

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

**DISTRICT DEPARTMENT OF TRANSPORTATION**

**HIGHWAY TRUST FUND  
MEMORANDUM OF RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2012**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



April 7, 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:

Enclosed is our final Memorandum of Recommendations report in connection with the Office of the Inspector General's (OIG) Financial Audit of the District's Department of Transportation's Highway Trust Fund (OIG No. 12-1-13KA(b)) for fiscal year 2012, issued February 1, 2013.

During our audit, we noted certain matters involving internal control and other operational matters that are presented in this Memorandum of Recommendations for your consideration and are intended to improve internal control or result in other operating efficiencies. We directed nine recommendations to the Director of the District's Department of Transportation (DDOT), and six recommendations to the District's Chief Financial Officer that we believe are necessary to correct deficiencies identified during our financial audit.

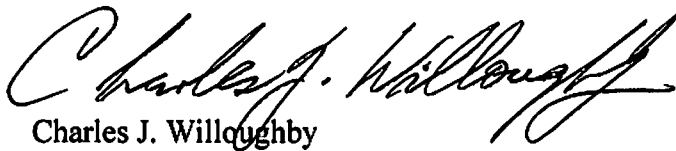
We received two responses from the Director of DDOT on October 4 and 8, 2013, to address all 15 recommendations, including those addressed to the Office of the Chief Financial Officer (OCFO). We also received a letter from the Associate Chief Financial Officer for OCFO's Government Services Cluster, dated January 28, 2014, noting OCFO's agreement with DDOT's responses.

We consider actions taken and/or planned by DDOT and OCFO to be responsive to Recommendations 1, 2, 3, 4, 6, 9, 10, 11, 12, 13, 14, and 15 and meet the intent of those recommendations. However, DDOT/OCFO did not agree with Recommendations 5, 7, and 8, and we consider these recommendations to be unresolved. Therefore, we request that DDOT/OCFO reconsider its position on Recommendations 5, 7, and 8 and provide an additional response to us within 60 days from the date of this report.

Additionally, DDOT/OCFO did not provide estimated target dates concerning implementation of corrective actions for recommendations 9, 10, and 15. We request that DDOT/OCFO provide us an updated response with estimated target dates for planned corrective action within 14 days of the date of this final report. The full text of DDOT's responses is included in Exhibit B. Exhibit C contains OCFO's letter noting its concurrence and collaboration with DDOT's responses.

We appreciate the cooperation and courtesies extended to our staff during the financial audit. If you have questions, please contact me or Ronald King, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, reading "Charles J. Willoughby". The signature is fluid and cursive, with the first name "Charles" being the most prominent part.

Charles J. Willoughby  
Inspector General

CJW/rp

cc: See Distribution List

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Mr. Matthew Brown, Deputy Director for Resource Management, DDOT (1 copy)  
Mr. William Teague, Chief Contracting Officer, DDOT (1 copy)

## ACRONYMS

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CFR	Code of Federal Regulations
CM	Construction Manager
CMM	Construction Management Manual
CO	Construction Officer
DCMR	District of Columbia Municipal Regulations
DDOT	District's Department of Transportation
D&F	Determination and Findings
FFP	Federal Financial Participation
FHWA	U.S. Federal Highway Administration
FY	Fiscal Year
HTF	Highway Trust Fund
IFB	Invitation for Bids
IPMA	Infrastructure Project Management Administration
ITS	Integrated Tax System
MFT	Motor Fuel Taxes
OAG	Office of the Attorney General
OBP	Office of Budget and Planning
OCFO	Office of the Chief Financial Officer
OCP	Office of Contracting and Procurement
OFOS	Office of Financial Operations and Systems
OTR	Office of Tax and Revenue

## ACRONYMS

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PROMS      Capital Project Management System

ROW        Rights-of-Way

SOAR       System of Accounting and Reporting

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



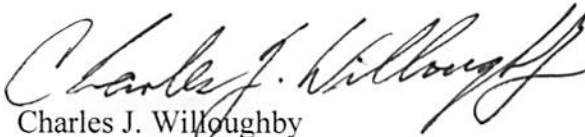
To the Director, Department of Transportation, Government of the District of Columbia; and Chief Financial Officer, Office of the Chief Financial Officer, Government of the District of Columbia:

We have audited the financial statements of the Highway Trust Fund (Fund), which is administered by the District of Columbia Department of Transportation, as of and for the year ended September 30, 2012, and have issued our report thereon dated February 1, 2013, (OIG No. 12-1-13KA). In planning and performing our audit of the financial statements of the Fund, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) as the basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating effectiveness and are summarized in the findings and recommendations section of this report.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Fund's organization gained during our work to make comments and suggestions that we hope will be useful to you. We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of 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, and is not intended to be and should not be used by anyone other than these specified parties.

  
Charles J. Willoughby  
Inspector General

April 7, 2014

## **FINDINGS AND RECOMMENDATIONS**

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### **FINDING 1: CONTRACT DUPLICATE PAYMENT**

#### **CONDITION**

During our review of journal vouchers, we noted in JC002847 the Final Acceptance Reports from the Federal Highway Administration (FHWA) reporting a disallowance for \$369,600 for project STP 8888(269) because of contract duplicate payments in the final invoice for contract DCKA-2007-C-0132. The report reads in relevant part:

DDOT issued a change order to re-designate item #609.200? [sic] as #609.994 in attempt to correct a typo ... inconsistent with referenced FWHA correspondence; however[,] the quantities of the [wheelchair] ramp were shifted to and duplicated under #609.202, so the final invoice does not represent actual quantities in the field.

#### **CRITERIA**

DDOT's Construction Management Manual, issued May 2010, states in Section 2 of the Introduction that "Within DDOT, the Chief Engineer for the Infrastructure Project Management Administration (IPMA) or his/her designee is responsible for oversight and management of all phases of construction projects." Section 3 of the Introduction states that the Ward Team Leader "or his/her designee is the person that is responsible for the administration of construction projects within his/her assigned Ward." Section 3 also provides, "The [Construction Manager or CM] is responsible for the administration of the construction contract to ensure that the contract work is completed in accordance with the plans and specifications, required quality standards, the contract performance period, and the contract price,"

Section 11.4 also states, "Release of Final Payment cannot occur until all contract requirements have been met and the CM must make certain that all requirements have been met in accordance with the contract requirements. The ability to require Contractor compliance after release of Final Payment is severely diminished."

#### **CAUSE**

DDOT officials noted that the typo referenced by FHWA related to "ramps" in special provision #609.994 in the contract that incorrectly referred to #609.202; as a result of the error, the contractor mistakenly invoiced DDOT twice. A change order was issued and DDOT did not issue a duplicate payment to the contractor.

## **FINDINGS AND RECOMMENDATIONS**

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While FHWA's report does mention the change order, the report nevertheless found that "the quantities of the ramp were shifted to and duplicated" and "the final invoice does not represent actual quantities in the field."

We requested DDOT review the contract files and, if it determined that it made duplicate payments, seek reimbursement from the contractor; otherwise, DDOT should seek reimbursement from FHWA for participating costs associated with #609.202.

DDOT's response indicated that it believed that the contractor was paid only once but failed to state whether DDOT began the process for seeking reimbursement from FHWA.

### **EFFECT**

Construction costs, typically covered with federal funds, were paid with District funds. In some instances, it appears that DDOT transferred costs from participating (FHWA funded) to non-participating (District funded) expenditures based on FHWA's disallowance without properly determining whether the disallowance was accurate.

### **RECOMMENDATION**

We recommend that DDOT:

1. Initiate the process to seek reimbursement from FHWA in the amount of \$307,322 (or 83.15% of \$369,600) for the portion of the federal financial participation (FFP) disallowed by FHWA for project STP 8888(269) for payment to the contractor that DDOT determined was not duplicated.

### **DDOT RESPONSE**

DDOT continues to believe that there was no duplicate payment to the contractor and has provided supporting documentation of this position to FHWA. DDOT has again asked FHWA to reconsider the documentation that DDOT has provided and provide reimbursement.

### **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of the recommendation.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 2: INTERNAL CONTROL DEFICIENCIES IN MANAGEMENT OF FEDERAL-AID PROJECTS</b>
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### CONDITION

During our review of journal vouchers, we noted that some adjustments resulted from internal control deficiencies in DDOT's project management. For example, we found that journal vouchers in FHWA's Final Acceptance Reports contained the following information:

- Project STP 8888(269) - \$369,600 disallowed by FHWA because of contract duplicate payments - Prince Construction Company, contract DCKA-2007-C-0132 (JC002847).
- Project STP 9999(648) - \$124,956 disallowed by FHWA due to a project that was approximately 9 months past deadline and DDOT did not obtain a time extension from FHWA (JC002917).
- Project STP 9999(661) - \$180,745 disallowed by FHWA for consultant services that were not within the original design scope approved by FHWA (JC002820).
- Project STP 8888(171) - \$92,655 disallowed by FHWA for design scope for Dalecarlia Parkway that was not signed off by FHWA (JC002871) <sup>1</sup>

DDOT transferred each of the foregoing disallowances (totaling \$767,956) from participating (federal) to non-participating (District) expenditures, effectively covering these deficiencies with District dollars.

### CRITERIA

In May 2010, DDOT issued the Construction Management Manual (CMM) to guide contracting personnel in the management of construction projects. Relevant sections are as follows:

#### Responsibilities:

- Section 2 of the Introduction requires, "Within DDOT, the Chief Engineer for the Infrastructure Project Management Administration (IPMA) or his/her designee is responsible for oversight and management of all phases of construction projects."
- Section 3 of the Introduction states, "The Ward Team Leader or his/her designee is the person that is responsible for the administration of construction projects within his/her assigned Ward."

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<sup>1</sup> See Finding 1 on page 2 for details regarding Project STP 8888(269) and Finding 3 on page 7 regarding Project STP 8888(171).

## FINDINGS AND RECOMMENDATIONS

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- Section 3 also provides, “The [Construction Manager or CM] is responsible for the administration of the construction contract to ensure that the contract work is completed in accordance with the plans and specifications, required quality standards, the contract performance period, and the contract price.”

Changed Conditions: Section 7.2 of the CMM requires, “Change Orders and potential [contractor] claims should be discussed with the FHWA DC Division Staff when they arise on a project.”

In addition, Title 23 Code of Federal Regulations (C.F.R.) § 635.120 provides the following regarding contract changes:

- Subsection (a) requires “all major changes in the plans and contract provisions and all major extra work [to] have formal approval by the Division Administrator in advance of their effective dates.”
- Subsection (b) states, “For non-major changes and non-major extra work, formal approval is necessary but such approval may be given retroactively at the discretion of the Division Administrator.”
- Subsection (c) provides, “Changes in contract time, as related to contract changes or extra work, should be submitted at the same time as the respective work change for approval by the Division Administrator.”

### CAUSE

DDOT officials indicated that the above journal vouchers represent adjustments for disallowances on old projects that were not processed until the current fiscal year (FY 2012). As a result, DDOT made financial adjustments in FY 2012 that relate to prior fiscal years. Based on FHWA’s Final Acceptance Reports, some of these adjustments were for transferring costs from participating to non-participating expenditures.

DDOT officials also stated that they were not in their current positions when the work involving the disallowances occurred, but new processes and procedures are now in place to help ensure that FHWA-allocated project costs are fully funded. As part of its continual efforts to improve project management, in May 2010 DDOT issued the CMM to guide responsible officials.

With regard to Project STP 9999(648), DDOT officials explained that DDOT received inconsistent requirements from FHWA staff in reference to the need for FHWA approval for an extension in construction management time. DDOT assumed that as long as the ongoing work was within the project’s scope and sufficient funds were still available to cover construction management costs, FHWA’s approval was not required. Part of DDOT’s on-

## **FINDINGS AND RECOMMENDATIONS**

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going efforts to minimize this issue includes implementing training on project management and contract administration for all key staff.

For Project STP 9999(661), DDOT explained that it could not find documentation showing FHWA's approval for securing consultant services for this project and, therefore, decided to close the project utilizing local funds. DDOT officials stated that the agency is committed to implementing projects as efficiently and effectively as possible. To that end, DDOT has improved the task order process, including utilizing Packet Tracker (an electronic tracking and approval software) to ensure that contract awards, change orders, tasks orders, and other documents conform to a standard checklist, and that project manager and management approvals are received.

### **EFFECT**

Construction costs, which should have been paid with federal funds, were paid with District funds. In some instances, it appears that DDOT transferred costs from participating (federal funded) to non-participating (District funded) expenditures based on FHWA's disallowance without first determining whether a claim for reimbursement should be submitted.

### **RECOMMENDATIONS**

We recommend that DDOT officials:

2. Establish adequate internal controls to ensure that new processes and procedures recently put in place, through the Construction Management Manual, are sufficient to timely identify and correct errors.

### **DDOT RESPONSE**

DDOT concurs with this recommendation and has implemented training on construction management process and procedures to help identify and correct errors. DDOT has trained all key construction staff members with construction management training provided by an independent consultant. DDOT is in process of training selected construction management staff for certification by the Construction Management Association of America (CMAA), a nationally recognized organization representing construction management professionals.

### **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of the recommendation.

## **FINDINGS AND RECOMMENDATIONS**

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3. Maintain and make available for review upon request, a record of training provided to project management staff and contract administration personnel to ensure compliance with the Construction Management Manual and effective management of construction projects.

### **DDOT RESPONSE**

DDOT concurs with the recommendation and maintains a record of all training provided to project management staff.

### **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of the recommendation.

4. Ensure compliance with DDOT's requirements governing change orders.

### **DDOT RESPONSE**

DDOT concurs with the recommendation and has an ongoing partnership with FHWA to improve the change order process. As a result, DDOT has developed a change order process with FHWA that has improved efficiency and has helped reduce errors. DDOT has also developed and implemented the Packet Tracker system where standard document forms and checklists are available to increase the accuracy of change order documents.

### **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of the recommendation.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 3: PROJECT FILES MISSING SUPPORTING DOCUMENTATION</b>
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### CONDITION

During our review of journal vouchers, we noted that documentation supporting key decisions was missing from project files. For example, Federal-aid Project Agreement, FMISD05A, shows that FHWA approved federal financial participation for both the Dalecarlia and Nannie Helen Burroughs projects (project STP 8888(171)). However, we noted that journal voucher JC002871 transferred \$92,655 from participating (federal) expenditures to non-participating (District) expenditures for design scope for the Dalecarlia Parkway. In explaining the decision to move costs for Dalecarlia design to non-participating expenditures, DDOT responded that FHWA signed off on the Nannie Helen Burroughs project only, and not the Dalecarlia Parkway. However, DDOT could not locate FHWA's Record of Authorization to Proceed with Major Contract Revision, Form 1365, supporting FHWA's decision not to participate with the Dalecarlia Parkway.

### CRITERIA

Section 3.3 of the CMM states the following:

The Ward Team Leader and CM must guide their staff in establishing the project files. These files should be stored in fireproof, locked filing cabinets. All members of the staff should be aware of the extreme importance of creating and maintaining comprehensive contract files. DDOT's ability to defend against contractor claims is dependent upon the detailed information contained in the contract files. Similarly, contract closeout can be accomplished efficiently if the contract files have been properly maintained. Since DDOT projects are subject to audits, the administrative records of contracts must provide clear evidence that the contract has been performed in accordance with contract documents.

### CAUSE

When we inquired about this disallowance, DDOT indicated that after conducting further review of the issues related to STP 8888(171), they were unable to retrieve documents supporting federal approval for the design work for the project. Therefore, a decision was made to close the project using local funds.

We provided DDOT officials with a copy of Report FMISD05A and they concurred that the project approved by FHWA included both Dalecarlia and Nannie Helen Burroughs but because FHWA has full oversight for the project, FHWA requires approval of all contract



## **FINDINGS AND RECOMMENDATIONS**

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documents, including change orders and task orders. In the case in question, DDOT advised us that the FHWA Area Engineer indicated that he never approved the task order for the contractor to design Dalecarlia, resulting in FHWA not participating in this task order. However, DDOT has not been able to find the Form 1365 showing FHWA's disapproval of the task order.

### **EFFECT**

The lack of documentation supporting the FHWA Area Engineer's decision not to participate in a project for which design costs for Dalecarlia and Nannie Helen Burroughs were approved in Report FMISD05A prevented us from determining whether the transfer of costs from participating to non-participating expenditures was correct. In some instances, it appears that DDOT transferred costs from participating to non-participating expenditures based on FHWA's disallowance without DDOT properly determining whether the disallowances in question were valid.

### **RECOMMENDATIONS**

We recommend that DDOT:

5. Seek assistance from FHWA regarding design costs approved in Report FMISD05A for 8888(171) for Dalecarlia and any documentation supporting the FHWA Area Engineer's decisions related to this project. If there is no documentation evidencing the FHWA Area Engineer's disapproval, DDOT should initiate the process to seek reimbursement from FHWA in the amount of \$77,043 (or 83.15% of \$92,655) for FFP.

### **DDOT RESPONSE**

DDOT does not agree with the recommendation as FHWA was not asked to participate in this work before it was done. Further, FHWA provided written notice on July 28, 2008, that they will not participate in the Dalecarlia work.

### **OIG COMMENT**

Because the FHWA initially agreed to participate in both the Nannie Helen Burroughs and Dalecarlia Parkway, based on the Report FMISDOS for 8888(171), our recommendation is for DDOT to coordinate with FHWA in identifying the formal documentation (e.g., Form 1365) supporting the FHWA Area Engineer's decision related to the Dalecarlia project. Such formal documentation would provide support for the District's decision to absorb these costs when FHWA's funding was available. We therefore request that DDOT reconsider its response to our recommendation and provide the OIG with a revised response within 60 days of this report.

## **FINDINGS AND RECOMMENDATIONS**

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6. Ensure compliance with DDOT's CMM regarding maintenance of contract files.

### **DDOT RESPONSE**

DDOT agrees that files should be complete, and is in the process of developing a document management system (DMS) for increasing efficiency and controlling documents uniformly. The benefit of the proposed DMS is that project documents will be saved uniformly across projects. The DMS will be saved with the same procedures for all projects and make it easier to locate files. The consultant designers and consultant construction managers will continuously upload documents to DMS during the contract period. We anticipate the new DMS will be used by DDOT in spring 2014.

DDOT has implemented the Packet Tracker system to help standardize and document project approvals. DDOT believes that this process improvement has and will continue to help ensure that there is appropriate project approval from FHWA.

### **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of the recommendation.

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## FINDINGS AND RECOMMENDATIONS

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<p><b>FINDING 4: RIGHTS-OF-WAY REVENUE POLICIES AND PROCEDURES HAVE NOT BEEN REVISED TO INCORPORATE CHANGES IN GOVERNING LEGISLATION</b></p>
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### CONDITION

During our review of controls over revenue posted to the HTF, we found that the Rights-of-Way Policies & Procedures have not been revised to incorporate changes in governing legislation since November 18, 2008. Beginning in fiscal year (FY) 2012, revenue from rights-of-way (ROW) rental fees, charges, and penalties are to be deposited into the Local Transportation Fund. D.C. Code § 9-111.01a(c-1) allows DDOT to transfer ROW rental revenue to the HTF to supplement motor fuel taxes so that monies in the HTF are sufficient to meet the District's local match of annual federal-aid highway project expenditures. However, current DDOT/OCFO's policies and procedures contain an outdated requirement that one-sixth of ROW rental fees are to be deposited into the HTF.

### CRITERIA

According to the District of Columbia Office of the Chief Financial Officer Financial Operations Policy and Procedures Manual, Section 10204000.E.5.c.1, "A control deficiency exist[s] 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 misstatements on a timely basis." Subsection E.5.c.3 states, "Examples of Control Deficiencies [includes, among others,] Ineffective Policies and Procedures—This category includes no policies and procedures, and incomplete and insufficient policies and procedures."

### CAUSE

DDOT/OCFO officials did not update agency ROW policies and procedures to reflect current requirements for ROW revenue dedicated to the Fund, nor provide timely guidance to staff to properly process ROW rental fees to the correct account. The absence of current controls over ROW rental fees caused these revenues to be incorrectly posted to the HTF in FY 2012.

### EFFECT

As a result, \$959,736 and \$6,087 were incorrectly deposited into the HTF in October and November 2011, respectively, although these errors were identified and corrected by HTF officials in January 2012. However, during our audit we identified another \$1,396.91 that was incorrectly deposited into the HTF in May 2012 and brought the error to the attention of HTF officials. HTF officials subsequently corrected this error during the year-end close-out

## **FINDINGS AND RECOMMENDATIONS**

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process. Moreover, posting ROW rental fees in the HTF and not in the Local Transportation Fund as required may render DDOT-OCFO in noncompliance with District law.

### **RECOMMENDATIONS**

We recommend that DDOT/OCFO:

7. Revise the Rights-of-Way Policies and Procedures to reflect current law governing the HTF.

### **DDOT/OCFO RESPONSE**

In its response, DDOT/OCFO indicated that it disagrees with the finding and requests that it be removed from this report. The 2008 Rights-of-Way policies referenced in the finding are no longer applicable and were neither requested nor supplied to the auditors for 2012. Billing of rights-of-way permit fees is now performed by the DDOT Public Space Regulation Administration (PSRA) and the procedures are maintained by DDOT PSRA. Neither DDOT PSRA nor OCFO accounting personnel have a record of or recall a request for current procedures related to rights-of-way collection.

### **OIG COMMENT**

While billings for rights-of-way rental fees are now performed by DDOT's PSRA, the responsibility for collecting and recording these revenues remains with DDOT/OCFO. During a meeting with DDOT/OCFO and DDOT/PSRA in January 2012, we were advised of the new process for billing of ROW rental fees in which DDOT/PSRA assumed billing responsibilities, creating invoices and certification forms, while DDOT/OCFO maintained responsibility for transmitting invoices directly to vendors and for processing vendors' payments.

We met with a DDOT/OCFO official on October 3, 2012, at which time we inquired whether changes in the governing legislation have been incorporated in the ROW policies and procedures. The DDOT/OCFO official responded that the ROW policies and procedures had not been modified. In the absence of necessary updates to the current ROW policies and procedures, we inquired of any guidance provided to DDOT/OCFO staff to correctly process ROW rental fees. While the DDOT/OCFO official offered to inquire of any guidance, no additional information has been received.

We, therefore, request that DDOT/OCFO reconsider its response to this recommendation and provide the OIG with a revised response within 60 days of this report.

8. Monitor the recording of ROW rental fees to ensure that ROW revenue is deposited into the correct account.

## **FINDINGS AND RECOMMENDATIONS**

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### **DDOT RESPONSE**

DDOT/OCFO indicated that it disagrees with the finding and requests that it be removed from this report. In its response, DDOT/OCFO indicated that rights-of-way fees were not deposited in the Highway Trust Fund account as that account does not accept cash deposits. Its response also explained that these fees were deposited to the District's concentration bank account by central cashiers using the 2011 account codes as there had not been time to disseminate updates of all revenue accounting codes, which changed based on legislation taking effect at the beginning of FY 2012. The May 2012 transaction for \$1,396.94 occurred because the wrong drop down menu was selected inadvertently and the entry was corrected within 5 working days.

### **OIG COMMENT**

The financial statements for the HTF are the responsibility of the DDOT/OCFO Government Services Cluster, which presents the HTF's financial position and the results of its operations recorded in fund 0320. Financial information in fund 0320 represents activity recorded both in the HTF account (agency cash) and the District's concentration bank account. While the statement that ROW revenue was not deposited in the agency cash account is accurate, our finding that these revenues were deposited in the HTF (fund 0320) remains valid.

We, therefore, request that DDOT/OCFO reconsider its response to this recommendation and provide the OIG with a revised response within 60 days of this report.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 5: CONTRACT FILES LACK EVIDENCE OF COMPLIANCE WITH CERTAIN PROVISIONS OF PROCUREMENT LAWS AND REGULATIONS</b>
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### CONDITION

During our examination of two contract files selected for review, contract DCKA-2011-C-0076 for \$6.7 million and contract DCKA-2010-B-0138 for \$10.4 million (both with the same contractor), we found no evidence of compliance with particular provisions of District procurement laws and regulations. For example:

- The invitation for bids (IFB) for both contracts did not contain required language.
- The Bidder/Offeror Certification was not in the contract file for one of the contracts.
- The contract files for both contracts did not contain documentation supporting the contracting officer's statements in the Determination and Findings (D&F).
- There was no documentation evidencing review by the Attorney General of the standard solicitation for both files.

We also found no evidence that the information in the Bidder/Offer Certifications was verified and reviewed by DDOT and/or used by DDOT to assist in determining potential contractors' responsibility.

### CRITERIA

#### Invitation for Bids

D.C. Code § 2-354.02(d) (Section 402(d) of the Procurement Practices Reform Act of 2010 (D.C. Law 18-371) (Act)) requires the IFB to "state whether an award shall be made on the basis of the lowest bid price or the lowest evaluated bid price. If the lowest evaluated bid price basis is used, the objective measurable criteria to be utilized shall be set forth in the Invitation for Bids."

#### Bidder/Offeror Certification Form

D.C. Code § 2-353.02(b) (Section 302(b) of the Act) states, "For all contracts to exceed \$100,000, a potential contractor shall complete and submit with its bid or offer a certification developed by [the Office of Contracting and Procurement (OCP)] to provide information needed to determine if a prospective contractor is responsible. The certification shall be signed under the penalty of perjury."

## **FINDINGS AND RECOMMENDATIONS**

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D.C. Code § 2-353.02(c) (Section 302(c) of the Act) requires a contractor to “update its responses in the certification during the term of the contract within 60 days of a material change in a response to its prior questionnaire and prior to the exercise of an option year contract.”

### Contractor’s Responsibility

According to D.C. Code § 2-353.01 (Section 301 of the Act),

The [Chief Procurement Officer] shall establish a process to certify, on a solicitation-by-solicitation basis, the responsibility of prospective contractors. The process shall ensure that the prospective contractor:

- (1) Has adequate financial resources to perform the contract or the ability to obtain those resources;
- (2) Is able to comply with the required or proposed delivery or performance schedule, based upon the bidder’s or offeror’s existing commercial and government contract commitments;
- (3) Has a satisfactory performance record;
- (4) Has a satisfactory record of integrity and business ethics;
- (5) Has a satisfactory record of compliance with the law, including labor and civil rights laws and rules . . .;
- (6) Has, or has the ability to obtain, the necessary organization, experience, accounting, operation control, and technical skills;
- (7) Has, or has the ability to obtain, the necessary production, construction, technical equipment, and facilities;
- (8) Has not exhibited a pattern of overcharging the District;
- (9) Does not have an outstanding debt with the District or the federal government in a delinquent status; and
- (10) Is otherwise qualified and is eligible to receive an award under applicable laws and rules.

Title 27 of the District of Columbia Municipal Regulations (DCMR) § 2204.1 states, “Before making a determination of responsibility, the contracting officer shall possess or obtain information sufficient to satisfy the contracting officer that a prospective contractor currently meets the applicable standards and requirements for responsibility . . . .”

### D.C. Office of the Attorney General (OAG) Review

Mayor’s Order 96-130 requires review by the D.C. Attorney General<sup>2</sup> of the following for federal-aid project contracts:

- Special provisions in the IFB prior to its issuance;

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<sup>2</sup> At the time of the Mayor’s Order, the OAG was known as the D.C. Office of the Corporation Counsel.

## FINDINGS AND RECOMMENDATIONS

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- The procurement process and contract documents for negotiated contracts; and
- The standard solicitation package consisting of contract forms, clauses, provisions, certifications, and other standard contract documents.

### CAUSE

#### Bidder/Offeree's Certification Form

According to DDOT's Contracting Officer (CO),

Section 303(b) of the Procurement Practices Reform Act imposes a requirement on contractors to submit the certification. The Act does not impose a requirement on agency personnel to verify the information prior to award. Section 302(c) serves as a supplement to section (b) and provides a requirement for the contractor to continue to supplement the file as changes occur during contract performance. Taken together, the two sections suggest that unless the company indicates [*sic*] the [*sic*] they are suspended/debarred, (we would have independently verified through 'Excluded Parties'), verification is not necessary or required prior to award. I have received verification from the legal section in the Office of the Chief Procurement Officer that our understanding and implementation of this requirement is consistent with other District agencies.

#### Contractor's Responsibility

When we inquired of the CO regarding the contract files' lack of documentation supporting the statements in the D&F for Contractor's Responsibility, the CO responded that "[i]n keeping with its longstanding practice firms that have received contract awards within the last 5 years receive an abbreviated Responsibility review that does not include use of the Responsibility Data Request letter and validation through home office reviews."

#### OAG Review

DDOT's CO advised us that the requirements in Mayor's Order 96-130 regarding review of standard contract documents by the OAG remains in effect but that this requirement was phased out and is not being complied with.

### EFFECT

The absence of documentation may place DDOT in noncompliance with procurement laws and regulations.



## **FINDINGS AND RECOMMENDATIONS**

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### Bidder/Offeror's Certification Form

While a purpose of the Bidder/Offeror Certification Form is to “provide information needed to determine if a prospective contractor is responsible,” the information provided is useless if it is not verified by DDOT to confirm a potential contractor's assertion of responsibility.

### Contractor's Responsibility

Without documentation supporting the CO's statements in the D&F regarding a contractor's responsibility, the District cannot be assured that a contractor possesses a record of satisfactory performance and will not place the District at risk of financial loss.

### OAG Review

The absence of documentation evidencing reviews required by Mayor's Order 96-180 may place DDOT in noncompliance with procurement laws and regulations.

## **RECOMMENDATIONS**

We recommend that DDOT:

9. Ensure compliance with procurement laws and regulations.
10. Ensure that contract files contain evidence of compliance with relevant procurement laws and regulations.

## **DDOT RESPONSE**

DDOT concurs with recommendation 9 and 10 in that it should comply with procurement laws and regulations and the contract files should contain evidence of compliance with those laws and regulations. However, DDOT disagrees with the finding and requests that it be removed from the report. DDOT's entire response is found in Exhibit B.

## **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of recommendations 9 and 10. However, DDOT provided substitute criteria for the IFB but did not say why D.C. Code § 2-354.02(d) does not apply; did not say why Section 2-353.02(b) or .01 do not apply; or why the contracts are not subject to Mayor's Order 96-130. We request that DDOT provide a target date for planned corrective action within 14 days of the date of this final report.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 6: DDOT LACKS CONTROLS TO MONITOR DIRECT LABOR PAYROLL COSTS CHARGED TO HIGHWAY TRUST FUND PROJECTS</b>
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### CONDITION

During payroll testing, we found that the DDOT does not have adequate controls to monitor payroll costs charged to projects. At DDOT, staff enters time spent on projects via PeopleSoft, the software that DDOT uses for time entry, using the Override Combo Code, which links to a project, phase, and fund in the System of Accounting and Reporting (SOAR), among others. Supervisors review and approve payroll costs charged by employees under supervisors' responsibility. However, no controls exist in PeopleSoft for project managers to ensure that, before time is charged, it is for time actually spent on assigned projects.

### CRITERIA

According to Section 7 (Cost Control) of the CMM,

The responsibility for controlling and recording the flow of funds for the construction of the work and for managing changes to the work that affect the cost of the project must be achieved by development and maintenance of clear, accurate, sufficient document records that detail the flow of funds and the contractual transactions controlling that flow. The document record must be available for audit at any time during and after the project and must be maintained neatly, current and accessible.

### CAUSE

PeopleSoft is a program used for time entry and was not designed as a project management tool. Project managers periodically review time charged to projects under the project managers' responsibility in the PROMPT (PROject Management Performance Tool) system. PROMPT interfaces with SOAR although not with PeopleSoft. The project managers' review, however, is an after-the-fact process that does not allow project managers to make corrections before costs are charged to projects under their responsibility. If project managers identify payroll costs incorrectly charged to their projects, they can only request these individuals to cease charging incorrect time in the future.

DDOT officials noted that there are currently no established policies and procedures for reviewing PROMT costs charged to projects, but DDOT will incorporate them in the CMM.

## **FINDINGS AND RECOMMENDATIONS**

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### **EFFECT**

The lack of controls over payroll prevents project managers from detecting and timely preventing incorrect payroll costs charged to projects under their responsibility. This situation is further exacerbated by the lack of documented procedures for reviewing payroll costs in PROMS to identify and correct costs incorrectly charged to projects.

### **RECOMMENDATION**

We recommend that DDOT:

11. Develop, document, and implement controls for the periodic review of payroll costs to ensure that only allowable payroll costs are charged to projects.

### **DDOT RESPONSE**

DDOT concurs that payroll charges should be accurate. To that end, DDOT uses the District's PeopleSoft system to record and enter time. Under the current implementation of the PeopleSoft system by the District, managers are responsible for reviewing and approving the time of their direct reports.

DDOT has also developed the PROMPT (PROject Management Performance Tool) system that provides all project managers with detailed information on project payroll charges. DDOT's policy is that all project managers are responsible for monitoring their projects with this tool. This policy is now documented in the PROMPT system (under "PROMPT Policy"). Among the requirements of this policy, project managers are to: "Make sure that the correct employees are charging to your project. If you find an employee charging to your project that shouldn't, please contact that employee or your supervisor so that a correction can be made in the PeopleSoft system. Generally, corrections can be made for the two most recent payroll periods on the employee's timesheet."

DDOT noted that its project managers do not have access to its Capital Project Management System (PROM) and requests that the OIG remove references to PROM from the report.

### **OIG COMMENT**

Action taken by DDOT is responsive and meets the intent of the recommendation.

Regarding the reference to PROM, we replaced it with PROMPT, where applicable.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 7: DDOT-OCFO RECORDED DC WATER ADVANCE FOR PROJECT IN WRONG FUND</b>
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### CONDITION

During revenue testing, we noted that an advance from DC Water for \$5.1 million was incorrectly recorded in SOAR as revenue to the HTF in SOAR, contrary to established procedures that require treatment of these funds as reduction of expenditures. We questioned DDOT accounting officials about whether there had been a change in the accounting procedures for recording DC Water payments as revenue instead of an offset to expenditures, and they noted no change in the accounting treatment for DC Water funds. Rather, their review of the questioned transaction found that budget authority for the advance was established in a different fund but the reprogramming from the HTF to the correct fund was not processed until after the closing of the fiscal year. DDOT made a correcting journal entry to reduce revenue to the HTF and established a “Due to Other Fund” liability before fiscal year-end.

### CRITERIA

DDOT’s *Procedure for Recording WASA [DC Water] Capital Reimbursement Receipts – updated 3/1/2006*, requires that DC Water funds be recorded in the HTF as a reduction of expenditures in order to segregate DC Water costs separately and remove DC Water costs from the District’s fixed assets.

### CAUSE

DDOT-OCFO officials noted that at the time of the advance payment from DC Water, DDOT-OCFO anticipated that the budget authority for the advance payment would be to the HTF and deposited the advance funds to the HTF agency account. Separately, the Office of Budget and Planning (OBP) sought and obtained budget authority from the D.C. Council to record this advance in a separate fund and requested a reprogramming to move the advance from the HTF. However, the advance was not timely reprogrammed and, as a result, was incorrectly reflected in the HTF at year end. The error was identified by DDOT-OCFO and corrected before the financial statements were issued. Also, DDOT provided revised procedures that incorporate advances from DC Water.

### EFFECT

By not timely reprogramming funds intended for another fund, the HTF’s financial statements contained misstatements by \$5.1 million at year end; however, correcting entries were processed during the year-end close-out to correct this discrepancy.

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION**

We recommend that DDOT/OCFO officials:

12. Monitor activity posted to the HTF to ensure it is in accordance with established budget authority.

### **DDOT RESPONSE**

DDOT/OCFO agrees that \$5.1 million was recorded and deposited to the HTF and that a year-end entry was recorded for FY 2012 to report that this amount was due to the District's pay-go capital fund. The OIG finding references procedures for DC Water that did not include receipt of advance payments for DC Water's share of capital infrastructure, as the business agreements with DC Water are undergoing review and change. New procedures effective FY 2013 have been created to reflect the receipt of DC Water funds as advances or reimbursements.

Budget authority is established on the basis of cash received in advance from DC Water. The initial recordation of a cash advance may have to be changed based upon directives from the Office of Budget and Planning when revenue must be moved to the pay-go fund to facilitate obtaining the pay-go capital budget.

### **OIG COMMENT**

Action taken by DDOT/OCFO is responsive and meets the intent of this recommendation.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 8: INCORRECT COST ALLOCATION OVERHEAD POSTING</b>
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### CONDITION

During cost allocation entries testing, we noted that incorrect overhead amounts were posted to HTF projects in SOAR. DDOT/OCFO officials noted the error after submitting the entry to the Office of Financial Operations and Systems (OFOS) and provided OFOS with a corrected entry to replace the initial entry. However, OFOS processed the original entry and the error remained until we brought it to DDOT's attention during our review.

### CRITERIA

HTF procedure for posting additive rate and overhead states:

[DDOT must] [r]educe the overhead cost pool by the leave allocation<sup>3</sup> amount previously calculated during the distribution month.

...

Financial Manager [DDOT] assigned responsibility for allocation of additive rates and creation of entries must:

...

- ensure that journal vouchers created are correct and contain all data fields required for posting, and designates review and correctness by signing off on agency's hard copy of the electronic journal voucher or the manual journal voucher (materials testing).

The Controller will review and approve the calculations and entries to ensure:

...

- Journal Voucher is correct, for the month being allocated, and designates review and correctness by signing off on agency's hard copy of the electronic journal voucher, or the manual journal voucher (materials testing).

### CAUSE

DDOT personnel did not reduce the leave allocation amount previously calculated during the distribution month when submitting to OFOS for posting the additive rate and overhead as prescribed. However, the Controller timely detected the error and submitted a correcting

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<sup>3</sup> The leave allocation amount is the authorized overhead amount allowed by FHWA to charge to federal highway projects using an annually approved leave additive rate.

## **FINDINGS AND RECOMMENDATIONS**

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entry to replace the original one. Although the Controller noticed the error after sending the entry to OFOS, they did not ensure that OFOS ultimately posted the corrected entry.

### **EFFECT**

The inability to timely identify and correct errors during the required review of entries could have resulted in overstatement of overhead expenses and misstatement of the HTF's financial position.

### **RECOMMENDATIONS**

We recommend that DDOT/OCFO:

13. Adhere to established policies and procedures to ensure that cost allocation journal entries posted to SOAR are correct; and
14. Ensure that entries submitted to OFOS for processing are correctly recorded in SOAR.

### **DDOT RESPONSE**

DDOT/OCFO concurs with recommendations 13 and 14. In its response, DDOT/OCFO stated that future corrections will be made via an update in the next allocation month.

### **OIG COMMENT**

Action taken by DDOT/OCFO is responsive and meets the intent of these recommendations.

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## FINDINGS AND RECOMMENDATIONS

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<b>FINDING 9: INCORRECT CLASSIFICATION OF MOTOR FUEL TAX REFUNDS DUE</b>
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### CONDITION

During liabilities testing, we found that OTR incorrectly classified MFT refunds due as deferred revenue in the amount of \$158,000. Motor fuel tax refunds are normally classified as “other vouchers payable” owed to interstate bus companies exempt from the fuel tax.

### CRITERIA

According to the Internal Control standards (Section 10204000.00) from OCFO’s Financial Policies and Procedures Manual, control policies and procedures must be established to maintain complete and accurate accounting records and control over assets. The policies and procedures should be appropriate with respect to entity activities. Section 10454000.10 of the manual provides that cash receipts that have the potential to be earned as revenue at some point in the future are recorded as deferred revenue.

### CAUSE

OTR officials noted that they had not established specific policies and procedures for recording in SOAR the motor fuel tax bus refunds owed to the interstate bus companies and that the amount was incorrectly recorded due to a classification error.

### EFFECT

While the error had no impact on the liabilities section of the balance sheet, the amount of \$158,000 was misclassified as monies due the HTF in a future period instead of a future payment from the HTF.

### RECOMMENDATIONS

We recommend that OTR:

15. Develop clear and concise policies and procedures to ensure that refunds owed by the HTF are correctly classified in SOAR and incorporate the new procedure(s) in the OTR section of the HTF’s Revenue Cycle Memorandum that outlines current revenue controls, policies, and procedures.



## **FINDINGS AND RECOMMENDATIONS**

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### **DDOT RESPONSE**

DDOT/OCFO concurs with the recommendation. In its response, DDOT/OCFO stated that upon identification, the misclassification was immediately corrected. DDOT/OCFO will update its procedures to classify the MFT refunds due as a liability.

### **OIG COMMENT**

Action taken by DDOT/OCFO is responsive and meets the intent of these recommendations. However, DDOT/OCFO did not provide an estimated target date for the completion of planned actions for the recommendation. We request that DDOT/OCFO provide a target date for planned corrective action within 14 days of the date of this final report.

## EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations				
No.	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status <sup>4</sup>
1	<b>Economy and Efficiency.</b> Seeks reimbursement from FHWA for project costs disallowed as duplicate billing.	\$307,322 Monetary	10/04/13	Closed
2	<b>Internal Control.</b> Establishes controls to ensure that new processes and procedures put in place, through the Construction Management Manual, are sufficient to timely identify and correct errors.	\$305,701 Monetary	10/04/13	Closed
3	<b>Internal Control and Compliance.</b> Requires maintenance of records of training provided to project management and contract administration staff for efficient and effective management and oversight of construction projects in compliance with the Construction Management Manual.	Non-Monetary	10/04/13	Closed
4	<b>Compliance.</b> Ensures compliance with requirements governing change orders.	Non-monetary	10/04/13	Closed
5	<b>Economy and Efficiency.</b> Requires DDOT to seek assistance from FHWA regarding the recovery of disallowed design costs.	\$77,043 Monetary	TBD	Unresolved
6	<b>Compliance.</b> Ensures compliance with sections of DDOT's Construction Management Manual regarding contract files.	Non-monetary	Spring 2014	Open
7	<b>Internal Control.</b> Revises Rights-of-Way Policies and Procedures to incorporate changes in governing legislation.	Non-monetary	TBD	Unresolved

<sup>4</sup> This column provides the status of a recommendation as of the report date. For final reports, "Open" means management and the OIG agree on the action to be taken, but is not complete. "Closed" means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management's response is used. "Unresolved" means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

## EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendations				
No.	Description of Benefit	Amount and Type of Benefit	Agency Reported Estimated Completion Date	Status
8	<b>Internal Control.</b> Requires monitoring the recording of ROW rental fees so that ROW revenue is deposited in the correct account.	Non-monetary	TBD	Unresolved
9	<b>Compliance.</b> Ensures compliance with procurement laws and regulations.	Non-monetary	TBD	Open
10	<b>Compliance.</b> Ensures that contract files contain evidence of compliance with relevant procurement laws and regulations.	Non-monetary	TBD	Open
11	<b>Internal Controls.</b> Establishes controls and procedure for reviewing payroll costs to ensure that only allowable payroll costs are charged to projects.	Non-monetary	10/04/13	Closed
12	<b>Internal Controls.</b> Establishes controls and procedure for recording DC Water advance payments to ensure that payments are deposited to the correct fund in a timely manner.	Non-monetary	10/04/13	Closed
13	<b>Internal Controls.</b> Ensures that cost allocation journal entries posted to SOAR are correct.	Non-monetary	10/04/13	Closed
14	<b>Internal Controls.</b> Ensures that journal entries submitted to OFOS for processing are correctly recorded in SOAR.	Non-monetary	10/04/13	Closed
15	<b>Internal Controls.</b> Helps ensure that refunds owed by the HTF are correctly classified in SOAR. Establishes a written record of the new procedure(s) in the OTR section of the Fund's Revenue Cycle Memorandum that outlines the HTF's current revenue controls, policies, and procedures.	Non-monetary	TBD	Open

## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**DEPARTMENT OF TRANSPORTATION**



**d.** Office of the Director

October 4, 2013

Mr. Charles Willoughby  
Inspector General  
Office of the Inspector General  
717 14th Street, NW, Fifth Floor  
Washington, DC 20005

Dear Mr. Willoughby,

I am responding to your September 13, 2013 Memorandum of Recommendations regarding the District Department of Transportation's (DDOT) Highway Trust Fund. This letter includes responses from the Office of the Chief Financial Officer (OCFO).

The audit, and your resulting findings and recommendations, are for Fiscal Year 2012, which ended on September 30, 2012. As you know, DDOT is continuously working to improve our processes and procedures and we have implemented – and continue to implement – changes that improve delivery of projects, contract administration, and Federal Highway Administration (FHWA) reimbursement.

I am particularly proud that, with the OCFO, DDOT has closed 412 federal projects from FY10 through FY13. In FY12 alone, DDOT closed 136 projects. We have simultaneously improved project implementation and dealt with old projects that needed to be closed out.

I believe that many of your findings and recommendations deal with these old projects, or process improvements that have been, or are being, implemented. In some cases, we ask your office to reconsider your findings based on information presented here.

Detailed responses to your findings and recommendations are as follows:

## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

### **FINDING 1: Contract Duplicate Payment**

The project was closed on March 8, 2012. As part of the final close-out, FHWA rejected approximately \$335,000 that it believed were a duplicate payment to the contractor. Costs for the project were incurred from 2008-2010. During the close-out process DDOT disagreed with FHWA about a duplicate payment, but was unable to convince FHWA. DDOT continues to believe that there was no duplicate payment, and has provided supporting documentation of this position to FHWA.

**Recommendation 1:** DDOT has again asked FHWA to reconsider the documentation that DDOT has provided and provide reimbursement.

### **FINDING 2: Internal Control Deficiencies in Management of Federal-Aid Projects**

**Recommendation 2:** DDOT concurs, and has implemented training for construction management processes and procedures to help identify and correct errors. DDOT has trained all key construction staff members with construction management training provided by an independent consultant. DDOT is in process of training selected construction management staff for certification by Construction Management Association of America (CMAA) a nationally recognized organization representing construction management professionals.

**Recommendation 3:** DDOT concurs, and maintains a record of all trainings provided to our project management staff.

**Recommendation 4:** DDOT concurs, and has an ongoing partnership process with FHWA to improve the change order process. As a result of this effort, DDOT has developed a change order process with FHWA that has improved efficiency and has helped reduce errors. DDOT has also developed and implemented the Packet Tracker system where standard document forms and checklists are available for increased accuracy of the Change Order documents.

### **FINDING 3: Project Files Missing Supporting Documentation**

Management disagrees with this finding and asks that it be removed from the report. All FHWA work must be approved by FHWA before the work is performed. FHWA was not asked to participate in the Dalecarlia work, and FHWA will not approve work after it is complete.

**Recommendation 5:** DDOT does not agree with the recommendation as FHWA was not asked to participate in this work before it was done. Further, FHWA has provided written notice on July 28, 2008 that they will not participate in the Dalecarlia work.

**Recommendation 6:** DDOT agrees that files should be complete, and is in the process of developing a document management system (DMS) for increasing efficiency and controlling documents uniformly. The benefit of proposed DMS will provide project documents saved in a same way for all projects. The DMS will be saved with same procedures for all projects that will make it easier to locate files. The consultant designers and consultant construction managers

## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

will continuously upload documents to DMS during the contract period. We anticipate the new DMS will be in use by DDOT in spring 2014.

As you may know, DDOT has implemented the Packet Tracker system to help standardize and document project approvals. We believe that this process improvement has and will continue to help ensure that there is appropriate project approval from FHWA.

### **FINDING 4: Rights-of-Way Revenue Policies and Procedures**

Responses to this finding and recommendations have been provided by the OCFO.

DDOT/OCFO disagrees with this finding and requests that it be removed from the draft report.

**Recommendation 7:** DDOT/OCFO disagrees with this finding and requests that it be removed from the draft report.

The 2008 rights of way policies referenced in the finding are no longer applicable and were not supplied to the auditors for 2012. Billing of rights of way permit fees is now performed by the DDOT Public Space Regulation Administration (PSRA) and the procedures are maintained by DDOT PSRA. Neither DDOT PSRA nor OCFO accounting personnel have a record of or recall a request for current procedures related to rights of way collection. The OCFO provided the current procedures *as they relate to the Highway Trust Fund* in the Revenue Cycle Memo which is updated and provided to the auditors annually. The 2012 memo states:

#### REVENUE SOURCES - Rights-of Way (ROW) Fees:

An amount from Rights-of-Way revenue so that when combined with the motor fuel tax, 22 percent of the total HTF planned budget would be available for the local match required to supplement federal funding. For FY 2012 the calculation the HTF will receive from the Rights-of-Way revenues is \$16.6M.

The auditors were provided with the support for the calculation, and proof of the entry and wire transfer to the HTF. Although we appreciate the auditors' concerns over maintaining current procedures, we believe the procedures were not requested. Moreover, as Rights of Way revenues are directed to the Local Transportation Fund, we believe that this audit finding is inappropriate as it deals with revenues that are outside the scope of the Highway Trust Fund audit.

**Recommendation 8:** DDOT/OCFO disagrees with this finding and requests that it be removed from the draft report.

No Right of Way Fees were deposited to the Highway Trust Fund account. *The Highway Trust Fund is not allowed to accept cash deposits.* The management letter discusses two deposits at the beginning of fiscal 2012. These two cash receipts for \$959,736 and \$6,087 deposited to the District's Concentration bank account were coded by central cashiers using the 2011 account

## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

codes, as there had not been time to disseminate updates of all revenue accounting codes which changed based on legislation taking effect at the beginning of FY 2012. These entries were reviewed and corrected by the OCFO accounting group and no funds were transferred from the DC Custodial Account to the Highway Trust Fund account. The May transaction for \$1,396.94 occurred because the wrong drop down menu in INOVA was selected inadvertently, and the entry was corrected with a manual journal entry within five working days.

The deposits above were explained to the auditor, represent 2% of the total Right of Way Fee collections of over \$45 million and should not be considered control problems. All three deposits were identified by the accounting group and corrected within a reasonable time. They were due to timing of legislative changes and one human error that was immediately identified and corrected.

We have provided the auditors with bank reconciliations, change in cash, and proof of cash statements that clearly demonstrate that the only Rights of Way fees that were transferred to the Highway Trust Fund were amounts due to the Highway Trust Fund at the end of FY 2011 and the \$16.6 million transferred per the legislation governing fiscal 2012 transfers from the Local Transportation Fund to the Highway Trust Fund.

### **FINDING 5: Contract Files Lack Evidence of Compliance with Certain Provisions of Procurement Laws and Regulations**

DDOT disagrees with this finding and requests that it be removed from the draft report.

With regard to the Criteria in the draft report:

- Invitation for Bids - Both solicitations, in the respective Appendices section, referenced and incorporated the "Standard Specifications for Highways and Structures, 2009" which specifies in Section 102, Article 18 (Award or Rejection) the award criteria.
- Bidder/Offeror Certification Form – This information was not in the files because this form is not applicable to Federal Aid projects.
- Contractor Responsibility – The Contract File for DCKA-2011-B-0138 contained a Determination and Findings Memo (D&F) signed by the then Contracting Officer with supporting documentation. The file for DCKA-2011-C-0076 contained the determination language in the Business Clearance Memorandum was signed by the then Contracting Officer and accompanied by supporting documentation.
- DC Office of Attorney General Review – There was no documentation from the Attorney General because both solicitations were for Federal Aid projects, and the Mayor's Order 96-130 does not apply.

## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

**Recommendation 9 and 10:** DDOT agrees that it should comply with procurement laws and regulations and the contract files should contain evidence of compliance with those laws and regulations.

### **FINDING 6: DDOT Lacks Controls to Monitor Direct Labor Payroll Costs**

**Recommendation 11:** DDOT concurs that payroll charges should be accurate. To that end, DDOT uses the District's PeopleSoft system to record and enter time. Under the current implementation of the PeopleSoft System by the District, managers are responsible for reviewing and approving the time of their direct reports.

DDOT has also developed and developed the PROMPT (PROject Management Performance Tool) system, that provides all project managers with detailed information on project payroll charges. DDOT's policy is that all project managers are responsible for monitoring their projects with this tool. This policy is now documented in the PROMPT System (under "PROMPT Policy"). Among the requirements of this policy, project managers are to: "Make sure that the correct employees are charging to your project. If you find an employee charging to your project that shouldn't, please contact that employee or your supervisor so that a correction can be made in the PeopleSoft system. Generally, corrections can be made for the two most recent payroll periods on the employee's timesheet."

The audit mentions the Capital Project Management System (PROM). DDOT project managers do not have access to that system. References to this system should be removed from the draft report.

### **FINDING 7: DDOT-OCFO Recorded DC Water Advance for Project in Wrong Fund**

Responses to this finding and recommendation were provided by the OCFO.

**Recommendation 12:** DDOT/OCFO agrees that \$5.1 million was recorded and deposited to the Highway Trust Fund and that a year-end entry was recorded for fiscal 2012 to report that this amount was due to the District's pay-go capital fund. The finding references procedures for WASA that did not include receipt of advance payments for WASA's share of capital infrastructure, as the business agreements with WASA are undergoing review and change. New procedures effective Fiscal Year 2013 have been created to reflect the receipt of WASA funds as advances or reimbursements.

Budget authority is established on the basis of cash received in advance from WASA. The initial recordation of a cash advance from WASA may have to be changed based upon directives from Office of Budget and Planning when revenue must be moved to the pay-go fund to facilitate obtaining pay-go capital budget.



## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

### **FINDING 8: Incorrect Cost Allocation Overhead Posting**

Responses to this finding and recommendations were provided by the OCFO.

**Recommendations 13 and 14:** DDOT/OCFO concurs that an error was detected and a correction was submitted for the same month, but that OCFO accounting personnel failed to ensure that the correction was successful. Procedures to review the cost allocation entries are in place. Duplicate monthly entries are not submitted to OFOS (Office of Financial Operations and Systems), future corrections will be made via an update in the next allocation month.

I appreciate the opportunity to provide this information to you. Should you have additional questions, please let me know.

Sincerely,



Terry Bellamy  
Director  
District Department of Transportation

CC: [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF TRANSPORTATION



**d.** Office of the Director

October 8, 2013

Mr. Charles Willoughby  
Inspector General  
Office of the Inspector General  
717 14th Street, NW, Fifth Floor  
Washington, DC 20005

Dear Mr. Willoughby,

I am responding to your September 13, 2013 Memorandum of Recommendations regarding the District Department of Transportation's (DDOT) Highway Trust Fund. Specifically, I am providing a response to Finding 9, Recommendation 15 that was not included in my previous correspondence. This response was provided by the Office of the Chief Financial Officer (OCFO).

**FINDING 9: Incorrect Classification of a Motor Fuel Tax Refunds Due**

**Recommendation 15:**

The Office of Tax and Revenue (OTR) concurs with the finding that motor fuel refunds payable should rightfully be recorded as a liability. The misclassification was immediately corrected when it was identified. As noted in the finding, there was no net impact to the revenues or overall asset classification on the balance sheet as both deferred revenues and refund taxes payable are liabilities. OTR will update procedures to ensure that motor fuel tax refunds are accounted for and classified as a liability.

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## EXHIBIT B: DDOT's RESPONSE TO AUDIT RECOMMENDATIONS

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Sincerely,



Terry Bellamy  
Director  
District Department of Transportation

CC:

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## EXHIBIT C: OCFO's RESPONSE TO AUDIT RECOMMENDATIONS

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER



Government Services Cluster

January 28, 2014

Charles J. Willoughby  
Inspector General  
717 14th Street, NW  
5th Floor  
Washington, DC 20005

Dear Mr. Willoughby,

This letter is to confirm that the Office of the Chief Financial Officer (OCFO) for the Government Services Cluster, as well as staff of the Office of the Chief Financial Officer based at the District Department of Transportation (DDOT) have collaborated and agreed with the responses to the joint DDOT/OCFO recommendations as they relate to the Highway Trust Fund Memorandum of Recommendations for the Fiscal Year Ended September 30, 2012.

Should you have any questions, please speak with me.

Thanks,

George B. Dines, Jr.  
Associate Chief Financial Officer  
Office of the Chief Financial Officer  
Government Services Cluster