

**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, 2013**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



January 31, 2014

Terry Bellamy
Director
Department of Transportation
55 M Street, S.E., Suite 400
Washington, D.C. 20003

Jeffrey S. DeWitt
Chief Financial Officer
Office of the Chief Financial Officer
The John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Room 203
Washington, D.C. 20004

Dear Mr. Bellamy and Mr. DeWitt:

The Office of the Inspector General has completed an audit (OIG No. 13-1-28KA) of the comparative balance sheet of the District of Columbia Highway Trust Fund (Fund) as of September 30, 2013, 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 the forecast will be reported separately on or before March 15, 2014. 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.

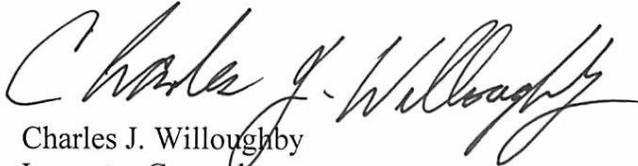
Unqualified Opinion on Financial Statements

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, 2013, 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 2013 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

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INTRODUCTION AND PURPOSE

Introduction

Pursuant to D.C. Code § 9-109.02(e) (2013), 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, the OIG will also examine the Fund's 6-year forecast of expenditure conditions and operations. The OIG will issue a separate report on the Fund's 6-year forecast by March 15, 2014.

The District of Columbia Emergency Highway Relief Act (Act), Pub. L. No. 104-21, § 109 Stat. 257 (1995), codified at D.C. Code §§ 9-109.01 – 9-109.03 (2013), 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 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) (2013). 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) (2013).

Also consistent with the Highway Relief 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 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) (2013).

During fiscal year 2012, the D.C. Council enacted the "Fiscal Year 2013 Budget Support Act of 2012" (D.C. Law 19-168) (the Act), which (among other things) amended D.C. Code § 9-111.01a (Local Transportation Fund) and added a new subsection (c-1). Subsection (c-1) allows the annual transfer of public rights-of-way user fees to the Fund provided that the monies in the Fund do not exceed 22 percent of the proposed annual federal-aid highway project expenditures. Similarly, the Act amended D.C. Code § 9-111.01(d) and added a new paragraph (3), which limits the amount of all monies in the Fund to no more than 22 percent of proposed annual federal-aid highway project expenditures.

Furthermore, D.C. Code § 9-111.01(e)(1) requires:

INTRODUCTION AND PURPOSE

Any excess monies remaining in the Fund after the requirements of § 9-109.02 have been met and remaining balances not necessary for the purposes outlined in Title 23 of the United States Code, based on the 6-year projected trust fund performance audit conducted by the Inspector General pursuant to § 9-109.02(e), shall be deposited into the Local Transportation Fund established by § 9-111.01a, and used exclusively for the purposes provided therein.

Finally, D.C. Code § 9-111.01(e)(2) provides that the Mayor shall annually determine the excess amount in the Fund based upon the audit of the Inspector General issued pursuant to § 9-109.02(e).

Purpose

This report is issued pursuant D.C. Code § 9-109.02(e) (2013), which requires the Inspector General for the District of Columbia to audit the financial statements of the Fund and to report, by no later than February 1 following the fiscal year under audit, a report on the results of the audit.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



Independent Auditor's Report

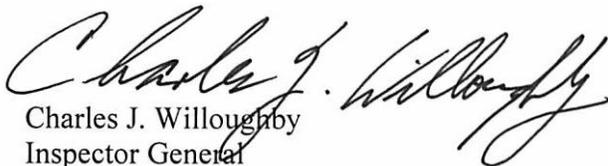
To the Director, Department of Transportation, Government of the District of Columbia; and Chief Financial Officer, Office of the Chief Financial Officer, Government of the District of Columbia:

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, 2013. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Highway Trust Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2013, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013, 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 31, 2014

**DISTRICT DEPARTMENT OF TRANSPORTATION
 HIGHWAY TRUST FUND
 FINANCIAL STATEMENT AUDIT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

COMPARATIVE BALANCE SHEET

ASSETS	FY 2013	FY 2012
Current Assets:		
Agency Controlled Cash	\$ 49,623,397	\$ 54,569,055
Primary Government Accounts	(3,405,042)	904,128
Total Cash & Investments	<u>46,218,355</u>	<u>55,473,183</u>
Receivables and Other Assets:		
Taxes and Accounts Receivable	8,799,650	2,055,184
Other Assets	93,987	165,828
Total Assets	<u><u>55,111,992</u></u>	<u><u>57,694,195</u></u>
LIABILITIES & FUND BALANCE		
Current Liabilities:		
Vouchers and Other Payables	8,197,556	7,941,839
Accrued Payroll	163,817	143,181
Due to Other Fund/Agency	-	5,140,740
Total Liabilities	<u>8,361,373</u>	<u>13,225,760</u>
Fund Balance:		
Restricted	46,750,619	44,468,435
Total Liabilities & Fund Balance	<u><u>\$ 55,111,992</u></u>	<u><u>\$ 57,694,195</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, 2013**

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

REVENUES	<u>FY 2013</u>	<u>FY 2012</u>
Motor Fuel Tax	\$ 22,388,619	\$ 22,778,125
Public Rights-of-Way Fees	12,722,179	16,654,170
Interest and Other Income	<u>3,550,840</u>	<u>14,850</u>
Total Revenue	<u>38,661,638</u>	<u>39,447,145</u>
EXPENDITURES		
Capital Appropriated Expenditures		
Design, Site, Construction, and Equipment Costs	28,299,374	28,569,075
Project Mgmt Costs	2,742,086	4,425,491
Non-Participating Costs	<u>5,337,994</u>	<u>5,834,768</u>
Total Net Expenditures	<u>36,379,454</u>	<u>38,829,334</u>
Excess of Revenues over Expenses	2,282,184	617,811
FUND BALANCE		
Fund Balance -Restricted at October 1	<u>44,468,435</u>	<u>43,850,624</u>
Fund Balance -Restricted at September 30	<u>\$ 46,750,619</u>	<u>\$ 44,468,435</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, 2013**

NOTES TO THE FINANCIAL STATEMENTS

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, public rights-of-way user rental fees to supplement local matching fund obligations, and interest income. 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, and indirect cost charges and other non-participating costs.

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 is deposited in a trust fund with an eligible financial institution. Funds not needed for current expenditures are swept overnight into a money market mutual fund where the funds earn interest, and are returned for the payment of Fund expenditures.

The Fund no longer maintains a separate investment account.

**DISTRICT DEPARTMENT OF TRANSPORTATION
 HIGHWAY TRUST FUND
 FINANCIAL STATEMENT AUDIT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Receivables and Payables

Taxes receivable include motor fuel excise tax 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 Fund by the District Department of Transportation for overpayment of expenditures, and DC Water for work performed but not paid. "Due from Other Fund/Agencies" represents monies due from other District agencies or funds for amounts owed 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.

Restricted Fund Balance

The Fund's fund balance 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: 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	
	2013	2012
Agency Controlled Cash Account	\$ 49,623,397	\$ 54,569,055
Primary Government Accounts	(3,405,042)	904,128
Total Cash & Investments	\$ 46,218,355	\$ 55,473,183

**DISTRICT DEPARTMENT OF TRANSPORTATION
 HIGHWAY TRUST FUND
 FINANCIAL STATEMENT AUDIT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Highway Trust Fund Account – Agency-controlled bank account used to receive dedicated revenues transferred from the District for the payment of the District’s share of federal highway projects and other related expenditures; for the receipts of the Federal Highway Administration’s payment of federal highway projects; and for receipt of interest revenue earned on overnight sweep to a money market account in accordance with the District’s investment policies. The District closed the Fund’s investment account during fiscal year (FY) 2011.

Primary Government Accounts – dedicated accounts used to record revenues for motor fuel tax revenues and reimbursements, 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

Fund receivables consist of dedicated taxes earned in the current FY but not yet received, as well as amounts due from other funds and DC Water, for construction paid on their behalf that has not been reimbursed. On September 30, 2013, total receivables were \$8,799,650 as detailed in Table 2 below.

Table 2 - Receivables

Account Name	Fiscal Year	
	2013	2012
Motor Fuel Tax	\$ 2,043,804	\$ 1,884,635
Due from Other Fund	3,265,690	170,549
Due from Other - D.C. Water	3,490,156	-
Total Receivables	\$ 8,799,650	\$ 2,055,184

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, 2013**

NOTE 3: LIABILITIES

Accounts Payable

Vouchers and Other Payables – 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.

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

NOTE 4: 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), and other non-participating costs. The Fund balance must be sufficient to cover the cost sharing requirements established under Title 23, United States Code, based on the 6-year projected trust fund's performance.

NOTE 5: REVENUES

The Highway Trust Fund dedicated revenue consisted of:

- excise taxes earned on motor fuel sold in the District, at the wholesale level;
- interest income earned on Fund's bank balance from short-term (overnight) sweep into a money market mutual fund account; and
- supplemental rights-of-way user fees sufficient to meet the District's local matching funds for estimated annual federal-aid highway project expenditures.

**DISTRICT DEPARTMENT OF TRANSPORTATION
 HIGHWAY TRUST FUND
 FINANCIAL STATEMENT AUDIT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

NOTE 6: 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 2013	FY 2012
Non-Participating Costs - Vendor Payments and Project Direct Labor (See Table 4)	\$ 2,643,150	\$ 3,492,510
Final Audit Cost Adjustments and Federal Grant Disallowances	687,085	(593,574)
Reimbursable DC Water Construction Costs – (current year advances less recoveries in current year)	(322,407)	(828,297)
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)	2,330,166	3,764,129
Total Non-Participating Spending	\$ 5,337,994	\$ 5,834,768

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 on page 11.

**DISTRICT DEPARTMENT OF TRANSPORTATION
 HIGHWAY TRUST FUND
 FINANCIAL STATEMENT AUDIT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Table 4 - Non-Participating Cost Projects

Vendor Payments & Project Direct Labor	FY 2013	FY 2012
STP-888 (106) Historic Streets/Alleys	\$ 184,803	\$ 1,900,769
NH-STP-1103 (21) 16th Street, N.W., Alaska-Primose	512,519	-
18th St., N.W. P-S Streets STP - 3105 (1)	-	396,150
STP - 1121 (012) Rehab of Sherman Avenue	-	279,348
Harvard Triangle Intersection	360,824	-
STP-3000 (051) Resurfacing K Street, N.W., 7th Street	266,420	-
ARA-1300 (015) Pennsylvania Avenue, S.E. 27 Southern Avenue	240,725	-
STP-1116 (27) Reconstruction of U Street, N.W.	153,250	-
FY 2007 Pavement Restoration National Highway System Streets	134,332	
Georgia Ave. Streetscape Improvements	-	284,779
STP-8888 (070) FY05	624,918	-
Pedestrian BR Over Kenilworth Ave. - NASH FZG-13	-	253,534
Other Non-Participating Costs	165,359	377,930
Total Vendor Payments & Project Direct Labor	\$ 2,643,150	\$ 3,492,510

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 2013 totaled \$1,208,301, and in FY 2012, (\$1,107,456). The net of finalization audits can vary markedly each year.

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 2013, there were no federal grant disallowances and one Eastern Federal Land final adjustment of (\$521,216). In FY 2012, there was \$513,882 in federal grant disallowances. The net of final adjustments and disallowances are shown in Table 5 below.

Table 5 - Final Cost Adjustment and Federal Grant Disallowances

Description	FY 2013	FY 2012
Final cost Adjustments	\$ 1,208,301	\$ (1,107,456)
Disallowances	(521,216)	513,882
Net Adjustment	\$ 687,085	\$ (593,574)

**DISTRICT DEPARTMENT OF TRANSPORTATION
 HIGHWAY TRUST FUND
 FINANCIAL STATEMENT AUDIT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Reimbursable From DC Water for Construction Costs

DC Water, formerly the District of Columbia Water and 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.

Beginning in FY 2013, the cumulative amount billed to DC Water for all current and prior year uncollected billed amounts was booked as accrued revenue and receivable. Upon receipt of DC Water’s reimbursement, DDOT will record a cash revenue transaction and then offset expenditures made for DC Water’s benefit in order to reduce the fixed asset amounts reflected for the District of Columbia. Net amounts disbursed on behalf of DC Water and reimbursements received are reported in the Table 6 below.

Table 6 - DC Water Construction Cost Activity

Description	FY 2013	FY 2012
Construction Payments on behalf of DC Water	\$ 1,004,647	\$ 1,471,898
DC Water Reimbursements to the Fund	(1,327,054)	(2,300,195)
Net Activity	\$ (322,407)	\$ (828,297)

Labor and Overhead Charges

Salaries for certain executives, supervisory, and administrative positions funded by DDOT’s capital program are not eligible for FHWA grant funding. Labor charges for these positions, as well as charges for eligible positions when time is not directly devoted to a capital project, and certain administrative costs are charged to the capital clearing account. These charges are allocated to capital projects on the basis of direct labor charges.

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 with Certain Provisions of
Laws, Regulations, Contracts, Grant Agreements, 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, 2013, and have issued our report thereon dated January 31, 2014. 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

Management of the Fund is responsible for establishing and maintaining effective 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 opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

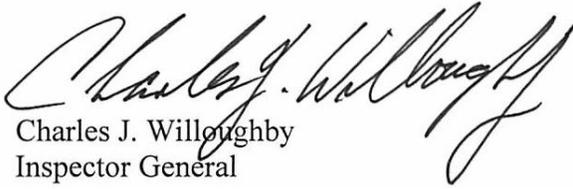
A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fund's basic financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

**Report on Internal Control and Compliance
Highway Trust Fund**

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 31, 2014