on Financial Services and
General Government (1 copy)
The Honorable Sam Brownback, Ranking Member, Senate Subcommittee on Financial
Services and General Government (1 copy)
Mr. Lasana Mack, Treasurer and Deputy CFO, Office of Finance and Treasury (1 copy)
Mr. Anthony Pompa, Deputy CFO, Office of Financial Operations and Systems (1 copy)
Mr. George Dines, Associate Chief Financial Officer, Government Services Cluster (1 copy)
Mr. Jeffery Barnette, Associate Treasurer, Office of Finance and Treasury, Office of the
Chief Financial Officer (1 copy)
Ms. Martha Hopkins, Deputy Director Accounting Operations, Office of Financial
Operations and Systems, Office of the Chief Financial Officer (1 copy)
Ms. Ginny Brant, Controller, District Department of Transportation, Government Services
Cluster (1 copy)

**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND MANAGEMENT LETTER
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008**

TABLE OF CONTENTS

	Page
INTRODUCTION	1
OVERVIEW	1
CONCLUSION	1
SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS	1
FINDINGS & RECOMMENDATIONS	2
FINDING 1. RECORDING OF ACCOUNT ACTIVITIES	2
FINDING 2. SUBMISSION OF INVESTMENT ACCOUNT RECONCILIATIONS TO THE OFFICE OF FINANCE AND TREASURY	5
EXHIBITS	7
EXHIBIT A. SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT	7
EXHIBIT B. MANAGEMENT RESPONSE	9

INTRODUCTION

OVERVIEW

In conjunction with the financial statement audit of the Highway Trust Fund (HTF) for the Fiscal Year Ended September 30, 2008 (OIG No. 08-1-23KA(b)), we are issuing this Management Letter to report issues that came to our attention during the course of our audit that may, if left unaddressed, negatively affect the HTF Financial Statements. These identified deficiencies do not modify our opinion as previously reported.

CONCLUSION

During our audit of the HTF Financial Statements for FY 2008, we found that the Office of Finance and Treasury (OFT) did not record investment earnings to the HTF investment account on a monthly basis. As a result, investment activity of approximately \$364K was unrecorded at fiscal year-end. Additionally, we identified a lack of effective communication between the Office of Financial Operations and Systems (OFOS) and OFT to ensure that investment account reconciliations were transmitted to OFT for posting unrecorded items in a timely manner. OFT officials stated that they did not receive reconciliations from OFOS during the entire fiscal year. While OFOS officials claimed they performed the monthly reconciliations and stated that they provided the information to OFT, OFOS was unable to provide supporting documentation that showed when the reconciliations were performed and transmitted to OFT.

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS

We directed seven recommendations to the Office of the Chief Financial Officer (OCFO) for improving the financial reporting and accounting process of the District Department of Transportation's (DDOT) HTF related to the timely reconciliation and recording of HTF investment activities. We received a response from the OCFO to the draft management letter on November 5, 2009. Actions taken and planned by the OCFO addressed the recommendations. The full text of the OCFO response is included at Exhibit B.

FINDINGS AND RECOMMENDATIONS

FINDING 1: RECORDING OF ACCOUNT ACTIVITIES

The OFT is responsible for recording District-controlled cash accounts to the District’s financial management system, System of Accounting and Reporting (SOAR). As such, OFT is the responsible agency for recording the investment transactions to SOAR. During our audit of the HTF Financial Statements for FY 2008, we found that the OFT did not record investment earnings to the HTF investment account on a monthly basis. As a result, investment activity of approximately \$364K was unrecorded at fiscal year-end. Table 1 below lists the unrecorded HTF investment activity and coding adjustment needed at fiscal year-end.

TABLE 1. HTF, Fund 0320, Bank ID 330			
SOAR Balance @ 9/30/08	Unrecorded		Ending SOAR Balance @ 9/30/08
	Statement Activity	Investment Earnings @ 9/30/08	
\$ 8,659,103.73			
	January 2008	54,001.36	
	"	6,037.06	
	February 2008	50,791.43	
	"	6,017.47	
	March 2008	40,775.00	
	"	4,964.60	
	April 2008	39,331.28	
	"	4,220.05	
	"	2.96	
	May 2008	33,049.39	
	"	3,555.46	
	June 2008	31,299.52	
	"	3,340.53	
	July 2008	28,174.11	
	"	3,247.06	
	August 2008	3,447.01	
	"	27,987.80	
	September 2008	3,526.32	
	"	27,827.63	
	coding adj.	(7,370.00)	
Total		\$364,226.04	\$ 9,023,329.77

FINDINGS AND RECOMMENDATIONS

Discussions with the DDOT/OCFO officials indicated that they were unaware that the investment account SOAR balance was incorrect at year-end. DDOT/OCFO noted that they do not receive monthly statements from Manufacturers and Traders Trust Company (M&T), the District's primary investment advisor, nor do they receive the reconciliations from OFOS. Consequently, they were unable to review the investment account activity to ensure that the balance in SOAR agreed with the M&T investment statements. Previous D.C. Office of the Inspector General (OIG) audits of the HTF have identified minor discrepancies within the investment account in SOAR, which were corrected at year-end when brought to the attention of OFT.

Once we informed DDOT/OCFO officials of the unrecorded transactions, DDOT/OCFO, OFT, and OFOS worked together to post the unrecorded transactions to the investment account for the HTF. The HTF investment account was correctly reflected in the FY 2008 HTF financial statement audit.

Our discussions with OFT officials noted that the delays in recording the investment activity were due to high staff turnover of key personnel, untrained new staff, a complex and cumbersome posting process, and untimely reconciliations provided from OFOS. OFT officials noted that they did not receive reconciliations from OFOS until the year-end closing. OFOS officials stated that they prepared monthly reconciliations and provided the reconciliations to OFT; however, OFOS was unable to support that the information was submitted monthly to OFT personnel.

Although DDOT/OCFO officials are not responsible for posting and reconciling the HTF investment account, they should be provided copies of the monthly bank statements and reconciliations for their accounting records and to ensure that activity to the HTF investment account is timely and correctly recorded to SOAR.

RECOMMENDATIONS:

We recommend that the District's Chief Financial Officer (CFO):

1. Provide OFT staff with adequate training to properly and timely record HTF investment activity to SOAR for the HTF investment account.
2. Ensure that OFT prepares journal entries to record reconciliations correctly and timely.

OCFO RESPONSE

The OCFO agrees with recommendations 1 and 2. OFT has taken various steps to ensure timely recording of cash and investment activities to SOAR. Additionally, an accounting

FINDINGS AND RECOMMENDATIONS

manager position was added with oversight responsibility over all accounting-related activity.

OIG COMMENT

We consider actions planned by the OCFO to be responsive to recommendations 1 and 2.

3. Require OFT to provide DDOT/OCFO personnel with copies of the monthly HTF investment statements and journal entries for their records or grant them read-only responsible access to review investment account activity.
4. Provide DDOT/OCFO officials with monthly HTF investment account reconciliations for their records to ensure that HTF investment account transactions are properly recorded in SOAR.

OCFO RESPONSE

The OCFO agrees with recommendations 3 and 4. OFT staff will arrange to have monthly bank statement access available for DDOT/OCFO staff.

OIG COMMENT

We consider actions planned by the OCFO to be responsive to recommendations 3 and 4.

5. Require DDOT/OCFO personnel to reconcile the monthly HTF investment account statement balance to the HTF SOAR balance and notify OFT and OFOS of any discrepancies.

OCFO RESPONSE

The OCFO did not respond to recommendation 5 in its written response dated November 5, 2009. However, in our discussions with DDOT/OCFO officials, we were informed that OFOS was the official entity responsible for reconciling District-controlled bank accounts. As such, DDOT/OCFO staff will notify both OFOS and OFT staff when a discrepancy is noted between the HTF investment account bank balance and the HTF investment account SOAR general ledger balance to timely report, investigate, and resolve any differences.

OIG COMMENT

We consider actions planned by the OCFO to be responsive to the recommendation and that the sharing of information should correct the noted deficiency.

FINDINGS AND RECOMMENDATIONS

<p>FINDING 2: SUBMISSION OF INVESTMENT ACCOUNT RECONCILIATIONS TO THE OFFICE OF FINANCE AND TREASURY</p>

During our audit, we identified a lack of effective communication between OFOS and OFT to ensure that investment account reconciliations were transmitted to OFT for posting unrecorded items in a timely manner. OFT officials stated that they did not receive reconciliations from OFOS during the entire fiscal year. While OFOS officials claimed they performed the monthly reconciliations and stated that they provided the information to OFT, OFOS was unable to provide supporting documentation that showed when the reconciliations were performed and transmitted to OFT.

OFOS's procedures for investment accounts state that "[i]t is the policy of OFOS that all OFT Investment Account reconciliation[s] will be done by the 8th of each month, for the preceding month's activity, and that OFT will be immediately notified of all reconciling items." The procedures also state that "[t]he incumbent is also authorized and directed to highlight and bring to the attention of management any unnecessary delays or excessive errors in OFT's transaction processing, posting and record-keeping."

OFOS is responsible for reconciling the HTF investment account. In addition to not being able to substantiate that the reconciliations were performed and transmitted to OFT in a timely manner, OFOS did not adhere to its policy requiring it to bring to the attention of management the continued delays by OFT in recording the necessary reconciling items.

RECOMMENDATIONS:

We recommend that the District's CFO:

6. Require that staff date the investment account reconciliations to show when reconciliations are prepared, approved, and transmitted to OFT in accordance with established policy.
7. Require that key personnel of OFOS and OFT establish a method for communicating relevant reconciliation information such as:
 - regular meetings to discuss reconciling activity, and
 - including bank and investment reconciliation activity as a monthly agenda item in CFO meetings.

FINDINGS AND RECOMMENDATIONS

OCFO RESPONSE

The OCFO agreed with recommendations 6 and 7. OFT and OFOS hold periodic meetings to discuss bank reconciling activity, review accounting-related activity, and to monitor transactions and recording activity.

OIG COMMENT

We consider actions taken and planned by the OCFO to be responsive to the recommendations.

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

Recommendations	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status¹
1	Compliance and Internal Control. Improves recording of entries and reduces coding and posting errors by properly training OFT staff.	Nonmonetary	November 5, 2009	Closed
2	Compliance and Internal Control. Ensures that journal entries are properly recorded in SOAR and the HTF investment account.	Nonmonetary	November 5, 2009	Closed
3	Compliance and Internal Control. Provides DDOT/OCFO officials with access to documentation needed to verify investment balances and note balance discrepancies.	Nonmonetary	November 5, 2009	Closed
4	Compliance and Internal Control. Provides DDOT/OCFO officials with necessary documentation to ensure investment account and balances are recorded properly in SOAR.	Nonmonetary	November 5, 2009	Closed
5	Compliance and Internal Control. Ensures that any discrepancies are timely noted and properly investigated.	Nonmonetary	November 5, 2009	Closed

¹ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management, and the OIG agree on the action to be taken, but 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 agreed to neither 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 Benefit	Agency Reported Estimated Completion Date	Status
6	Compliance and Internal Control. Ensures that reconciliations are dated to show when they were prepared, approved, and submitted in accordance with established procedures.	Nonmonetary	November 5, 2009	Closed
7	Compliance and Internal Control. Establishes a more efficient communication process to identify key areas of concern for timely resolution.	Nonmonetary	November 5, 2009	Closed

EXHIBIT B: MANAGEMENT RESPONSE

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

November 5, 2009

Mr. Charles Willoughby
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Dear Mr. Willoughby,

The purpose of this letter is to respond to your Management Advisory letter for the Fiscal Year Ended September 30, 2008 concerning the District Department of Transportation Highway Trust Fund. This management advisory was concerned with the recording of account activities and the submission of investment account reconciliations to the Office of Finance and Treasury (OFT).

OFT concurs with the findings and recommendations noted in the report. OFT has taken a number of steps to remediate the issues that were raised, including instituting the following measures:

- Training of staff and updating of procedures to ensure the timely entry of all cash and investment activity to the System of Accounting and Reporting (SOAR) for all cash and investment entries.
- Establishment of a new Accounting Manager position in OFT with oversight over all accounting-related activity.

To address the concerns about the District Department of Transportation (DDOT), Office of the Chief Financial Officer (OCFO) staff not receiving a copy of the monthly bank statement, OFT staff will immediately arrange for monthly bank statement access for DDOT/OCFO staff.

The Office of Financial Operations and Systems (OFOS) and OFT have implemented periodic meetings to review all accounting -related activity and will continue to use these meetings to monitor the transaction and recording activity for all accounts. As of August 31, 2009, all cash and investment activity has been properly posted to the accounts referenced in your findings.

EXHIBIT B: MANAGEMENT RESPONSE

Page 2 of 2

We are confident that the actions detailed above have adequately addressed your concerns in your management advisory letter.

Should you have any questions or concerns, please feel free to call me at your earliest convenience.

Sincerely,



Natwar M. Gandhi

cc: Gabe Klein, Director, Department of Transportation
Lasana Mack, Treasurer and Deputy CFO, Office of Finance and Treasury
Anthony Pompa, Deputy CFO, Office of Financial Operations and Systems
George B. Dines, Associate CFO, Government Services
Jeffrey Barnette, Associate Treasurer, Office of Finance and Treasury