

**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, 2009**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



January 29, 2010

Gabe Klein
Director
District Department of Transportation
2000 14th Street, N.W., 6th 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. Klein and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 09-1-33KA) of the comparative balance sheet of the District of Columbia Highway Trust Fund (Fund) as of September 30, 2009, 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, 2010.¹ 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.

¹ May 31, 2010 is the Memorial Day holiday.

Mr. Klein and Dr. Gandhi
Highway Trust Fund
January 29, 2010
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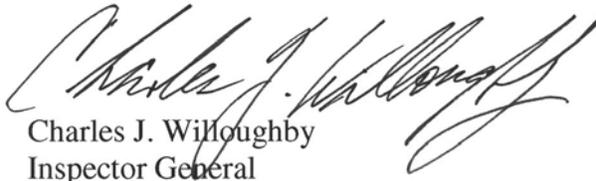
Unqualified Opinion on Financial Statements

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, 2009, 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 non-compliance with regulations that we consider material or significant deficiencies during our fiscal year 2009 audit.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions, please call me at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

CJW/js

Enclosure

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HIGHWAY TRUST FUND
FINANCIAL STATEMENT AUDIT
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**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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, 2010.

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 (2008), 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) (Supp. 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) (Supp. 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 the Fiscal Year 2008 Budget Support Act of 2007 (D.C. Law 17-20, effective Sept. 18, 2007), 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. Law 17-20 further provided 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 1/6 of the revenues collected from public space rental fees for vaults. *See* D.C. Law 17-284 (effective Dec. 24, 2008).

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, 2009. 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.

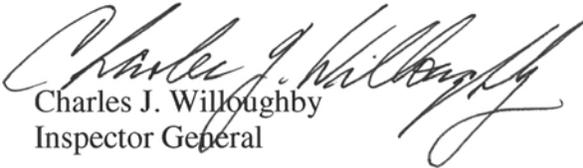
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, 2009, 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 January 29, 2010, 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

January 29, 2010

**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

COMPARATIVE BALANCE SHEETS

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash & Investments	\$ 12,616,572	\$ 24,203,389
Receivables	6,012,971	5,292,518
Other Current Assets	<u>241,026</u>	<u>186,907</u>
Total Assets	<u><u>18,870,569</u></u>	<u><u>29,682,814</u></u>
 LIABILITIES & FUND BALANCE		
Current Liabilities:		
Vouchers and Other Payables	9,466,103	5,552,620 *
Due To Other Funds	2,584,900	-
Deferred Revenue	<u>10,928</u>	<u>526,488</u>
Total Current Liabilities	<u>12,061,931</u>	<u>6,079,108</u>
 Long-Term Liabilities		
Retainage	<u></u>	<u>334,912</u>
Total Long-Term Liabilities	<u></u>	<u>334,912</u>
Total Liabilities	<u>12,061,931</u>	<u>6,414,020</u>
 Fund Balance:		
Restricted	<u>6,808,638</u>	<u>23,268,794 *</u>
Total Liabilities & Fund Balance	<u><u>\$ 18,870,569</u></u>	<u><u>\$ 29,682,814</u></u>

* Fiscal Year 2008 Fund balance, Liabilities, and Expenditure figures adjusted to reflect an entry posted after issuance of the OIG Highway Trust Fund Financial Statement Audit Report dated January 30, 2009.

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, 2009**

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

Revenues	<u>2009</u>	<u>2008</u>
Motor Fuel Tax	\$ 23,829,616	\$ 23,199,011
Sales Tax Parking/Storing Vehicles	6,464,786	7,419,819
Public Space Rental	3,509,202	3,393,270
Right-of-Way Fees	6,721,031	6,718,561
DDOT Operating Surplus	1,653,865	5,486,040
Pay Go Capital		2,400,000
Interest and Other Income	80,584	886,439
Other Charges for Services		165,454
Advance Construction Recovery		<u>5,750,078</u>
Total Revenue	<u>42,259,084</u>	<u>55,418,672</u>
Capital Appropriated Expenditures		
Design, Site, Construction, and Equipment Costs	22,049,704	26,812,253
Project Mgmt Costs	4,875,668	3,288,196
Non-Participating Costs	<u>31,793,868</u>	<u>20,268,249</u>
Total Expenditures	<u>58,719,240</u>	<u>50,368,698 *</u>
Excess (Deficit) of Revenues over Expenses	(16,460,156)	5,049,974
Fund Balance at October 1	<u>23,268,794</u>	<u>18,218,820</u>
Fund Balance at September 30	<u>\$ 6,808,638</u>	<u>\$ 23,268,794 *</u>

* Fiscal Year 2008 Fund balance, Liabilities, and Expenditure figures adjusted to reflect an entry posted after issuance of the OIG Highway Trust Fund Financial Statement Audit Report dated January 30, 2009.

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

**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND
FINANCIAL STATEMENT AUDIT
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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, and 1/6th of public space rental fees for vaults. 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.

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Receivables and Payables

Taxes receivable include motor fuel 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 by customers for goods and services sold. "Due from Other Funds" represents monies due from other District agencies for amounts owed to the Fund.

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.

Restricted Fund Balance

The Fund is restricted 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:

Account Name	Fiscal Year 2009	Fiscal Year 2008
Highway Trust Fund Account	1,915,438	3,094,254
Investment Account	9,092,545	9,023,330
Primary Government Accounts	1,608,589	12,085,805
Total Cash & Investments	\$ 12,616,572	\$ 24,203,389

**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 right-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.

Accounts Receivable

Accounts receivable 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. As of September 30, 2009, the following receivables established were:

Account Name	Fiscal Year 2009	Fiscal Year 2008
Motor Fuel Taxes	2,970,645	1,789,968
Parking & Storage Sales Tax	3,042,290	3,144,302
Public Space Rental Fees		-
Right-of-Way Rental Fees	36	2,744
Due from Other Fund		355,504
Total Receivables	\$ 6,012,971	\$ 5,292,518

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
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NOTE 3: CURRENT LIABILITIES

Accounts Payable

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

Deferred Revenues – motor fuel tax overpayments made by motor fuel tax wholesalers that have overpaid in error and are owed a refund from the District or right-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: LONG TERM LIABILITIES

Certain payables that the District does not expect to pay within 1 year are classified as long-term liabilities.

Retainage

In accordance with the District Department of Transportation's (DDOT) construction contracts, the District withholds a percentage of costs incurred by contractors until the completion of certain segments of work. Contractor invoice billings are paid net of the contractual retention amounts, and the obligation for retention is reflected as an encumbrance on project budgets. Projects are financed under multi-year contractual obligations.

NOTE 5: FUND BALANCE

The Fund Balance is restricted 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).

**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND
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NOTE 6: 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;
- 1/6 of public space rentals for vaults;
- the incremental increase for right-of-way user fees, charges, and penalties;
- recovery of previously expensed capital costs under the Federal Highway Administration's Advanced Construction program;
- 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.

NOTE 7: 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).

Participating Expenditures

Participating expenditures are project expenditures required to match federal funding, and include the local share of both the costs of designing and constructing the capital projects, as well as the costs to manage the projects.

**DISTRICT DEPARTMENT OF TRANSPORTATION
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Non-Participating Expenditures

Project expenditures not eligible for federal funding (non-participating costs) include:

Description	FY 2009	FY 2008
Final Audit Cost Adjustments and Federal Grant Disallowances	3,002,758	2,316,968
Reimbursable from WASA for Construction Costs – (current year advances less recoveries in current year)	2,289,286	1,122,271
FHWA Advance Construction Program (current year net expenditures, see note below)	-	471,151
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)	10,483,021	13,437,858
Non-Participating Costs - Vendor Payments and Project Direct Labor (see note below)	16,018,804	2,920,001
Total Non-Participating Spending	\$ 31,793,869	\$ 20,268,249

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 2009 total \$3,002,758 and in FY 2008 \$164,518. 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 2009, a total of \$0 was disallowed, and in FY 2008 total disallowances of \$2,152,450 occurred.

Reimbursable from WASA for Construction Costs

The D.C. Water and Sewer Authority (WASA) participates in capital projects when road or bridge construction provides an opportunity to maintain, improve, or construct infrastructure supporting WASA's services. WASA reimburses the District for participating costs and construction engineering oversight. WASA is billed as construction draw payments are

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made. Advances made for WASA’s benefit totaled \$2,289,286 in FY 2009 and \$2,334,420 in FY 2008. Reimbursements from WASA equaled \$0 in FY 2009 and \$1,212,148 in FY 2008.

FHWA Advance Construction Program

The FHWA’s advance construction program, one of the “innovative financing” techniques provided by the FHWA, allows states to initiate capital infrastructure construction projects when federal funds are limited, yet preserve eligibility for future federal aid funding. Proposed infrastructure projects are reviewed by the FHWA for eligibility and states are assured that a grant can be obtained when funding is available. No commitment of grant funds or guarantee of future funding is made by the FHWA, and states are not obligated to request federal grant funds for the project at a future date. In 2006, DDOT implemented the advance construction program as one of its financing methods. One hundred percent of advance construction project costs are paid from the Highway Trust Fund (Fund). When federal funding is applied for and granted for an approved advance construction project, the local funding from the Fund is converted to federal funding. Material recoveries, in excess of \$1.5 million per project, from conversion of advance construction funds are treated as revenue by the Fund.

In 2009, DDOT consolidated advanced construction authority in two projects to be undertaken in future fiscal years. These projects and the advance construction approval from the FHWA are detailed in the chart below.

Federal Aid Number	DC Project	Project Title	Approved Advance Construction Amount
8888-296	CI047A	Traffic Signal Maintenance	\$ 4,363,396
2952-185	CD055A/CD056A	11th Street, SE Bridge	\$ 161,106,685

As part of this consolidation, DDOT withdrew \$2,315,593 of HTF expenditures previously designated as reimbursable from advance construction from the advance construction program and reclassified these costs as local non-participating expenditures. Factors in making this determination were the need to ensure sufficient financing for projects already underway and to provide assurance of FHWA participation in the 11th Street Bridge project prior to obtaining debt financing for this large project.

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FHWA Advance Construction Program Summary	
Description	Balances & Activity
Advance Construction Balance 10/1/08	\$ 2,315,593
FY 2009 Reclassification of Costs	(2,315,593)
FY 2009 Program Expenditures	-
FY 2009 Program Conversions	-
Advance Construction Balance 9/30/09	\$ 0.00

Non-Participating Costs – Vendor Payments and Project Direct Labor

Major initiatives of DDOT may be financed from the Fund without funding from FHWA grants. Non-participating initiatives included the following:

Vendor Payments & Project Direct Labor	FY 2009	FY 2008
Anacostia Water Front and Riverwalk	\$ 1,229,438	\$ 603,749
Citywide Pavement Restoration	-	110,559
Pedestrian Bridges over the C&O Canal	-	261,803
New Hampshire Ave., NE Bridge over CSX	-	226,259
Traffic Signals	457,174	613,206
Reconfiguration of Thomas Circle, NW	-	106,428
Reconstruction of 4th Street, NW	-	146,732
Reconstruction Kenilworth Ave. Bridge # 19	144,493	-
9 th Street Bridge, SW, Over SW Freeway	194,045	-
Traffic Signal Maintenance	3,257,050	-
Reconstruction of Brentwood Rd, NE, 9 th Street to RI Ave.	2,801,565	-
11 th Street, NW, L to O Streets	1,099,749	-
R Street, NW, 8 th Street to Conn Ave.	218,817	-
Park Rd, NW, 14 th Street to Mt. Pleasant	2,090,519	-

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Columbia Heights Improvement	2,063,945	-
Arland D Williams Center Highway Bridge	1,000,000	-
Landscape 16 th Street, NW, STP-1103 (25)	643,199	-
New Hampshire Ave. over Railroad		151,166
Other Non-Participating Costs	818,810	700,099
Total Vendor Payments & Project Direct Labor Costs	\$ 16,018,804	\$ 2,920,001

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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, 2009, and have issued our report thereon dated January 29, 2010. 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

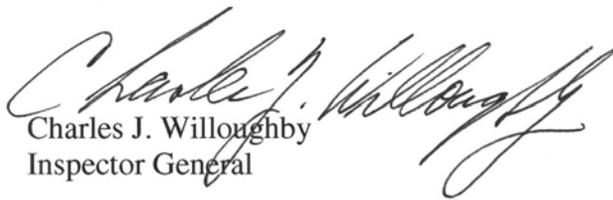
In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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.

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. We did not identify any deficiencies in internal control that we consider to be 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

January 29, 2010