

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

DISTRICT DEPARTMENT OF TRANSPORTATION

**REPORT ON THE EXAMINATION
OF THE DISTRICT OF COLUMBIA'S
HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR
FISCAL YEARS 2010 - 2014 WITH ACTUAL
AUDITED FIGURES FOR FISCAL YEAR 2009**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



May 28, 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 examination of the District of Columbia Highway Trust Fund's 5-year forecast of expenditure conditions and operations. The District Department of Transportation and the Office of the Chief Financial Officer administer the Highway Trust Fund for the District of Columbia government and are responsible for preparing the forecast.

Our examination included a review of existing processes, policies, and controls for the purpose of expressing an opinion on the accompanying forecasted statements. Although we found no instances of noncompliance that would be reportable under generally accepted government auditing standards, the objective of our review was not to provide an opinion on overall compliance with such provisions.

In our opinion, the forecasted statements referred to above are presented in conformity with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants. The underlying assumptions made and methodologies used to develop the statements provide a reasonable basis for the 5-year forecast.

Mr. Klein and Dr. Gandhi
Highway Trust Fund Forecast
May 28, 2010
Page 2 of 4

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions or need additional information, please contact me or Victoria Lucchesi, Acting Assistant Inspector General for Audits at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

Inspector General

CJW/js

Enclosure

cc: See Distribution List

DISTRIBUTION:

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

The Honorable José E. Serrano, Chairman, House Subcommittee on Financial Services and General Government, Attention: Dale Oak (1 copy)
The Honorable Jo Ann Emerson, Ranking Member, House Subcommittee on Financial Services and General Government (1 copy)
The Honorable Daniel K. Inouye, Chairman, Senate Committee on Appropriations, Attention: Charles Houy (1 copy)
The Honorable Thad Cochran, Ranking Member, Senate Committee on Appropriations (1 copy)
The Honorable Richard Durbin, Chairman, Senate Subcommittee on Financial Services and General Government (1 copy)
The Honorable Susan Collins, Ranking Member, Senate Subcommittee on Financial Services and General Government (1 copy)
Mr. Rumman Dastgir, Agency Fiscal Officer, DDOT Government Services Cluster (1 copy)
Ms. Angela Gray, Budget Officer, DDOT Government Services Cluster (1 copy)
Ms. Virginia Brant, Controller, Government Services Cluster (1 copy)
Ms. Leah Treat, Deputy Director, Management Resources DDOT (1 copy)

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA’S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FY 2009**

TABLE OF CONTENTS

	Page
Auditor’s Report on Forecast Statements.....	1
Highway Trust Fund Forecast Statements.....	2
Overview	5
Summary of Significant Accounting Policies.....	5
Management Assumptions	6
Notes to Forecast Statements.....	8

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



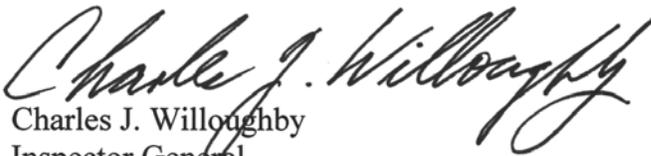
Auditor's Report on Forecast Statements

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

In accordance with D. C. Code § 9-109.02(e), the Office of the Inspector General has completed an examination of the District of Columbia Highway Trust Fund's 5-year forecast of conditions and operations for the forecast period, fiscal years (FYs) 2010 through 2014. The District Department of Transportation and the Office of the Chief Financial Officer are responsible for producing the forecast. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Highway Trust Fund's 5-year forecast of expenditure conditions and operations (HTF forecast) and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying HTF forecast is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.


Charles J. Willoughby
Inspector General
May 28, 2010

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009**
(\$000s)

	D.C.			D.C.		
	Highway Trust Fund FY 2009	Federal Aid FY 2009	Total FY 2009	Highway Trust Fund FY 2010	Federal Aid FY 2010	Total FY 2010
ESTIMATED FUNDING						
Beginning Balance	\$ 23,269	\$ 356,978	\$ 380,247	\$ 6,809	\$ 470,889	\$ 477,698
Motor Fuel Tax Revenues	23,829		23,829	28,119		28,119
Parking Revenues	6,465		6,465	7,875		7,875
Public Space Rentals	3,509		3,509	3,421		3,421
Rights-of-Way Rental Fees	6,721		6,721	6,721		6,721
Operating Account Surplus	1,654		1,654	1,691		1,691
Interest Earnings	81		81	13		13
Other Charges for Services American Recovery and Reinvestment Act of 2009		123,509	123,509	2,051		2,051
Federal-Aid Apportionment		133,241	133,241		157,066	157,066
Total Estimated Funds	<u>65,528</u>	<u>613,728</u>	<u>679,256</u>	<u>56,700</u>	<u>627,955</u>	<u>684,655</u>
ESTIMATED USES						
Project Management	4,875	23,517	28,392	5,278	37,316	42,594
Design, Site, Construction, and Equipment Cost	22,050	119,322	141,372	29,059	187,182	216,241
Non-Participating Cost	31,794	-	31,794	16,350	-	16,350
Total Estimated Expenditures	<u>58,719</u>	<u>142,839</u>	<u>201,558</u>	<u>50,687</u>	<u>224,498</u>	<u>275,185</u>
ENDING BALANCE	<u>\$ 6,809</u>	<u>\$ 470,889</u>	<u>\$ 477,698</u>	<u>\$ 6,013</u>	<u>\$ 403,457</u>	<u>\$ 409,470</u>

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

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009
(\$000s)**

	D.C.			D.C.		
	Highway Trust Fund	Federal Aid	Total	Highway Trust Fund	Federal Aid	Total
	FY 2011	FY 2011	FY 2011	FY 2012	FY 2012	FY 2012
ESTIMATED FUNDING						
Beginning Balance	\$ 6,013	\$ 403,457	\$ 409,470	\$ 7,387	\$ 346,248	\$ 353,635
Motor Fuel Tax Revenues	28,330		28,330	28,614		28,614
Parking Revenues	9,348		9,348	10,735		10,735
Public Space Rentals	3,312		3,312	3,341		3,341
Rights-of-Way Rental Fees	6,721		6,721	6,721		6,721
Operating Account Surplus						
Interest Earnings	13		13	17		17
Other Charges for Services						
Federal-Aid Apportionment		133,249	133,249		133,249	133,249
Total Estimated Funds	<u>53,737</u>	<u>536,706</u>	<u>590,443</u>	<u>56,815</u>	<u>479,497</u>	<u>536,312</u>
ESTIMATED USES						
Debt Payment - GARVEE	1,304	5,216	6,520	1,304	5,216	6,520
Project Management	3,790	29,819	33,609	3,327	18,904	22,231
Design, Site, Construction, and Equipment Cost	22,352	155,423	177,775	23,683	125,748	149,431
Non-Participating Cost	18,904	-	18,904	19,142	-	19,142
Total Estimated Expenditures	<u>46,350</u>	<u>190,458</u>	<u>236,808</u>	<u>47,456</u>	<u>149,868</u>	<u>197,324</u>
ENDING BALANCE	<u>\$ 7,387</u>	<u>\$ 346,248</u>	<u>\$ 353,635</u>	<u>\$ 9,359</u>	<u>\$ 329,629</u>	<u>\$ 338,988</u>

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

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009**
(\$000s)

	D.C. Highway Trust Fund FY 2013	Federal Aid FY 2013	Total FY 2013	D.C. Highway Trust Fund FY 2014	Federal Aid FY 2014	Total FY 2014
ESTIMATED FUNDING						
Beginning Balance	\$ 9,359	\$ 329,629	\$ 338,988	\$ 4,914	\$ 287,162	\$ 292,076
Motor Fuel Tax Revenues	28,900		28,900	29,189		29,189
Parking Revenues	11,948		11,948	14,098		14,098
Public Space Rentals	3,374		3,374	3,408		3,408
Rights-of-Way Rental Fees	6,721		6,721	6,721		6,721
Operating Account Surplus						
Interest Earnings	14		14	14		14
Other Charges for Services						
Federal-Aid Apportionment		133,249	133,249		133,249	133,249
Total Estimated Funds	<u>60,316</u>	<u>462,878</u>	<u>523,194</u>	<u>58,344</u>	<u>420,411</u>	<u>478,755</u>
ESTIMATED USES						
Debt Payment - GARVEE	1,956	7,824	9,780	1,956	7,824	9,780
Project Management	3,286	16,716	20,002	2,230	11,036	13,266
Design, Site, Construction, and Equipment Cost	30,775	151,176	181,951	26,061	124,619	150,680
Non-Participating Cost	19,385	-	19,385	19,633	-	19,633
Total Estimated Expenditures	<u>55,402</u>	<u>175,716</u>	<u>231,118</u>	<u>49,880</u>	<u>143,479</u>	<u>193,359</u>
ENDING BALANCE	<u>\$ 4,914</u>	<u>\$ 287,162</u>	<u>\$ 292,076</u>	<u>\$ 8,464</u>	<u>\$ 276,932</u>	<u>\$ 285,396</u>

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

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009**

OVERVIEW

This report summarizes the Office of the Inspector General's (OIG) review of the District of Columbia (District) Highway Trust Fund's (HTF) 5-year forecast statements of expenditures, conditions, and operations for fiscal years 2010-2014 (HTF forecasts). The objective of our review was to evaluate the underlying assumptions made and methodologies used to develop the HTF forecasts. These HTF forecasts are used to provide a reasonable projection of the District's ability to meet future local matching requirements under the U.S. Department of Transportation Federal Highway Administration (FHWA) program for capital improvements to the District's transportation infrastructure. We conducted our examination in accordance with the American Institute of Certified Public Accountants standards and *Government Auditing Standards* for attestation engagements and included such tests as we considered necessary under the circumstances. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

BACKGROUND

D.C. Code § 9-109.02(e) (2008) requires the OIG to examine the statements of the HTF's expected conditions and operations for the next 5 fiscal years to determine the District's ability to meet future local matching requirements under the FHWA program for capital improvements to the District's transportation infrastructure.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Government 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 accounting classification with a self-balancing set of accounts.

The HTF is a governmental fund used to account for the monies from motor vehicle fuel taxes and other fees that are held in escrow by the District for the District's share of federal-aid highway projects. The District accounts for the construction of federal-aid highway projects, which are primarily financed by the FHWA grants, in the Capital Projects Fund. The Capital Projects Fund is reimbursed from monies in the HTF to cover the District's share of the federal-aid highway projects.

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009**

BASIS OF ACCOUNTING

The modified accrual basis of accounting is used to account for the HTF. 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 monies are collectible within the current period, or soon thereafter, to be used to pay liabilities of the current period.

Those revenues susceptible to accrual include excise and sales and use taxes and interest. Excise and sales and use taxes are recognized when the sale and use take place. Interest is recognized as revenue through the passage of time.

MANAGEMENT ASSUMPTIONS

The District Department of Transportation (DDOT) annually prepares a 6-year forecast for the HTF, which is part of the Capital Improvement Plan of the District. The first 5 years of this forecast are included in our examination. The current forecast reflects management’s judgment regarding the expected conditions, operations, and course of action for the HTF as of May 27, 2010. The assumptions disclosed herein are those that management believes are significant to the HTF’s forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently change due to the nature of the activities covered by the HTF (e.g., major design and construction), and those differences may be material.

The HTF forecasts are based on the following assumptions:

- The “D.C. Highway Trust Fund” columns represent estimated local revenue sources and interest earnings.
- The “Federal Aid” columns represent estimated federal aid commitment balances and projection of matching grants for known highway projects, anticipated discretionary funding, stimulus funds (American Recovery and Reinvestment Act of 2009), and borrowed funding for the 11th Street Bridge project.
- The FY 2009 amounts are based on actual amounts included in the HTF’s audited financial statements prepared by the OIG and issued January 29, 2010. The amounts include the beginning HTF balances for the local share and unobligated federal aid. The local share amount equals the audited fund balance as of September 30, 2008,

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009**

(beginning October 1, 2008, balance), plus the FY 2009 collections and receivables as of September 30, 2009, less the FY 2009 payments and audited outstanding liabilities (payables and accruals) as of September 30, 2009. The federal aid amount includes current year appropriations less the federal share of FHWA financed projects in progress or completed, but not closed.

- Interest earnings are estimated using a 0.20 percent annual interest rate on the rolling monthly average HTF balance. Management used zero interest when the monthly rolling balance reported a cumulative negative interest earned for the year.

The estimated uses for project management, design, site construction, and equipment costs, and non-participating costs are based on the actual estimated completion date for the phase of each federal-aid highway project. The project management and design, site, construction, and equipment costs that are eligible for matching federal aid are allocated based on the federal and local share of each individual project. The non-participating costs are those costs that are not eligible for federal aid match and include overhead construction engineering costs; utility and sewer repair; construction enhancements not covered by FHWA; disallowed costs reimbursable to the FHWA; and advance construction projects, which can later be converted to federally funded projects when funding is available.

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009**

NOTES TO FORECAST STATEMENTS**ESTIMATED FUNDING**

Beginning Balance – The beginning balance for FY 2009 consists of the actual FY 2008 ending HTF balance carried forward for FY 2009. In each subsequent fiscal year, the beginning balance is the ending balance brought forward from the prior fiscal year.

Revenues –Dedicated revenues are from the following funding sources:

- excise tax earned on motor fuel sold in the District;
- parking and storing vehicles sales and use tax in excess of \$30 million;
- the incremental increases of public rights-of-way rental fees;
- one sixth of public rental fees on surface and subsurface fuel oil vaults;
- 80 percent of DDOT's Operating Fund surplus from the previous fiscal year. Due to the uncertainty of the operating surplus balance, no revenues were estimated for FYs 2011 – 2014; and
- Other Charges for Services – funds due from the District's Water and Sewer Authority for work performed prior to 9/30/2008 and projected in future projects.

Interest Earnings – Interest earnings consist of the estimated annual earnings, calculated at a rate of 0.20 percent on the beginning balance plus annual revenues minus expenditures.

Federal-Aid Apportionment - Federal funding is provided to all states and the District by legislation enacted by Congress and administered through the FHWA. Current legislation, which expired in FY 2009, was extended and provides apportionments for FY 2010. For FYs 2011 through 2014, DDOT used the original FY 2010 apportionment amount without allocating an estimate for discretionary spending. (NOTE: The original FY 2010 apportionment was increased by FHWA in May 2010 from \$133 million to \$157 million due to the redistribution of unobligated balances of funds from states from previous fiscal years. Because this additional allocation is a one-time infusion to the FY 2010 apportionment, this additional funding is not used in the forecast for the FY 2011 through FY 2014 apportionment).

Additional Federal Funding

- American Recovery and Reinvestment Act of 2009 (ARRA) - In March 2009, DDOT was apportioned \$123.5 million of highway infrastructure investment funds (stimulus

**REPORT ON THE EXAMINATION OF THE
DISTRICT OF COLUMBIA'S HIGHWAY TRUST FUND
FORECAST STATEMENTS FOR FISCAL YEARS 2010 – 2014
WITH ACTUAL AUDITED FIGURES FOR FISCAL YEAR 2009**

money) pursuant to the ARRA. Projects funded with stimulus money are financed completely with federal money and require no local match.

ESTIMATED USES

Project Management Costs – These costs are annual estimated costs for salaries of in-house employees and contracted construction management services.

Estimated Design, Site, Construction, and Equipment Costs – These costs are annual estimated eligible costs on current and proposed new projects.

Non-Participating Costs – These costs are annual estimated costs not eligible for federal-aid funding and include:

- Overhead cost;
- Project enhancements, not eligible for federal grant funding; and
- Reimbursement of federal grant funds for disallowed costs.

Bond Servicing Costs - Future federal-aid apportionments will service bonds issued through the Grant Anticipation Revenue Vehicles (GARVEE) program and partially finance the 11th Street Bridge project. Local funding for the 11th Street Bridge project will come from general obligation bond proceeds and parking tax revenues dedicated to the project in prior years. The local estimated funding and uses for the 11th Street Bridge project are not part of the HTF forecasts.

ENDING BALANCE

The ending balance each year is determined by adding the amount of forecasted revenues, less the use of funds, to the beginning balance. The ending balance is carried over to the following fiscal year as the beginning balance.

FORECASTED DEFICIT

No deficits are projected in the current 5-year forecast for the HTF.