



United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-275087

November 4, 1996

Congressional Committees

In August 1995, the Congress enacted the District of Columbia Emergency Highway Relief Act, Public Law 104-21. The act temporarily waived the requirement for the District to provide matching funds for federal-aid highway projects for fiscal years 1995 and 1996. The act requires that the District establish a Highway Fund¹ to repay the waived amounts and to make future matching share payments. The act also requires that we review and report² on the District's implementation of requirements to (1) expeditiously process and execute federal-aid highway contracts, (2) establish a revolving fund account,³ and (3) ensure that the necessary resources and expertise are available for highway projects.

The act further requires that we annually audit the Highway Fund's financial condition and results of operations for fiscal years ended September 30, and report on the results of the audit by December 31 of each year, beginning with December 31, 1996. GAO's audit report is also to include the Highway Fund's expected condition and operations for the succeeding 5 fiscal years. To perform our work to meet this mandate, we requested the District provide us with accounting information, such as the Highway Fund's final trial balance, year-end closing entries, and financial statements by November 15, 1996. However, in a letter dated October 18, 1996, the District's Chief Financial Officer (CFO) stated

¹Funds collected from the District's motor vehicle fuel taxes are to be deposited in the Highway Fund. The District estimated that fiscal year 1996 collections of motor vehicle fuel taxes will total about \$34 million.

²D.C. Emergency Highway Relief Act (GAO/RCED-96-196R, June 28, 1996).

³The revolving fund account was established to ensure that funds are reserved to make timely payments to contractors completing federal-aid highway projects.

GAO/AIMD-97-14R Highway Fund Audit

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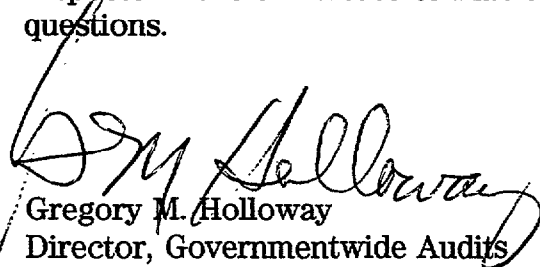
that the District would not be able to provide the relevant information by November 15.

As discussed in the enclosed letter, the District's CFO stated that the closing process for the Highway Fund is time consuming, but necessary to accurately report on the Highway Fund's expenditures and revenues. The CFO identified key elements and associated time frames for completing the closing process:

- 6 weeks after year-end to receive vendor invoices,
- 45 to 75 days to record the invoices and perform internal reviews, and
- 30 days to post accruals and prepare final trial balances.

Because significant parts of the information needed to complete this audit will not be available before the end of January 1997, we cannot complete the audit and report the results to you by December 31, 1996. Based on the timeframes established by the District, the earliest date we will be able to complete our work and report to you would be March 31, 1997. We will keep you informed of our progress.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Appropriations and its Subcommittee on the District of Columbia; the Chairmen and Ranking Minority Members of the House Committee on Appropriations and its Subcommittee on the District of Columbia; the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs and its Subcommittee on Oversight of Government Management and the District of Columbia; and the Chairmen and Ranking Minority Members of the House Committee on Government Reform and Oversight and its Subcommittee on the District of Columbia. In addition, copies will be sent to the District of Columbia's Mayor, Chief Financial Officer, and Inspector General. Please call me at (202) 512-9510, if you or your staff have any questions.



Gregory M. Holloway
Director, Governmentwide Audits

Enclosure

B-275087

List of Congressional Committees

The Honorable John H. Chafee
Chairman

The Honorable Max S. Baucus
Ranking Minority Member
Committee on Environment and Public Works
United States Senate

The Honorable John W. Warner
Chairman, Subcommittee on Transportation
and Infrastructure
Committee on Environment and Public Works
United States Senate

The Honorable Bud Shuster
Chairman
The Honorable James L. Oberstar
Ranking Minority Member
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Thomas E. Petri
Chairman
The Honorable Nick J. Rahall, II
Ranking Minority Member
Subcommittee on Surface Transportation
Committee on Transportation and Infrastructure
House of Representatives

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GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE



Chief Financial Officer

441 4th ST., N.W.
11th Floor
Washington, D.C. 20001

OCT 18 1996

Gregory M. Holloway, Director
Government Wide Audits
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Holloway:

The District of Columbia Government has created a revolving Highway Trust Fund during 1996. You have requested that we furnish you with the results of our annual closing so that you may complete an audit of the financial condition and results of operations of this fund by November 15, 1996. Our closing process and subsequent financial statement preparation will not be completed until the end of January 1997. We have made every effort to make our process as efficient and timely as possible. In order to close this fund, first expenditures and then revenues must be considered because the grant revenues are dependent on the expenditure levels. As expenditures are contingent upon the receipt of vendors invoices and other documentation, it can take as long as six weeks after year end just to receive these documents from the vendors because many of the invoices are prepared based on percentage of completion construction accounting which is rather time consuming. Only after recording all pertinent vendor data can the process of calculating earned revenues and the related federal receivables begin. These steps together with our internal reviews to insure completeness and accuracy will take another 45 to 75 days. Completed trial balances with all adjustments and accruals posted, can take up to another 30 days to produce.

I must point out that most state and local governments are unable to produce final figures for six to eight months following year end. We do it in four. I realize that you have deadlines to meet with regard to this audit and I want to do everything possible to assist you; however, the November time frame cannot be met. I am willing to offer my assistance and support in working with you to move this deadline back to coincide with our existing requirements for the issuance of

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Mr. Gregory Holloway
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the District's CAFR. If I can be of any further assistance please do not hesitate to contact either me or Earl C. Cabbell, Deputy Chief Financial Officer for Financial Operations and Systems.

Sincerely,



Anthony A. Williams
Chief Financial Officer

Enclosure

cc: The Honorable James T. Walsh, Chairman
Appropriations Subcommittee on the District
of Columbia

The Honorable Thomas M. Davis, Chairman
Subcommittee on the District of Columbia

The Honorable Thomas Petri, Chairman
Surface Transportation Subcommittee

Leslie Jean-Pierre, Legislative Assistant
Office of Congresswoman Eleanor Holmes Norton

John W. Hill, Executive Director
District of Columbia Financial Responsibility
Management Assistance Authority

AAW:ECC:sdg

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Information Requested by GAO for FY 1996
Highway Fund Financial Statement Audit

<u>Description of Items Requested</u>	<u>Date Requested</u>	<u>Proposed Completion Date</u>
Chart of accounts for Highway and Revolving Funds	October 8, 1996	October 25, 1996
September 1996 trial balances (interim and final)	October 8, 1996	*
Accounting procedures for the Highway and Revolving Fund, including a description of the journal entries used	October 8, 1996	October 31, 1996
Accounting procedures for federal aid projects and motor vehicle fuel taxes used prior to the establishment of Highway and Revolving fund	October 8, 1996	*
The District's policy on allocating interest income between funds, such as the Highway Fund and the General Fund	October 8, 1996	*
List of all relevant laws and regulations that impact the Highway Trust Fund and Revolving Fund (e.g. District's Quick Payment Act, etc.)	October 9, 1996	*
Name and address of outside attorneys	October 9, 1996	October 25, 1996
Download of fiscal year 1996 federal aid highway vouchers entered and accepted into FMS, as well as associated payment information (e.g. check register) for those vouchers. (The format of the download will be provided separately.)	October 15, 1996	October 25, 1996

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Information Requested by GAO for FY 1996
Highway Fund Financial Statement Audit

<u>Description of Items Requested</u>	<u>Date Requested</u>	<u>Proposed Completion Date</u>
Lotus schedules of motor vehicle fuel tax returns processed for 1996 on 3 1/4 inch floppy disk	October 15, 1996	*
Actual methodology for determining the \$6 million in transportation salary	October 15, 1996	*
Historical data: (1) motor fuel tax revenues for the last three fiscal years - 1993 to 1995, and (2) transportation program expenditures for the last three years	October 15, 1996	*
Forecast and supporting documentation, i.e. assumptions used, for highway trust fund expenditures for the next 5 years, fiscal year 1997 to 2001	October 15, 1996	October 31, 1996
Bank reconciliations and bank statements for the Highway and Revolving Fund bank accounts September and October 1996	October 15, 1996	*(September) 11/15/96 (October)
Management representation letter dated at end of our fieldwork	November 15, 1996	February 1, 1997
Year-end closing entries	November 15, 1996	February 1, 1997
Financial statements and footnotes	November 15, 1996	February 1, 1997

*Items provided under 10/17/96 letter from R. Reid

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