

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

**DISTRICT DEPARTMENT OF TRANSPORTATION**

**HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2010**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



February 1, 2011

Terry Bellamy  
Interim Director  
District Department of Transportation  
2000 14<sup>th</sup> Street, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20009

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

Dear Mr. Bellamy and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 10-1-21KA) of the comparative balance sheet of the District of Columbia Highway Trust Fund (Fund) as of September 30, 2010, and the related comparative statements of revenues, expenditures, and change in fund balance for the year then ended. As part of our review, we will also examine the Fund's 5-year forecast of expenditure conditions and operations. The results of this review will be reported separately on or before May 31, 2011. The District Department of Transportation administers the Fund for the District of Columbia government.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing required. 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. Additionally, we tested for compliance with the provisions of selected laws and regulations and found no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions.

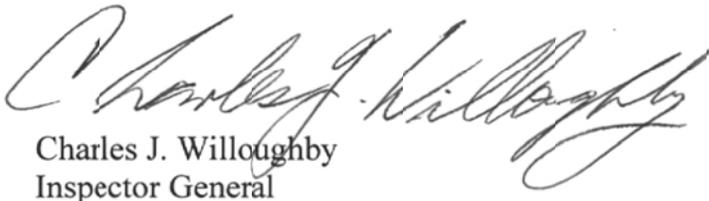
## **Unqualified Opinion on Financial Statements**

In our opinion, the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's assets and liabilities as of September 30, 2010, and its revenues, expenditures, and changes in fund balance for the year then ended.

We have not found any major issues of internal control weaknesses or noncompliance with regulations that we consider material or significant deficiencies during our fiscal year 2010 audit.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions, please contact me or Ronald W. King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles J. Willoughby  
Inspector General

CJW/js

Enclosure

cc: See Distribution List

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**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**Introduction and Purpose**

Pursuant to D.C. Code § 9-109.02(e) (2008), the Office of the Inspector General (OIG) has audited the financial statements of the District's Highway Trust Fund (Fund). As part of our review, we will also examine the Fund's 5-year forecast of expenditure conditions and operations. We will issue a separate report on the Fund's 5-year forecast by May 31, 2011.

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 (2010), authorized the federal government to increase its share of eligible project costs to fund the District's share of highway project costs under Title 23, United States Code, for fiscal years 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.* § 3.

Consistent with the Act's requirements, the District established a dedicated Highway Trust Fund separate from the District's General Fund. The Highway Trust Fund is comprised of amounts equivalent to all motor vehicle fuel tax receipts, fees, civil fines, and penalties, and other funding sources collected by the District pursuant to D.C. Code § 9-111.01(c) (2008). The receipts are required to be deposited in the Fund by the Mayor on a monthly basis. The amounts in the Fund are to be sufficient to repay the Department of Transportation's Federal Highway Administration (FHWA) for the increased federal share of project costs during fiscal years 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 fiscal year 1997. *See* D.C. Code § 9-111.01(d) (2008).

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, and reserved for the prompt payment of contractors completing federal-aid highway projects in the District. *See* D.C. Code § 9-109.03(b) (2008).

Pursuant to D.C. Code § 50-921.10(a)(2)(B) (2009), 80 percent of any remaining surplus from the District Department of Transportation's (DDOT's) Operating Fund, from the prior fiscal year are to be transferred to the Fund. D.C. Code §§ 50-921.11(c)(1) - (2) (Supp. 2010) further provide that the Fund receives the incremental increase from the collection of public right-of-way user fees, charges, and penalties and, except for certain dedicated parking sales and use tax revenue, all parking sales and use tax collected in excess of \$30 million. Finally, the Fund receives any incremental revenue collected from public space rental fees for vaults. D.C. Code § 50-921.11(c)(4) (Supp. 2010).

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

**Inspector General**



Independent Auditor's Report

To the Director, Department of Transportation, Government of the District of Columbia; and Chief Financial Officer, Office of the Chief Financial Officer, Government of the District of Columbia:

We have audited the accompanying financial statements of the Highway Trust Fund, which is administered by the District of Columbia Department of Transportation as of and for the year ended September 30, 2010. These financial statements are the responsibility of the Highway Trust Fund's management and the Office of the Chief Financial Officer. Our responsibility is to express an opinion on these financial statements based on our audit.

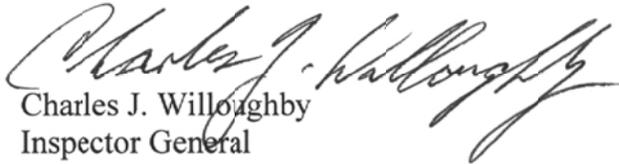
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Highway Trust Fund as of September 30, 2010, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report  
Highway Trust Fund

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2011, on our consideration of the District's Highway Trust Fund's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
Charles J. Willoughby  
Inspector General

February 1, 2011

**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**COMPARATIVE BALANCE SHEET**

<b>ASSETS</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
<b>Current Assets</b>		
Cash & Investments	\$ 13,926,503	\$ 12,616,572
Accounts Receivable	3,779,786	6,012,971
Other Assets	<u>106,541</u>	<u>241,026</u>
<b>Total Assets</b>	<u><u>17,812,830</u></u>	<u><u>18,870,569</u></u>
 <b>LIABILITIES &amp; FUND BALANCE</b>		
<b>Current Liabilities:</b>		
Vouchers and Other Payables	12,106,016	9,369,632
Accrued Payroll	165,636	96,471
Deferred Revenue	983,823	10,928
Due To Other Fund/Agency	<u>73,107</u>	<u>2,584,900</u>
<b>Total Liabilities</b>	<u>13,328,582</u>	<u>12,061,931</u>
<b>Fund Balance:</b>		
Reserved	<u>4,484,248</u>	<u>6,808,638</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u><u>\$ 17,812,830</u></u>	<u><u>\$ 18,870,569</u></u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE**

<b>REVENUES</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
Motor Fuel Tax	\$ 20,567,743	\$ 23,829,616
Sales Tax Parking/Storing Vehicles	12,185,367	6,464,786
Public Space Rental	3,093,958	3,509,202
Public Rights-of-Way Fees	6,732,853	6,721,031
Interest and Other Income	104,322	80,584
DDOT Operating Surplus	1,691,062	1,653,865
Pay Go Capital	4,842,000	-
<b>Total Revenue</b>	<u>49,217,305</u>	<u>42,259,084</u>
 <b>EXPENDITURES</b>		
<b>Capital Appropriated Expenditures</b>		
Design, Site, Construction, and Equipment Costs	36,254,348	22,049,704
Project Mgmt Costs	2,982,408	4,875,668
Non-Participating Costs	12,304,939	31,793,868
<b>Total Net Expenditures</b>	<u>51,541,695</u>	<u>58,719,240</u>
<b>Excess (Deficit) of Revenues over Expenses</b>	(2,324,390)	(16,460,156)
Fund Balance at October 1	6,808,638	23,268,794
<b>Fund Balance at September 30</b>	<u>\$ 4,484,248</u>	<u>\$ 6,808,638</u>

The accompanying notes are an integral part of these financial statements.

**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Highway Trust Fund (Fund) report on the Fund's financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate entity with a self-balancing set of accounts.

The Fund is a governmental fund, which is used to account for the dedicated revenues generated from motor vehicle fuel taxes, a portion of vehicle parking and storage sales and use taxes, the incremental increase in public right-of-way user fees, charges and penalties, incremental increase of public space rental fees for vaults, 80 percent of the District Department of Transportation's prior year operating surplus, and other dedicated revenues appropriated through legislation. The monies are held by the District to pay at a minimum the District's share of federal-aid highway projects. In addition, monies are used to pay the salaries of District employees working directly on transportation capital projects, overhead associated with federal aid projects, indirect cost charges and other non-participating costs, and local (100 percent District) capital and maintenance projects.

**Basis of Accounting**

The modified accrual basis of accounting is used for the Fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are excise, sales, and use taxes; rentals and other fees; and interest. Taxes are recognized as revenue when the sale and use take place. Interest, rentals, and other fees are recognized as revenue through the passage of time.

**Cash and Investments**

The Fund's cash and investments are deposited in accounts with eligible financial institutions. The bank account is an interest bearing checking account, while the investment account is invested in obligations of the United States or its agencies' securities, with the implicit guarantee of the federal government. Such investments are considered the equivalents of cash.

**DISTRICT DEPARTMENT OF TRANSPORTATION  
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**Receivables and Payables**

Taxes receivable include motor fuel excise tax and parking and vehicle storage sales and use taxes levied by the District (including interest and penalties on delinquent taxes that have not been collected, canceled, or abated), less the portion of the receivables estimated not to be collectible. Account receivables are amounts owed to the Office of Tax and Revenue or the District Department of Transportation for dedicated revenues other than excise and sales taxes that are dedicated to the Fund. "Due from Other Funds" represents monies due from other District agencies for amounts owed to the Fund for services provided.

Accounts payable are amounts owed to vendors for goods or services purchased and received. "Due to Other Funds" represents amounts owed to other government agencies. Amounts due within 1 year are classified as current payables in the balance sheet.

**Reserved Fund Balance**

The Fund's fund balance is reserved as to use by federal and local legislation.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2: CURRENT ASSETS**

**Cash and Investments**

As required by law, the bank balance was entirely insured or collateralized with securities held by the bank's agent in the District's name. The carrying amount and bank balances of deposits for the Fund as of September 30 are detailed in Table 1 below.

**Table 1 Cash & Investments**

Account Name	Fiscal Year	
	2010	2009
Highway Trust Fund Account	124,581	1,915,438
Investment Account	99,623	9,092,545
Primary Government Accounts	13,702,299	1,608,589
<b>Total Cash &amp; Investments</b>	<b>\$ 13,926,503</b>	<b>\$ 12,616,572</b>

**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
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Highway Trust Fund Account – dedicated bank account used to receive revenues transferred from the District for the payment of the District’s share of federal highway projects and other related expenditures and for the receipts of Federal Highway Administration’s payment of federal highway projects.

Investment Account – primarily money market funds and/or obligations backed by the United States government securities and agencies in accordance with the District’s investment policies.

Primary Government Accounts – dedicated accounts used to record revenues for motor fuel taxes; parking and storage sales and use taxes; and public space rental and rights-of-way user fees prior to transfer from the District, and to record expenditures for capital program costs including vendor payments, payroll, and intra-District transfers until reimbursed to the District by the Fund.

**Receivables**

Receivables consist of dedicated taxes and rental fees earned in the current fiscal year but not yet received, as well as amounts due from other District agencies. On September 30, 2010, total receivables were \$3,779,786, as detailed in Table 2 below.

**Table 2 - Receivables**

Account Name	Fiscal Year	
	2010	2009
Motor Fuel Tax	\$ 1,248,665	\$ 2,970,645
Parking & Storage Sales Tax	2,596,367	3,042,290
Public Space Rental Fees	-	-
Right-of-Way Rental Fees	36	36
Dishonored Checks	(65,282)	-
<b>Total Receivables</b>	<b>\$ 3,779,786</b>	<b>\$ 6,012,971</b>

**Other Current Assets**

Other current assets are advances made to other District agencies for work performed on capital projects under an intra-District agreement.

**DISTRICT DEPARTMENT OF TRANSPORTATION  
HIGHWAY TRUST FUND  
FINANCIAL STATEMENT AUDIT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 3: CURRENT LIABILITIES**

**Accounts Payable**

Vouchers Payable – amounts owed to contractors for various highway projects at fiscal year-end, and refunds and overpayments owed to interstate bus companies at fiscal year end.

Deferred Revenues – rights-of-way rental fees received in advance of the rental period.

Due to Other Agency Fund – amount owed to the District for Fund project expenditures not yet reimbursed.

**NOTE 4: FUND BALANCE**

The Fund Balance is reserved in use for the District’s cost-sharing requirements for eligible federal-aid highway projects, including the salaries of District employees working directly on transportation capital projects, overhead associated with federal aid projects, indirect cost charges, repayments to the U.S. Department of Transportation’s Federal Highway Administration (FHWA), other non-participating costs, and local (100 percent District) capital and maintenance projects. The Fund balance must be sufficient to cover the cost sharing requirements established under Title 23, United States Code for the current fiscal year (FY).

**NOTE 5: REVENUES**

The Highway Trust Fund revenue consists primarily of:

- excise taxes earned on motor fuel sold in the District, at the wholesale level;
- sales and use tax revenue in excess of \$30 million for parking and storing vehicles;
- the incremental increase of public space rentals for vaults;
- the incremental increase for rights-of-way user fees, charges, and penalties;
- eighty percent of DDOT’s operating fund balance from the previous fiscal year; and
- interest and investment income earned from short-term (overnight) investments and in obligations of the United States or its agencies through repurchase agreements.

**DISTRICT DEPARTMENT OF TRANSPORTATION  
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**NOTE 7: EXPENDITURES**

**Participating Expenditures**

The total expenditures represent capital appropriated costs for the period October 1 through September 30. Expenditures that are payable from the Fund include the following:

- payment of the District’s share of federal-aid highway project costs;
- in-house capital outlay labor costs (DDOT personnel);
- project associated costs not eligible for federal funding (non-participating costs); and
- local (100 percent District) capital and maintenance projects (non-participating costs).

**Non-Participating Expenditures**

Project expenditures not eligible for federal funding (non-participating costs) are detailed in Table 3 below.

**Table 3 - Non-Participating Expenditures**

Description	FY 2010	FY 2009
Non-Participating Costs - Vendor Payments and Project Direct Labor (See Table 4)	3,906,805	16,018,804
Final Audit Cost Adjustments and Federal Grant Disallowances	3,172,500	3,002,758
Reimbursable DC Water Construction Costs – (current year advances less recoveries in current year)	(3,975,538)	2,289,286
Labor and Other Overhead Charges in Support of D.C. Department of Transportation Capital Program (allocated total capital projects on the basis of direct labor charges)	9,201,172	10,483,021
<b>Total Non-Participating Spending</b>	<b>\$ 12,304,939</b>	<b>\$ 31,793,869</b>

**Non-Participating Costs – Vendor Payments and Project Direct Labor**

Major initiatives of DDOT may be financed from the Fund without funding from FHWA grants, once current year matching of federal obligations have been satisfied. Current non-participating initiatives include the projects detailed in Table 4.

**DISTRICT DEPARTMENT OF TRANSPORTATION  
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**Table 4 - Non-Participating Cost Projects**

Vendor Payments & Project Direct Labor	FY 2010	FY 2009
Anacostia Water Front and Riverwalk	\$ -	\$ 1,229,438
STP-CM-888 (306) FRP Bridges	250,000	-
FY 99 1st FA Resurfacing STP-9999 (942)	246,248	-
FY 99 Public Lands Resurfacing FLH-1501 (33)	105,703	-
Traffic Signals	-	457,174
Traffic Signal Maintenance	1,626,286	
19 <sup>th</sup> St, NW P-S Sts STP - 3105 (1)	551,735	-
Reconstruction Kenilworth Ave. Bridge # 20	-	144,493
9 <sup>th</sup> Street Bridge, SW, Over SW Freeway	-	194,045
FY 03 Traffic Signal Maintenance	(2,414,989)	3,257,050
Reconstruction of Brentwood Rd, NE, 9 <sup>th</sup> Street to RI Ave.	201,172	2,801,565
11 <sup>th</sup> Street, NW, L to O Streets	722,654	1,099,749
R Street, NW, 8 <sup>th</sup> Street to Conn Ave.	-	218,817
Park Rd, NW, 14 <sup>th</sup> Street to Mt. Pleasant	848,856	2,090,519
Columbia Heights Improvement	1,705,694	2,063,945
Arland D Williams Center Highway Bridge	(998,986)	1,000,000
Landscape 16 <sup>th</sup> Street, NW, STP-1103 (25)	(643,199)	643,199
Georgia Ave Streetscape Improvements	105,737	-
ARA-1300 (105) PA Ave, SE 27-Southern	103,191	-
IBC-8888 (046) Ward 7 Rdway Upgrd Recons	293,752	-
STP-8888 (165) SD Ave/Riggs Rd Improvements	255,358	-
STSCP: 4 <sup>th</sup> St L St-Mass Ave	183,653	-
Other Non-Participating Costs	763,940	818,810
<b>Total Vendor Payments &amp; Project Direct Labor</b>	<b>\$ 3,906,805</b>	<b>\$ 16,018,804</b>

**DISTRICT DEPARTMENT OF TRANSPORTATION  
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**Final Audit Cost Adjustments and Federal Grant Disallowances**

Final cost adjustments are based upon finalization audits required by the FHWA for each completed federal aid project. Net adjustments per finalization audits in FY 2010 total \$3,172,500 and in FY 2009 \$3,002,758. The net of finalization audits can vary markedly from one year to the next.

Federal grant disallowances occur when the FHWA determines that costs incurred are ineligible for federal participation based on FHWA program limitations or scope of capital projects. In FY 2010, a total of \$0 was disallowed, and in FY 2009 no disallowances occurred.

**Reimbursable from DC Water for Construction Costs**

DC Water, formerly District of Columbia Water & Sewer Authority, participates in capital projects when road or bridge construction provides an opportunity to maintain, improve, or construct infrastructure supporting DC Water's services. DC Water reimburses the Fund for participating costs and construction engineering oversight. DC Water is billed as construction draw payments are made. Advances made for DC Water's benefit totaled \$1,414,153 in FY 2010 and \$2,289,286 in FY 2009. Reimbursements from DC Water equaled \$5,389,691 in FY 2010, for current and prior year advances, with no reimbursements made in FY 2009.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance**

To the Director, Department of Transportation, Government of the District of Columbia; and  
Chief Financial Officer, Government of the District of Columbia:

We have audited the financial statements of the District of Columbia Highway Trust Fund (Fund) as of and for the year ended September 30, 2010, and have issued our report thereon dated February 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

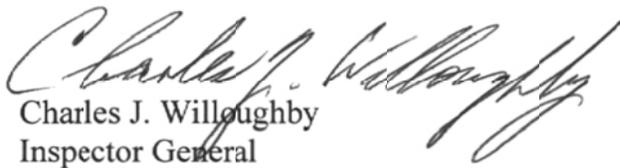
In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

## Compliance

As part of obtaining reasonable assurance whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, the noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

  
Charles J. Willoughby  
Inspector General

February 1, 2011