

**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, 2011**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



February 1, 2012

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

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 203
Washington, D.C. 20004

Dear Mr. Bellamy and Dr. Gandhi:

The Office of the Inspector General has completed an audit (OIG No. 11-1-29KA) of the comparative balance sheet of the District of Columbia Highway Trust Fund (Fund) as of September 30, 2011, 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, 2012. 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, 2011, and its revenues, expenditures, and changes in fund balance for the year then ended.

During the audit, we identified two issues of internal control weaknesses that we considered significant deficiencies that are required to be reported under *Government Auditing Standards*. These issues are described in detail in the Schedule of Audit Findings and Responses. We found no instances of noncompliance with regulations that we consider material or significant deficiencies.

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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**DISTRICT DEPARTMENT OF TRANSPORTATION
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Introduction and Purpose

Pursuant to D.C. Code § 9-109.02(e) (Supp. 2011), 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 March 15, 2012.

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 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. 2011). 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. 2011). On December 21, 2011, the D.C. Council enacted the District Department of Transportation Omnibus Emergency Amendment Act of 2011 (A19-0254), which required the District Department of Transportation (DDOT) to deposit all unobligated and unexpended revenue from fiscal year 2011 that would have been deposited into the DDOT Unified Fund into the Fund.

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 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) (2008).

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Pursuant to D.C. Code § 50-921.10(a)(2)(B) (2009), 80 percent of any remaining surplus (Fund Balance) from DDOT's Operating Fund, from the prior fiscal year is to be transferred to the Fund. D.C. Code §§ 50-921.11(c)(1) - (2) (Supp. 2010) further provides 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, 2011. 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, 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2012, 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, 2012

**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND
FINANCIAL STATEMENT AUDIT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

COMPARATIVE BALANCE SHEET

ASSETS	FY 2011	FY 2010 Restated (Note 7)
	<u> </u>	<u> </u>
Cash & Investments		
Agency Controlled Cash	\$ 684,584	\$ 124,581
Primary Government Accounts	49,451,156	13,702,299
Investments-Restricted	-	99,623
Total Cash & Investments	50,135,740	13,926,503
Accounts Receivable	1,583,190	8,793,519
Other Assets	105,531	106,541
Total Assets	<u>51,824,461</u>	<u>22,826,563</u>
 LIABILITIES & FUND BALANCE		
Liabilities:		
Vouchers and Other Payables	5,926,536	12,106,016
Accrued Payroll	123,733	165,636
Deferred Revenue	724,781	983,823
Due to Other Fund/Agency	1,198,787	73,107
Total Liabilities	<u>7,973,837</u>	<u>13,328,582</u>
 Fund Balance:		
Restricted	43,850,624	9,497,981
Total Liabilities & Fund Balance	<u>\$ 51,824,461</u>	<u>\$ 22,826,563</u>

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

**DISTRICT DEPARTMENT OF TRANSPORTATION
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FINANCIAL STATEMENT AUDIT
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**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE**

REVENUES	FY 2011	FY 2010 Restated (Note 7)
Motor Fuel Tax	\$ 24,924,752	\$ 25,581,476
Sales Tax Parking/Storing Vehicles	16,507,730	12,185,367
Public Space Rental	3,869,184	3,093,958
Public Rights-of-Way Fees	6,751,665	6,732,853
Interest and Other Income	16,794	104,322
DDOT Operating Surplus	-	1,691,062
Unified Fund Unobligated Fund Balance	12,522,114	-
Pay Go Capital	4,000,000	4,842,000
Total Revenue	68,592,239	54,231,038
EXPENDITURES		
Capital Appropriated Expenditures		
Design, Site, Construction, and Equipment Costs	19,024,804	33,521,901
Project Mgmt Costs	1,857,866	3,139,745
Non-Participating Costs	13,356,926	14,880,049
Total Net Expenditures	34,239,596	51,541,695
Excess of Revenues over Expenses	34,352,643	2,689,343
FUND BALANCE		
Fund Balance -Restricted at October 1	9,497,981	6,808,638
Fund Balance -Restricted at September 30	\$ 43,850,624	\$ 9,497,981

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, 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.

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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: 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	
	2011	2010
Highway Trust Fund Account	684,584	124,581
Investment Account	-	99,623
Primary Government Accounts	49,451,156	13,702,299
Total Cash & Investments	\$ 50,135,740	\$ 13,926,503

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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; for the receipts of the Federal Highway Administration’s payment of federal highway projects; and for receipt of investment revenue earned on repurchases agreements backed by 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 (FY) but not yet received, as well as amounts due from other District agencies. On September 30, 2011, total receivables were \$1,583,190 as detailed in Table 2 below. For FY 2010, motor fuel tax receivables have been increased by \$5,013,733 to correct an error in motor fuel recordation in the District’s Office of Tax and Revenue. The error was corrected in FY 2011, and the FY 2010 financial statements were restated to show the actual motor fuel tax collections for that year.

Table 2 - Receivables

Account Name	Fiscal Year	
	2011	2010
Motor Fuel Tax	\$ 2,324	\$ 1,248,665
Motor Fuel Tax-Restated FY 2010		\$ 5,013,733
Parking & Storage Sales Tax	-	2,596,367
Public Space Rental Fees	-	-
Rights-of-Way Rental Fees	-	36
Due from Other Fund	1,646,148	-
Dishonored Checks	(65,282)	(65,282)
Total Receivables	\$ 1,583,190	\$ 8,793,519

**DISTRICT DEPARTMENT OF TRANSPORTATION
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Other Current Assets

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

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 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 FY.

The Fund balance was restated for the year ending September 30, 2010, due to an error in recordation of Motor Fuel Tax revenue by the District's Office of Tax and Revenue. This error was identified and corrected in FY 2011. The financial statements include an increase of \$5,013,733 in Fund Balance for the year ending September 30, 2010.

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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.

For FY 2011, additional funding was provided through emergency legislation, District Department of Transportation Omnibus Emergency Amendment Act of 2011 (A19-0254), requiring the transfer of any unobligated and unexpended DDOT Unified Fund's fund balance to the Fund (Highway Trust Fund) by October 1, 2011. This legislation provided additional funding of approximately \$12.5 million to the Fund.

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).

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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 2011	FY 2010
Non-Participating Costs - Vendor Payments and Project Direct Labor (See Table 4, page 12)	\$ 1,905,388	\$ 3,906,805
Final Audit Cost Adjustments and Federal Grant Disallowances	1,744,522	3,172,500
Reimbursable DC Water Construction Costs – (current year advances less recoveries in current year)	(711,876)	(3,975,538)
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)	10,418,892	9,201,172
Total Non-Participating Spending	\$ 13,356,926	\$ 12,304,939

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 12.

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Table 4 - Non-Participating Cost Projects

Vendor Payments & Project Direct Labor	FY 2011	FY 2010
Anacostia Water Front and Riverwalk	\$ (1,537,538)	\$ -
STP-CM-888 (306) FRP Bridges	-	250,000
FY 99 1st FA Resurfacing STP-9999 (942)	-	246,248
FY 99 Public Lands Resurface FLH -1501 (33)	-	105,703
STP-888 (106) Historic Streets/Alleys	1,189,820	-
Traffic Signal Maintenance STP	(1,626,286)	1,626,286
18th St., N.W. P-S Streets STP - 3105 (1)	223,022	551,735
STP 3105 (5) Reconstruction of 18th St., N.W.	473,610	-
STP – 1121 (012) Rehab of Sherman Avenue	274,234	-
FY 03 Traffic signal Maintenance	-	(2,414,989)
Reconstruction of Brentwood Rd., N.E. 9 th Street to RI Ave.	-	201,172
11 th Street Bridge, S.W., over S.W. Freeway	-	722,654
Western Avenue, N.W.	129,584	-
STP – 2112 (004) 11th St., S.W. ov CSX / D St Rdwy	126,118	-
Park Rd, N.W., 14 th Street to Mt. Pleasant	135,081	848,856
Columbia Heights Improvement	569,407	1,705,694
Arland D Williams Center Highway Bridge	-	(998,986)
Landscape 16 th Street, N.W., STP-1103 (25)	-	(643,199)
ARA – STP – 3208 (6) Great Sts, NH Burroughs Ave.	125,180	-
Georgia Ave. Streetscape Improvements	564,516	105,737
ARA-1300 (105) PA Ave., S.E. 27-Southern Ave.	301,150	103,191
IBC-8888 (046) Ward 7 Rdway Upgrd Recons	-	293,752
STP-8888 (165) SD Ave/Riggs Rd. Improvements	392,804	255,358
STSCP: 4th St., N.W., L St. - Mass Ave., N.W.	112,600	183,653
Other Non-Participating Costs	452,086	763,940
Total Vendor Payments & Project Direct Labor	\$ 1,905,388	\$ 3,906,805

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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 2011 total \$1,331,790, and in FY 2010, \$3,172,500. 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 2011, a total of \$412,732 was disallowed, and in FY 2010, no disallowances occurred.

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. Advances made for DC Water's benefit totaled \$2,676,981 in FY 2011, and \$1,414,153 in FY 2010. Reimbursements from DC Water equaled \$3,388,857 in FY 2011, for current and prior year advances, and \$5,389,691 of reimbursements made in FY 2010.

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.

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

NOTE 7: PRIOR YEAR ADJUSTMENT

In FY 2011, DDOT made a correcting entry to adjust current year's motor fuel tax revenues that were overstated by approximately \$5 million and that were applicable to FY 2010. The overstatement was due to a new filing requirement, D.C. Code § 47-4402(c) (Supp. 2011), requiring taxpayers with a tax liability greater than \$10,000 to pay their taxes electronically. In FY 2010, some motor fuel taxpayers incorrectly filed payments without sufficient information to identify the type of tax payments. As a result, the Office of Tax and Revenue (OTR) recorded and deposited the revenues as "Unknown" revenues. In FY 2011, OTR identified the FY 2010 unknown payments and recorded the revenues as current year revenues. Tables 5 and 6 below show the restated "Balance Sheet" and "Statement of Revenues, Expenditures, and Changes in Fund Balance," respectively, for FY 2010.

Table 5 - Restatement of Balance Sheet

BALANCE SHEET			
ASSETS	As Reported FY 2010	Adjustment	Restated FY 2010
Cash & Investments			
Agency Controlled Cash	\$ 124,581		\$ 124,581
Primary Government Accounts	13,702,299		13,702,299
Investments-Restricted	99,623		99,623
Total Cash & Investments	<u>13,926,503</u>		<u>13,926,503</u>
Accounts Receivable	3,779,786	5,013,733	8,793,519
Other Assets	106,541		106,541
Total Assets	<u>17,812,830</u>	<u>5,013,733</u>	<u>22,826,563</u>
LIABILITIES & FUND BALANCE			
Liabilities:			
Vouchers and Other Payables	12,106,016		12,106,016
Accrued Payroll	165,636		165,636
Deferred Revenue	983,823		983,823
Due to Other Fund/Agency	73,107		73,107
Total Liabilities	<u>13,328,582</u>		<u>13,328,582</u>
Fund Balance:			
Restricted	4,484,248	5013,733	9,497,981
Total Liabilities & Fund Balance	<u>\$ 17,812,830</u>	<u>5,013,733</u>	<u>\$ 22,826,563</u>

**DISTRICT DEPARTMENT OF TRANSPORTATION
HIGHWAY TRUST FUND
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Table 6 - Restatement of Revenues, Expenditures, and Changes in Fund Balance

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE			
REVENUES	As Reported FY 2010	Adjustment	Restated FY 2010
Motor Fuel & Sales Tax	\$ 20,567,743	5,013,733	\$ 25,581,476
Sales Tax Parking/Storing Vehicles	12,185,367		12,185,367
Public Space Rental	3,093,958		3,093,958
Rights-of-Way Fees	6,732,853		6,732,853
Interest and Other Income	104,322		104,322
DDOT Operating Surplus	1,691,062		1,691,062
Pay Go Capital	4,842,000		4,842,000
Total Revenue	<u>49,217,305</u>	<u>5,013,733</u>	<u>54,231,038</u>
EXPENDITURES			
Capital Appropriated Expenditures			
Design, Site, Construction, and Equipment Costs	33,521,901		33,521,901
Project Management Costs	3,139,745		3,139,745
Non-Participating Costs	14,880,049		14,880,049
Total Net Expenditures	<u>51,541,695</u>	<u>-</u>	<u>51,541,695</u>
Excess of Revenues over Expenses	(2,324,390)	5,013,733	2,689,343
FUND BALANCE			
Restricted at October 1, 2009	6,808,638		6,808,638
Restricted at September 30, 2010	<u>\$ 4,484,248</u>	<u>5,013,733</u>	<u>\$ 9,497,981</u>

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 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, 2011, and have issued our report thereon dated February 1, 2012. 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 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal controls over financial reporting that we consider to be significant deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2012

GOVERNMENT OF THE DISTRICT OF COLUMBIA
HIGHWAY TRUST FUND
SCHEDULE OF AUDIT FINDINGS & RESPONSES

2011-1	Incorrect Recording of Parking Meter Revenue to the Fund
Condition:	DDOT-OCFO recorded \$3.6 million of parking meter revenues that was not dedicated to the Fund. The journal voucher, supporting the \$3.6 million entry, explained the transfer of the revenues to the Fund but did not provide the authority for this transfer. At the time of our request for the authority for the transfer of the revenues, DDOT-OCFO realized that the entry was recorded to the wrong entity and subsequently reversed the entry.
Criteria:	<p>The Fiscal Year 2010 Budget Support Act of 2009 (L18-0111) required that \$3.6 million of funds from the Unified Fund shall be deposited in the unrestricted fund balance of the General Fund of the District of Columbia as follows:</p> <ul style="list-style-type: none">(A) For Fiscal Year 2010, an amount of \$3.5 million;(B) For Fiscal Year 2011, an amount of \$3.6 million; and(C) For Fiscal Year 2012, and each succeeding fiscal year, an amount of \$3.7 million.
Cause:	DDOT-OCFO personnel recorded the transfer based upon an error by the DDOT-OCFO personnel responsible for determining the amount of transfers from the Unified Fund, who provided the information without sufficient supporting documentation.
Effect:	The error in preparing the transfer entry misstated revenues in FY 2011 that could have gone undetected had we not identified the error during the audit.
Recommendation:	We recommend that DDOT-OCFO adhere to Section 10551000.30 of the Office of the Chief Financial Officer Financial Policies and Procedures Manual that states that “SOAR transaction (journal entry) descriptions should clearly identify and explain the financial event being recorded, or the reason for the adjustment. In addition, supporting documentation, explaining or justifying the transaction, should be attached to, or referenced in [a] SOAR transaction document.”
Management’s Response:	Management agrees. The error was the result of human error that could have been avoided had the legislation been required as an additional attachment to the transfer instructions. Management will ensure that the acts or legislation supporting a transfer of revenue will be required prior to entry of transfers.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
HIGHWAY TRUST FUND
SCHEDULE OF AUDIT FINDINGS & RESPONSES**

2011-2	Motor Fuel Tax Revenues Overstated in Fiscal Year 2011
Condition:	For FY 2011, we were informed by OTR officials that motor fuel tax (MFT) revenues for the Fund were understated by approximately \$5 million for FY 2010 and overstated for FY 2011.
Criteria:	The Financial Accounting Standards Board, Statement 154, Codified by GASB, requires restatement of financial statements to correct an error that affected a prior period and that the correction be disclosed in a note to the financial statements.
Cause:	The overstatement of FY 2011 MFT revenues was the result of inadequate internal controls when first implementing the new law, D.C. Code § 47-4402(c), requiring all taxpayers with a tax liability greater than \$10,000 to pay their tax liability electronically. The Electronic Tax Payer Service Center (ETSC) accepted electronic payments without the taxpayer providing key information that identified the type of tax being paid. Additionally, OTR performed the reconciliation of the unknown tax payments on a quarterly basis instead of within a more timely manner.
Discussion:	In February 2011, OTR implemented various controls and procedures regarding electronic filing of tax payments that have eliminated the issue regarding unknown revenue. An entry posting an electronic payment is rejected without the proper identification of the taxpayer. Additionally, any issues related to electronic payment errors are resolved on a monthly basis instead of on a quarterly basis.
Effect:	MFT revenues of approximately \$5 million were not timely identified and recorded to the Fund in FY 2010. OTR identified and recorded the revenue to the Fund in FY 2011 that overstated FY 2011 MFT revenues.
Recommendation:	Due to the amount of the overstated MFT revenue to the Fund for FY 2011, but not to the overall District-wide financial statements, we recommended that DDOT-OCFO correct the overstatement at the Fund level for FY 2011 and restate the Fund's FY 2010 financial statements.
Management's Response:	OCFO officials agreed that the amount of the overstatement was immaterial to the District-wide financial statements and instructed DDOT-OCFO personnel to restate the Fund's financial statements for FY 2010 in accordance with FASB Statement 154.