



AGENCIES OF THE SECRETARY OF TRANSPORTATION

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts
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AUDIT SUMMARY

This report reflects the results of our audit of the Agencies of the Secretary of Transportation, with the exception of the Virginia Port Authority, which is audited separately by a Certified Public Accounting (CPA) firm. Information concerning the operations and financial performance as reflected in Virginia Port Authority's Comprehensive Annual Financial Report audit can be found on our website at: www.apa.virginia.gov.

Together, the agencies within the secretariat provide services supporting land, air, and water transportation in the Commonwealth. Their responsibilities include collecting revenues from taxes, licenses, and registrations to fund operations; developing and maintaining highways, seaports, and airports; and assisting in the development of private and local rail, public transportation, highways, airports, and seaports.

Our audit's primary objective for the remaining agencies within the secretariat was to evaluate the accuracy of the agencies' financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2014, and test compliance for the Statewide Single Audit. Our audit of the *Agencies of the Secretary of Transportation* for the fiscal year ended June 30, 2014, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in each agency's accounting records;
- certain matters involving internal controls requiring management's attention and corrective action. These matters are included in the section entitled "Audit Findings and Recommendations;" and
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported. These matters are also included in the section entitled "Audit Findings and Recommendations."

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AUDIT FINDINGS AND RECOMMENDATIONS

Department of Transportation

Improve Controls over Financial Reporting

Repeat, Material Weakness

The Virginia Department of Transportation (Transportation) does not have adequate internal controls over their financial reporting processes. In the prior year, we identified errors in Transportation's unaudited financial submissions to Department of Accounts (Accounts). This year we did note improvement in Transportation's understanding and use of the data from the accounting system. However, we again noted significant errors in the information submitted to Accounts due to other causes.

For fiscal year 2014, several of Transportation's unaudited items submitted for inclusion in the Commonwealth's Comprehensive Annual Financial Report (CAFR) contained errors, which in several instances resulted in material misstatements. Further, the financial reporting preparation and review processes did not include sufficient procedures to prevent or detect these errors or omissions. As a result, we consider this issue to be a material weakness.

Several issues led to the omissions and errors observed and are summarized below:

- Insufficient support for items recorded on a submission caused the submission to be unreliable. Transportation booked a significant material entry without ensuring sufficient or appropriate support existed for the amount and nature of the transaction. Lack of supporting documentation increases the risk of recording and reporting improper transactions.
- Lack of communication, coordination, and accountability between divisions within Transportation contributed to the errors. We noted that when information was provided between divisions for compilation, no review was performed of the information provided.
- Incomplete financial reporting procedures existed to ensure Transportation completed all steps necessary to prepare a submission, for divisions outside of Fiscal. Without step-by-step procedures defining every aspect of the submission preparation process, Transportation increases their risk for errors from year to year in their financial reporting process, especially when turnover occurs in the key positions preparing and reviewing these submissions.

Transportation should ensure their financial reporting procedures over these areas provide sufficient direction for personnel regarding the support needed to prepare the submission, as well as adequate controls to prevent or detect and correct mistakes such as those identified above. Transportation should supplement this by increasing analytical procedures and review of variances,

as well as, overall review of submissions to ensure they are reasonable and consistent across submissions.

Transportation should work with Accounts to ensure the submission directions specific to Transportation are sufficiently detailed, appropriately timed, and mutually agreed upon. Improved financial reporting controls and increased coordination with Accounts will help to ensure Transportation's unaudited financial submissions are materially correct and accurately represent their operations in order to meet Transportation and the Commonwealth's financial reporting needs.

Improve Web Application Security

Significant Deficiency

Transportation does not allocate sufficient resources to properly implement and manage security controls for applications enabling critical support systems. These systems contain confidential information and are critical to the operation of many of Transportation's business functions, and have not been configured with some of the minimum security controls required by the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard).

We identified three control weaknesses that were communicated to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms. The Security Standard requires implementing specific controls to reduce unnecessary risk to data confidentiality, integrity, and availability.

We recommend that Transportation dedicate the necessary resources to implement the controls discussed in the communication marked FOIA-Exempt in accordance with the Security Standard, and that these controls are implemented in a timely manner.

Improve Information Security Officer Designation

Significant Deficiency

Transportation does not position the Information Security Officer (ISO) role and the Information Security Office in an organizationally independent unit from the Chief Information Officer (CIO) and Information Technology Division. The Security Standard, section 2.4.1, recommends that the ISO report directly to the agency head, where practical, and not report to the CIO.

Currently, Transportation's CIO is responsible for the agency's information technology (IT) enterprise as well as being assigned the ISO role. Having the ISO role report to the CIO, or having the same agency staff assume both roles, may limit effective assessment and necessary recommendations of security controls in the organization due to potential competing priorities and conflicts of interests.

During our review, we originally found that Transportation had not fully considered the need for full independence of the Information Security Officer and the Information Security Office in relationship to the CIO function. Subsequently, Transportation has performed a preliminary internal

review of the Information Technology office and evaluated the proper reporting relationship between the CIO and the ISO functions. Based on this review, Transportation tentatively agrees with the need for the separation of these functions.

We recommend that Transportation further evaluate and finalize the organizational placement of the ISO and the Information Security Office within the organization to eliminate any potential conflicts of interest in the implementation of their information security program and controls. We also recommend that the ISO and the Information Security Office be adequately positioned within the Transportation reporting structure to ensure direct access to the agency head when necessary.

Improve Controls over Sub-recipient Monitoring

Partial Repeat, Significant Deficiency

Transportation does not have the proper controls in place to ensure that sub-recipients are providing accurate information for federal awards. During our review, we found that Transportation had not provided the Catalog of Federal Domestic Assistance (CFDA) numbers to sub-recipients, and that Transportation had not performed a reconciliation of sub-recipients' audited financial records to their own accounting records.

According to Section 400 of the Office of Management and Budget (OMB) Circular A-133, pass-through entities are required to "identify federal awards made by informing each recipient of the CFDA title and number..." within the award documents provided to the sub-recipients. In addition, the same section of OMB Circular A-133 requires that pass-through entities "consider whether sub-recipient audits necessitate adjustment of the pass-through entity's own accounting records."

The CFDA number is not included as part of Transportation's standard sub-recipient agreement because funds are generally only disbursed from one CFDA therefore it is assumed that the sub-recipient is aware of the CFDA number. The issue of CFDA inclusion was not reported in the prior year. Although some progress has been made, Transportation has still not been able to easily reconcile to sub-recipients audited records due to timing differences between when the locality makes the expenditures to when Transportation receives the reimbursement request from the sub-recipient and makes payment. This issue was reported in the prior year.

Without providing the correct information to sub-recipients and performing a reconciliation of the audited sub-recipient financial reports to their own accounting records, Transportation cannot ensure that all expenditures of federal awards are reported properly.

We recommend that Transportation alter their award documents to include CFDA and all pertinent information regarding the award to the sub-recipients and perform reconciliations of sub-recipient records with their own accounting records. This will decrease the risk of any improper reporting of federal awards and help to ensure that all OMB Circular A-133 audits are performed as required.

Transportation does not have sufficient internal controls over transparency reporting to ensure that all sub-grants are reported to the federal transparency website. Transportation has made some improvements to this process; however, the improvements were not completed until the end of the fiscal year. During our review, we found several federal awards for which Transportation could not provide evidence that the sub-grant was reported in accordance with the Federal Financial Accountability and Transparency Act (FFATA).

FFATA and 2 CFR 170 require Transportation to report certain information to the federal government for awards of federal funds that Transportation makes to sub-recipients. Failure to comply with FFATA and corresponding regulations prevent the federal government and taxpayers from knowing which entities are receiving federal funds through Transportation.

Transportation uses manual spreadsheets to track reporting. A spreadsheet with the awards Transportation received is sent to three different divisions and each division indicates which awards were sub-awarded. However, for awards which no division sub awarded, there is no assurance that this award was in fact a Transportation administered project and not just overlooked.

As we pointed out in our review of FFATA reporting in the prior year, Transportation should improve the processes for identifying and reporting sub-grants to ensure that all sub-grants are reported.

Transportation does not have sufficient review processes or controls in place to determine whether restorative maintenance projects should be capitalized or expensed. During our fiscal year 2014 audit, Transportation's Fiscal Division discovered a \$303 million error in capitalized restorative maintenance. The Operations Planning and Fiscal Divisions did not have adequate guidance to properly identify and code projects for capitalization at their inception, resulting in the project expenses being improperly included or excluded from capitalization throughout the life of the project.

The proper coding of projects and their related expenses is critical to Transportation since coding drives highway infrastructure capitalization in financial reporting. Without thoroughly reviewing the restorative maintenance projects and ensuring that the projects are properly coded to be included or excluded from capitalization, Transportation risks misstating year-end financial reports.

Transportation should strengthen and increase the frequency of their reviews over potential restorative maintenance projects to ensure the Operations Planning Division properly determines capitalization and codes projects. In addition, Transportation should update the policies and procedures related to restorative maintenance projects to reflect current practices.

Transportation needs to strengthen their review process over expenditure vouchers to ensure they are processed properly. Per the Commonwealth Accounting Policies and Procedures Manual, the act of approving a transaction in Cardinal means the agency certifies to the Comptroller that the transaction has been reviewed by appropriate agency staff and is accurate to the best of their knowledge and belief.

During our review, we found several errors with vouchers including incorrect coding and not attaching the purchase order to the voucher for payments to a contractor. In addition, policies and procedures related to accounts payable have not been updated to incorporate changes from the Cardinal system implementation. Instead, outdated policies are in place, which reference the old system. Without thoroughly reviewing vouchers prior to payment, Transportation risks misstating year-end financial reports, making improper payments, and drawing down funds to which they are not entitled.

Transportation should strengthen their review process over expenditure vouchers to ensure they are free from keying or other errors in Cardinal. In addition, Transportation should update their policies and procedures related to accounts payable to reflect current practices.

Comply with the Code of Federal Regulations

Transportation has not obtained the proper approval of their Utility Accommodation Policy (UAP) by the Federal Highway Administration (FHWA). Per the Code of Federal Regulations, 23 CFR 645.215, State Departments of Transportation are required to develop, maintain, and obtain FHWA approval of their UAP. Without a properly approved UAP, Transportation increases the risk that expenses incurred for relocating utility facilities would not be eligible for reimbursement.

Over the past two years, Transportation has been developing a comprehensive policy to consolidate their UAP with their Land Use Permit Regulations Policy. During state fiscal year 2014, this process was completed and the consolidated policy now serves as the official UAP. As a result of this consolidation, numerous changes were made to the UAP and, as of the time of our review, Transportation had not obtained approval from FHWA.

Transportation should obtain the proper approvals of their policies from the federal government, where applicable, prior to the implementation of such policies. This will ensure compliance to the Code of Federal Regulations. Since the completion of our audit and the date of this report, Transportation has obtained the proper approval of this policy.

Department of Motor Vehicles

Develop Database and Application Baseline Security Configurations

Significant Deficiency

Motor Vehicles does not have sufficient security controls to adequately protect two of their mission critical and sensitive systems. Our review noted several areas of weakness for each system, which are due to a lack of documented and implemented application and database baseline security configurations.

We have communicated this information in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls. We recommend that Motor Vehicles implement the controls discussed in our recommendation in accordance with the Security Standard.

Improve Physical and Environmental Security Controls

Significant Deficiency

Motor Vehicles does not have adequate physical and environmental security controls in place to protect certain information technology (IT) systems that house sensitive data. These weaknesses are due to Motor Vehicles not identifying or dedicating the necessary resources to ensure implementation of adequate physical and environmental controls to protect and maintain sensitive systems and data.

Our review noted several areas of weakness that we have communicated in detail to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls. We recommend that Motor Vehicles implement the controls discussed in our recommendation in accordance with the Security Standard.

Improve IT Risk and Continuity Management Program

Significant Deficiency

Motor Vehicles does not properly manage certain aspects of their IT Risk and Continuity Management Program in accordance with the Security Standard. The success of an IT Risk and Continuity Management Program is dependent on the quality and accuracy of key program documents, including IT system Risk Assessments, Business Impact Analysis, agency and IT Continuity of Operations Plans, and IT Disaster Recovery Plans.

The Security Standard identifies required program documents and elements that should be defined within them. It further lays out specific review and update schedules for these documents, as well as testing expectations for disaster recovery plans. These documents are essential for protecting agency IT systems by identifying risks, vulnerabilities, and remediation techniques; as well as establishing prioritization for restoring systems in contingency and disaster scenarios.

While Motor Vehicles had a third party create their risk management and contingency documents, Motor Vehicles did not have adequate resources in place to ensure that the

documentation was consistent and adequately meets the agency's needs. We noted components within Motor Vehicles' IT Risk and Continuity Management Program required by the Security Standard as incomplete or inconsistent, including system sensitivity ratings, and mission essential and primary business function definitions and related recovery items. Finally, Motor Vehicles only tested a portion of their IT environment during their annual disaster recovery testing.

Because of the weaknesses noted above, Motor Vehicles may not be able to effectively and proactively protect sensitive data against risks, vulnerabilities, and threats. This may prevent Motor Vehicles from adequately performing critical business processes in the event of a natural disaster, service disruption, or other occurrence.

Motor Vehicles should review and revise the documents supporting their Risk Management and Continuity Management Program to ensure they are consistent and in accordance with the Security Standard. Motor Vehicles should also ensure all components of their IT Disaster Recovery Plan are periodically tested to ensure they can restore all critical systems in the event of a disaster, while also identifying opportunities to improve the disaster recovery process where needed.

Improve IT Security Audit Program Management

Significant Deficiency

Motor Vehicles did not manage their IT Security Audit Program in accordance with the Commonwealth's Information Security Audit Standard, SEC502-02 (IT Audit Standard). Specifically Motor Vehicles did not accurately identify all of their sensitive systems within the scope of their IT Security Audit Plan. For those systems that were included, Motor Vehicles did not complete scheduled IT audits for 2013 and 2014. Finally, Motor Vehicles did not submit their three-year IT Security Audit Plan annually, as required.

The identification and inclusion of sensitive systems in Motor Vehicles IT Security Audit Plan is dependent on the successful maintenance of an agency's IT Risk and Continuity Management Program. As reflected in our finding entitled "Improve IT Risk and Continuity Management Program," Motor Vehicles has inconsistencies in the sensitivity ratings of their systems between key documents supporting their IT Risk and Continuity Management Program. As a result, their most current IT Security Audit Plan included four systems, which did not require audit, and excluded 21 systems identified as sensitive in the BIA, which should be audited.

Turnover within their IT auditor role impacted Motor Vehicles' ability to complete the IT audits scheduled during 2013 and 2014. Additionally, their most recent IT auditor resigned in June 2014 and Motor Vehicles has yet to refill the position, so they are currently unable to address these or any other planned audits. This severely impacts Motor Vehicles ability to comply with the IT Audit Standard, requiring sensitive systems to be audited at least once every three years.

Without sufficient resources in place to manage the IT Security Audit Plan, including their creation, annual update and execution, Motor Vehicles increases the risk that existing weaknesses in sensitive systems will go undetected and unmitigated. Undetected weaknesses can increase the risk of a system and data compromise by malicious parties, or system unavailability.

Motor Vehicles should allocate the necessary resources to ensure their IT Audit Program remains in compliance with the IT Audit Standard. Specifically, Motor Vehicles should develop an IT Audit Plan that encompasses all sensitive systems in their environment, complete IT Audits on a timely basis in accordance with their IT Audit Plan, and ensure their IT Audit Plan is reviewed, updated, and properly submitted to VITA annually, as required by the IT Audit Standard. This will enhance the quality of their overall IT Security Program and help to ensure potential system risks are detected and mitigated.

*Improve Termination Procedures supporting
Timely Removal of Commonwealth Systems' Access*

Significant Deficiency

Motor Vehicles termination procedures do not ensure that management promptly requests the removal of terminated employee's access to Commonwealth systems, specifically the Department of Human Resource Management's Personnel Management Information System (PMIS) and the Department of Account's Commonwealth Integrated Payroll and Personnel System (CIPPS). As a result, two terminated employees retained access to these systems between two and one half and six and one half months after their separation dates.

Motor Vehicles current termination procedures address the removal of network access, which in effect removes access to all internally maintained systems. However, termination of system access for systems external to Motor Vehicles, such as CIPPS and PMIS, lies with the security administrator for that particular system and is dependent on the terminated employee's supervisor making the request for their access to be removed. There is no form or process in place prompting the supervisor to make this request, leading to the potential for the omission of this termination step.

Commonwealth policies indicate that requests for removal of system access or changes to system access should be made timely, which, based on best practice, generally translates to within one to three days from the change in the users employment status or responsibilities. While the removal of network access eliminates the risk of the separated employee accessing CIPPS and PMIS, it does not eliminate the risk of other existing employees accessing CIPPS and PMIS through use of the separated employee's active CIPPS and PMIS accounts. Untimely removal of access to these systems could result in Motor Vehicles personnel and payroll data being improperly manipulated without an appropriate audit trail.

Motor Vehicles should review their termination processes surrounding the removal of system access and ensure they include adequate policies and procedures to facilitate the timely request for removal of access to systems that are external to the agency, such as CIPPS and PMIS.

In accordance with the Motor Vehicles' memorandum of understandings with the Motor Vehicle Dealer Board (Dealer Board) and the Department of Rail and Public Transportation (Rail and Public Transportation), Motor Vehicles administers both agencies' retirement benefits in addition to their own. Rail and Public Transportation's memorandum was not effective until May 2014, while the Dealer Board's agreement was in place for the entire period.

During fiscal year 2014, Motor Vehicles did not adequately review the Retirement Contribution Snapshot (Snapshot) prior to certification. Further, Motor Vehicles did not consistently certify the Snapshots in a timely manner. Specifically, Motor Vehicles certified untimely for one month for Motor Vehicles and three months for the Dealer Board. In these months, Motor Vehicles certified between one and sixteen days late.

The issues with the review and certification of the retirement contribution snapshot were the result of many factors, including poor communication within Motor Vehicles regarding responsibility for certification during a period of employee turnover, lack of specific training for the employees performing the function, untimely resolution of Virginia Retirement System MyVRS Navigator (VNAV) system errors, and employee oversight. Without the proper training, the human resource staff responsible for the review lacked understanding as to the nature, extent, and purpose of the review; and therefore, did not ensure the Snapshot agreed with human resource and payroll data prior to certification. Instead, the human resource staff simply ensured they addressed all system-generated exceptions and then certified the Snapshot.

As discussed in numerous Department of Account's Payroll Bulletins and Virginia Retirement System Employer Updates, agencies should perform specific procedures to validate the accuracy of the information reported in the Snapshot prior to certification. In addition, agencies must complete the certification by the 10th day of the following month. Certification activities can begin as early as the 25th day of the month being certified. Certification of the Snapshot gives Accounts permission to transfer the agency's contributions to the Virginia Retirement System and also indicates to the Virginia Retirement System that individual employee data is accurate. Due to changes in the accounting and reporting standards over pensions, accurate management of compensation and contribution data at the employee level is critical.

As Motor Vehicles is responsible for certifying the Snapshots for Motor Vehicles, the Dealer Board, and Rail and Public Transportation, improper review of the Snapshot may result in the improper certification of employee data and payment of contributions to Virginia Retirement System for all three agencies. Motor Vehicles should ensure that the Snapshot Processor receives the appropriate training and thoroughly understands the extent to which to review the Snapshot as well as the period within which to complete these activities.

Further, Motor Vehicles should develop and document internal policies and procedures over this process, so that they are repeatable in the future. These procedures should include reconciling the retirement data reflected on the Snapshot to their human resource and payroll systems, as well

as maintenance of evidence of the review. Finally, Motor Vehicles should include procedures to ensure the certification occurs when the primary role responsible for the function is not available.

Improve Payroll and Leave Processing

During fiscal year 2014, the Department of Motor Vehicles (Motor Vehicles) time and leave reporting process did not ensure that all employees were accurately reporting their time and leave earned, affecting Motor Vehicles ability to report adequately employee time and leave balances to the Payroll Service Bureau (PSB) within an appropriate timeframe. Motor Vehicles' internal audit reports, agency personnel, and our audit confirmed that the agency had inaccuracies in employee timesheets and attendance summaries, including the accrual of overtime leave earned at the wrong rate. Further Motor Vehicles did not have agency specific policies and procedures supporting the completion, review, and submission of attendance records as well as the certification and reconciliation of payroll.

Per Commonwealth policies (CAPP Manual Topic 50505 –Time and Attendance), agencies must verify that all source documents used to pay an employee were properly completed. Additionally, the Commonwealth policy states that the guidance provided in it does not eliminate the need or requirement for each agency to publish their own internal policies and procedures, and explicitly requires the development of payroll certification procedures. Further, per Department of Human Resource Management Policy Number 3.15- Overtime Leave, depending on the position, overtime leave may be earned at the rate of one to one and one half hours of leave for every hour worked over 40 hours in any workweek. Inaccurate and untimely reporting of time and leave balances caused by the lack of formal procedures can lead to employees being improperly compensated and the Commonwealth incurring unnecessary payroll expenses.

Motor Vehicles should review their time and leave reporting process, creating formal policies and procedures to ensure that employees are accurately reporting their time and leave. The reporting of time and leave should occur within an appropriate timeframe for all payroll processing activities, including the submission of information to the PSB, as well as the certification and reconciliation of payroll. Once updated, Motor Vehicles should ensure they train employees adequately on the new procedures and that supervisors are aware of their responsibilities in managing and facilitating the accurate reporting of this information.

Improve Management of Inactive Small Purchase Charge Cards

During fiscal year 2014, Motor Vehicles did not adequately monitor the use of small purchase charge cards to ensure the cancellation of operationally unnecessary cards. Commonwealth policies (CAPP Manual Topic 20355) require that agencies monitor and periodically review inactive cards in order to cancel unnecessary cards. Further, this requirement includes an annual certification by May 1, for the upcoming year, that the agency cancelled all unnecessary small purchase charge cards. As Motor Vehicles is responsible for managing small purchase charge cards for both Motor Vehicles and the Dealer Board, Motor Vehicles must perform these functions for both agencies.

We identified nine Motor Vehicles cardholders who did not use their cards during fiscal year 2014. Upon inquiry regarding their operational need, the Small Purchase Charge Card Administrator further acknowledged the cardholders did not have special circumstances, such as emergencies or backup purposes, requiring that their cards remain active. Motor Vehicles, therefore, should have cancelled the cards as part of their certification process; however, they did not but instead improperly certified them as necessary.

Maintaining unnecessary cards increases the risk that they may be lost or stolen, or used for fraudulent or unauthorized purchases. Motor Vehicles should improve the monitoring of their small purchase charge card holders, to ensure cards remain operationally necessary and that the annual cardholder review certification to Accounts is accurate. The Small Purchase Charge Card Administrator should ensure a thorough review of all cardholders is conducted and that all cards identified as unnecessary are cancelled prior to submitting the Annual Cardholder Review Certification Form on behalf of Motor Vehicles and the Dealer Board.

Department of Rail and Public Transportation

Status Update - Implement a Comprehensive Information Security Program

The Security Standard outlines the minimum acceptable level of information security and risk management for Commonwealth agencies. Agencies are required to provide protection of their own information systems at a level that is greater than or equal to the requirements set by the Security Standard. During the period of our current audit, Rail and Public Transportation was working with a consultant to develop a comprehensive information security plan as recommended by our fiscal year 2013 audit. Rail and Public Transportation anticipates completion of their plan by October 2015; our office will review the implementation of the information security plan during our next review.

Properly Account for Internal Expenditure Adjustments

Rail and Public Transportation improperly processed nine transactions totaling \$21,779 as vendor payments through the Commonwealth Accounting and Reporting System (CARS) payable to their own agency in order to change the funding source. Per Commonwealth policies (CAPP Manual Topic 20310), the accounting payment voucher may not be used for any transaction within the same agency. Rail and Public Transportation processed these transactions in order to reclassify payments previously recorded by the agency. Per Commonwealth policy, an expenditure transaction within the same agency must be recorded on an agency transaction voucher (ATV). Processing expenditure adjustments as payments to the agency through CARS increases the risk of error, duplicate payments, and improper accounting for expenditures. Rail and Public Transportation should implement policies that prevent accounting expenditure adjustments from being processed as payment vouchers through CARS, and instead use an ATV when such adjustments are needed.

TRANSPORTATION SECRETARIAT OVERVIEW

The agencies of the Secretary of Transportation oversee land, air, and water transportation in the Commonwealth. They employed over 8,000 people and spent a combined \$5.4 billion on transportation in fiscal year 2014. Their responsibilities include collecting revenues from taxes, licenses, and registrations to fund operations; developing and maintaining highways, airports, and seaports; and assisting in the development of private and local rail, public transportation, highways, airports, and seaports.

In addition to reporting to the Secretary of Transportation, Transportation and Rail and Public Transportation also report to the Commonwealth Transportation Board, who establishes administrative policies for Virginia's transportation system, locates routes, allocates highway funding to specific projects, and provides funding for airports, seaports, and public transportation.



This report presents a brief description of funding and use of funds for fiscal year 2014 for the agencies under the Secretary, with the exception of the Virginia Port Authority. Information about the Port Authority can be found in their separate Comprehensive Annual Financial Report, audited separately by a CPA firm. The Commonwealth's Comprehensive Annual Financial Report and Statewide Single Audit Report include additional financial information about these agencies as well as the Commonwealth Transportation Fund. Our website, www.apa.virginia.gov provides access to each of these reports.

Source and Use of Funding

Commonwealth Transportation Fund

The Commonwealth Transportation Fund (CTF) is comprised of a number of special funds dedicated to supporting the various modes of transportation through the activities of the Departments of Transportation, Motor Vehicles, Rail and Public Transportation and Aviation, as well as the Virginia Port Authority. The CTF provides the majority, if not all, of the funding for these agencies, with the exception of the Virginia Port Authority and the Dealer Board. The Virginia Port Authority has separate revenue streams supporting their operations in addition to funding they receive from the CTF. The Dealer Board is self-funded through taxes, fees, licenses, permits, fines, and assessments dedicated specifically to their operations.

Appendices A and B, included at the end of this report, provide a visual representation of the various funds included in the CTF as of June 30, 2014, the flow of revenues into them, and the required use of those funds where set out by the Code of Virginia.

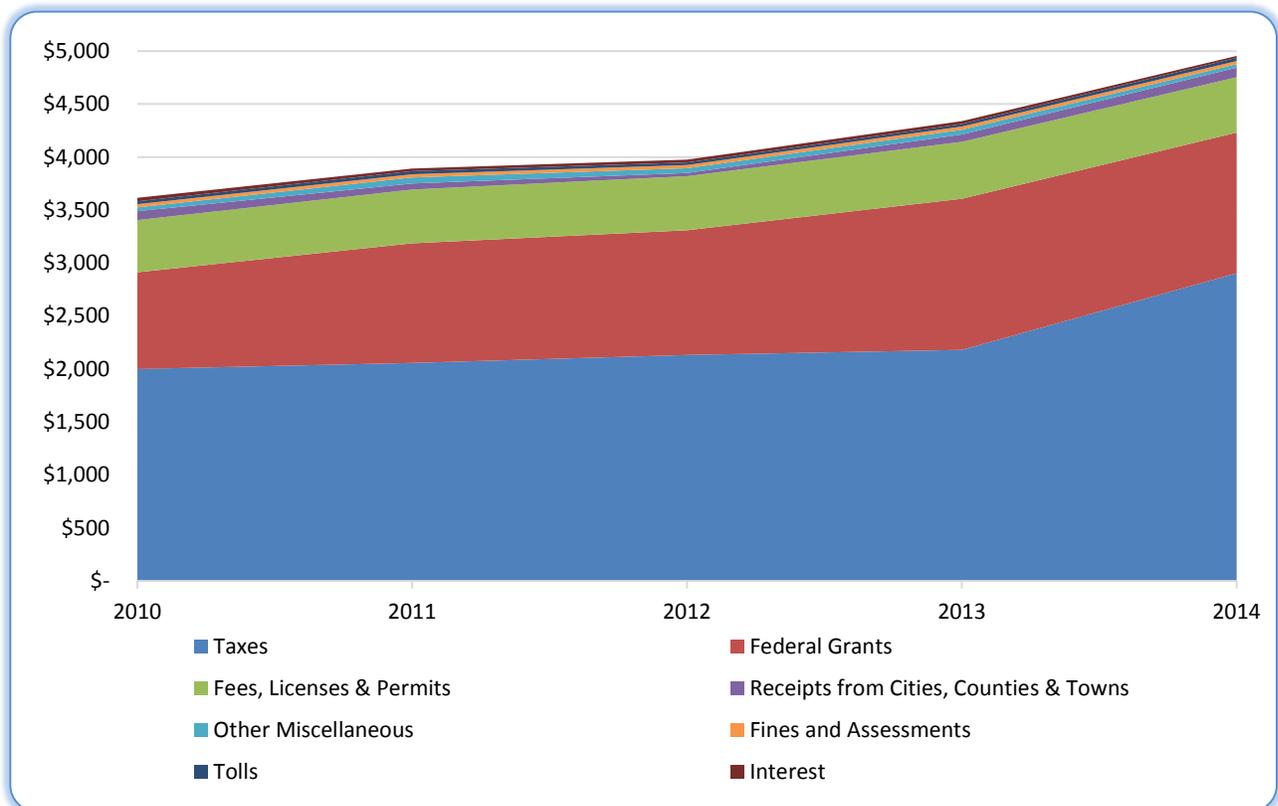
Sources of Funds

Three main revenues sources, excluding debt, provide 97 percent of the funding for the CTF:

- Taxes dedicated to fund transportation by the Code of Virginia;
- Federal grants and contracts; and
- Fees, licenses, and permits related to transportation activities.

For fiscal year 2014, these and the remaining non-debt related CTF sources generated \$4.9 billion in transportation funding. Chart A below reflects a breakdown of the CTF non-debt related revenue sources over the past five years. The chart also indicates that tax-related collections represent the largest source of collections and have increased sharply from \$2.2 billion to \$2.9 billion while federal grants received have remained relatively stable during this period. The increase in state sources of revenue occurred as a result of legislation passed during the 2013 General Assembly session, which took effect during fiscal year 2014.

Five-year Trend of Commonwealth Transportation Fund Revenues (Excluding Bond Proceeds)
(dollars in millions) **Chart A**



Source: Commonwealth Accounting and Reporting System

Chapter 766 of the Code of Virginia, passed by the General Assembly in 2013, provided the first significant changes to the Commonwealth's transportation funding model since 1986. The changes made to CTF funding sources, as a result of this legislation, include the following:

- Shifting of fuels taxes from a retail tax assessed as a set amount per gallon (\$0.175) to a wholesale tax assessed as a percentage (3.5 percent) on the wholesale price of fuel;
- Increasing sales and use tax by 0.3 percent to be dedicated to Highway Maintenance and Operating Fund, Intercity Passenger Rail Operating and Capital Fund, and Commonwealth Mass Transit Fund;
- Increasing motor vehicle sales tax by 1.15 percent;
- Increasing and expanding the alternative fueled vehicle registration fee to \$64;
- Increasing the share of existing sales and use tax revenues used for transportation from 0.5 percent to 0.675 percent when fully phased in (fiscal year 2017), also directed to the Highway Maintenance and Operating Fund;
- Imposing additional sales taxes and a fee in Planning Districts meeting certain criteria, specifically the Northern Virginia and Hampton Roads Planning Districts, to support the greater demands for transportation modes in these highly populated regions.
- Effective January 1, 2015, in the absence of Congressional passage of the proposed Marketplace Fairness Act, increasing the wholesale tax on regular gasoline from 3.5 percent to 5.1 percent and 6 percent for diesel fuel.

Although federal grants have remained relatively stable, the long-term forecast for federal funding remains a concern for the Commonwealth as Congress has funded the primary grant supporting Transportation through continuing resolutions since 2009, limiting the funding horizon to 17-month periods. The most recent continuing resolution, passed in December of 2014, provides transportation funding for a horizon of only nine months. This resolution provides transportation funding at levels consistent with the Moving Ahead for Progress in the 21st Century (MAP-21) Act, which expired at the end of federal fiscal year 2014. The expiration of this bill will also contribute to an overall decline in federal funding. Federal transportation commitments, which are backed by federal gas taxes, have required federal general fund supplements since 2009.

Use of Funds

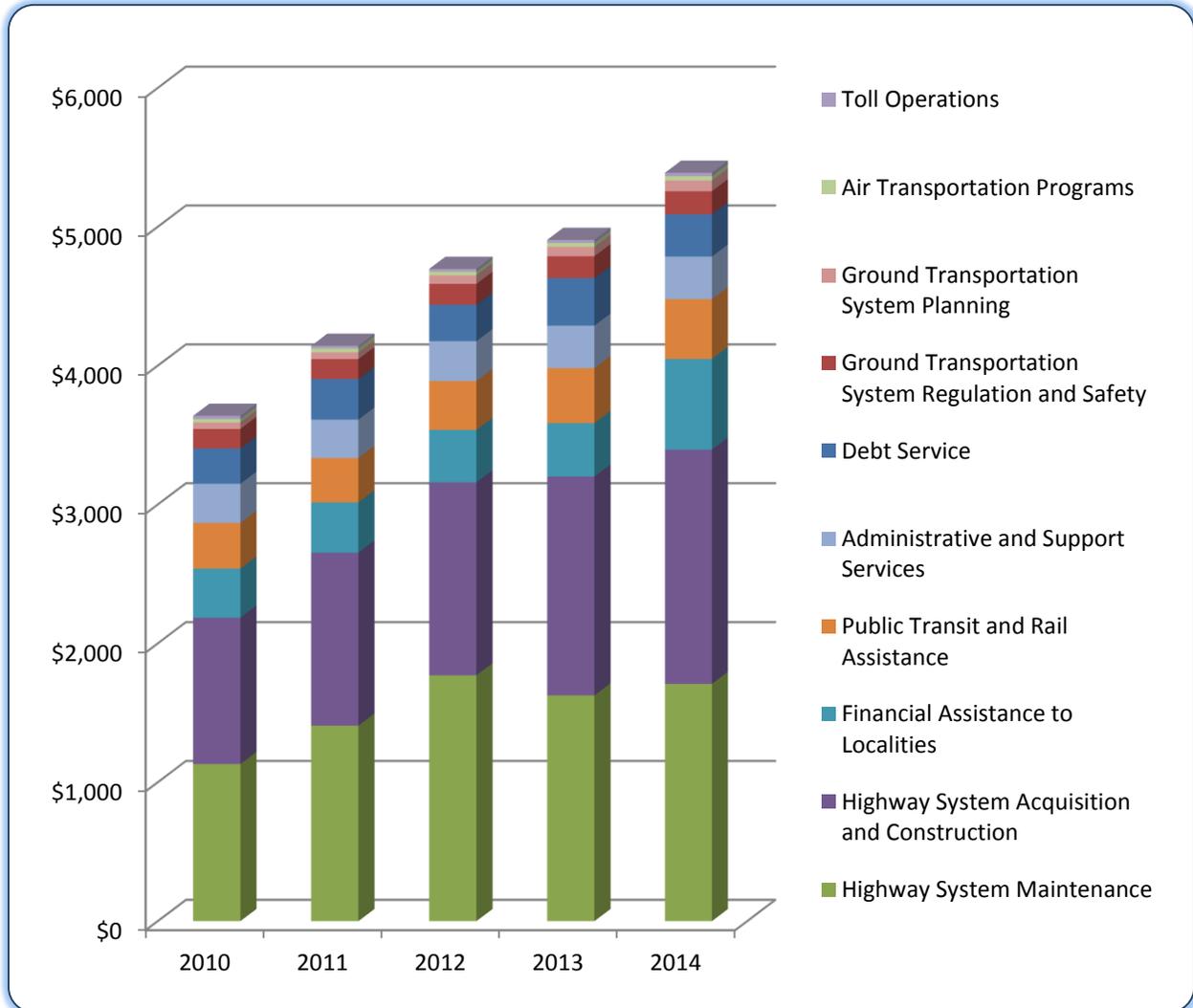
In fiscal year 2014, the agencies under the Secretary of Transportation spent over \$5.4 billion, or just over 10 percent of the Commonwealth's annual budget. Highway maintenance and construction of highways are perpetually the largest uses of funds, with approximately 60 percent

spent in this area for 2014. However, as Chart B below reveals, in recent years, larger percentages of transportation resources have gone to highway maintenance. The shift in uses of funds reflects the aging of the Commonwealth’s infrastructure as well as a flattening of the revenue sources that support maintenance activities as required by the Code of Virginia.

Five-year Trend of the Use of Funds

(dollars in millions)

Chart B



Source: Commonwealth Accounting and Reporting System

*The legend order mirrors the order of the items presented in this Chart from top to bottom.

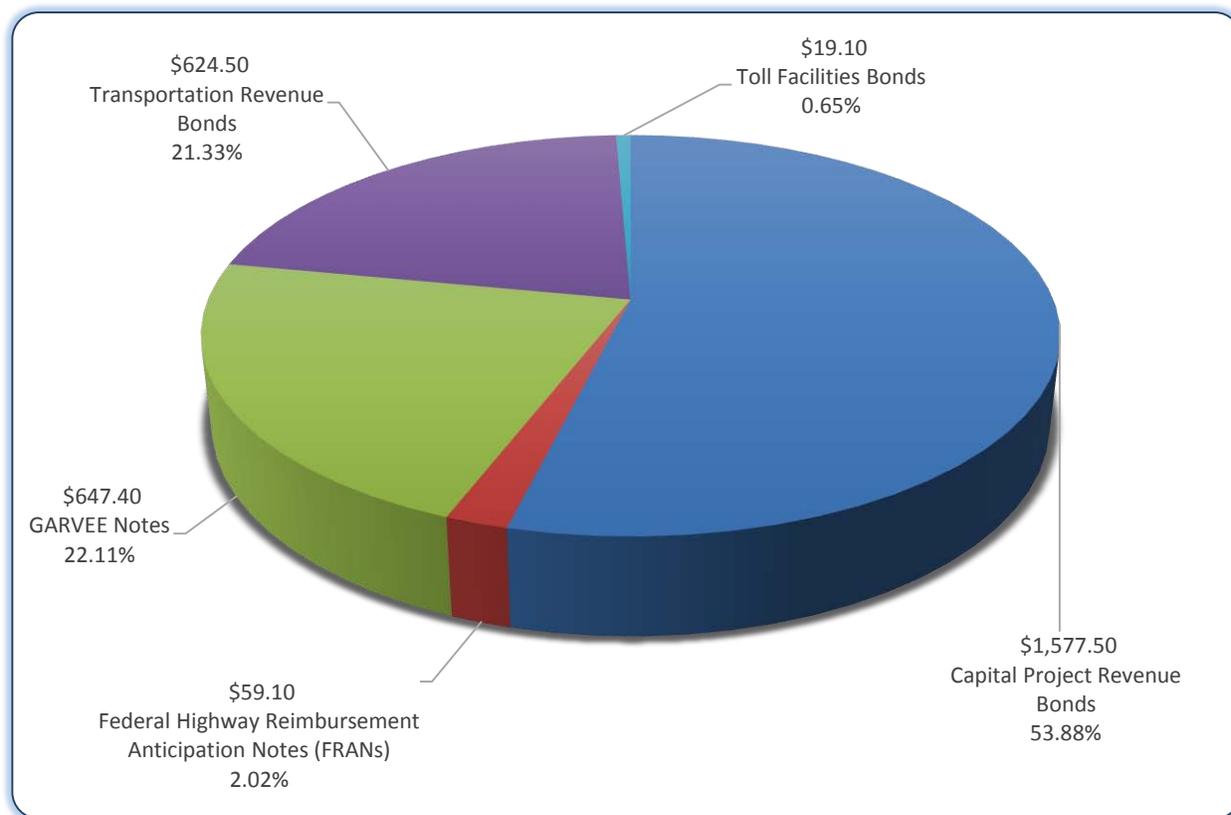
As noted above, the passage of Chapter 766 of the Code of Virginia mitigated the projected continued loss of construction funding in fiscal year 2014 and is expected to continue to mitigate this loss in the future. With new sources of funding to support the CTF, financial assistance to localities increased; highway system maintenance expenditures were also able to increase slightly, offsetting a decrease in the prior year. Highway system acquisition and construction expenditures experienced a slight increase as well.

Use of Debt

Over time, to meet the Commonwealth's growing transportation infrastructure construction needs, the General Assembly has authorized the use of tax-supported and other forms of debt as a means for funding construction. Chart C below reflects the breakdown of the Transportation Agency Bonds Payable Outstanding as of June 30, 2014, excluding the outstanding balances for the Port Authority. The outstanding bonds are supported in part or in whole by the CTF, with the exception of the Toll Facilities Revenue Bonds, which are payable from the revenues of the toll facilities.

Transportation Agency Bonds Payable Outstanding As of June 30, 2014 (dollars in millions)

Chart C



Source: Commonwealth Accounting and Reporting System

Summary of the Sources and Uses of Funds

Appendix C included at the end of this report provides a summary of the sources and uses of funds on a cash basis, by the agencies of the Secretary of Transportation, for the years ending June 30, 2013 and 2014, broken down by CTF and non-CTF sources, with one exception. Since the Port Authority issues their own Comprehensive Annual Financial Report, we have not included their financial activity within Appendix C. The Port Authority's Comprehensive Annual Financial Report can be found on our website at: www.apa.virginia.gov.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Agencies of the Secretary of Transportation**, as defined in the Audit Scope and Methodology sections below for the year ended June 30, 2014. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of the Agencies of the Secretary of Transportation's financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2014, and test compliance for the Statewide Single Audit. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, each agency's accounting records, and other information they report to the Department of Accounts, reviewed the adequacy of their internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Management of the Agencies of the Secretary of Transportation has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances, within the agencies.

Department of Motor Vehicles

Accounts receivable and revenues
Payroll and other expenses
Financial reporting

Information security and general system controls

Department of Transportation

Accounts receivable and revenues
Accounts payable and disbursements
Capital asset management
Cash and debt management
Contract management
Inventory

Federal revenues, expenses and compliance for Highway Planning and Construction
Information security and general system controls
Payroll

Department of Rail and Public Transportation

Revenues
Expenses
Financial reporting

Information security and general system controls

The Department of Aviation, Motor Vehicle Dealer Board, and Virginia Port Authority also fall under the control of the Secretary of Transportation. However, the Department of Aviation and Motor Vehicle Dealer Board are not material to the Comprehensive Annual Financial Report for the Commonwealth of Virginia, nor have a federal program that is required to be audited as part of the Statewide Single Audit. Additionally, the Virginia Port Authority was audited by other auditors and their report can be found at www.apa.virginia.gov. Accordingly, these agencies were not included in the scope of this audit.

We performed audit tests to determine whether the Agencies' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel; re-performance of automated processes; inspection of documents, records, contracts, reconciliations, and board minutes; and observation of the Agencies' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses. We confirmed cash and investments balances with outside parties. Where applicable, we compared an agency's policies to best practices and Commonwealth standards.

Conclusions

We found that the Agencies of the Secretary of Transportation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting

System and in other information reported to the Department of Accounts for inclusion in the Comprehensive Annual Financial Report for the Commonwealth of Virginia. The Agencies record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System or other agency financial system.

Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as described in the section titled "Audit Findings and Recommendations," we identified a deficiency in internal controls that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies in internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial information will not be prevented, or detected and corrected on a timely basis. We consider the deficiency entitled "*Improve Controls over Financial Reporting*" to be a material weakness for the Commonwealth.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We have explicitly identified 12 findings in the section titled "Audit Findings and Recommendations," to be significant deficiencies for the Commonwealth.

As the findings noted above have been identified as a material weakness or significant deficiency for the Commonwealth, they will be reported as such in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, included in the Commonwealth of Virginia Single Audit Report for the year ended 2014.

We have identified other deficiencies in internal control that are of sufficient importance to the agency to merit management's attention. These are also described in the section titled "Audit Findings and Recommendations."

The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. These instances are described in the section titled "Audit Findings and Recommendations" in the findings entitled "*Improve Web Application Security*," "*Improve Information Security Officer Designation*," "*Improve Controls over Sub-recipient Monitoring*," "*Improve Controls over FFATA Reporting*," "*Comply with the Code of Federal Regulations*," "*Improve IT Risk and Continuity Management Program*," "*Improve IT Security Audit*

Program Management,” “Improve Retirement Contribution Snapshot Certification Process,” and “Properly Account for Internal Expenditure Adjustments.”

The Agencies have taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter. Where corrective action is ongoing, we provide a status update in the section entitled “Audit Findings and Recommendations.”

Exit Conference and Report Distribution

We discussed this report with management at the Agencies of the Secretary of Transportation as we completed our work on each agency. Management’s responses to the findings identified in our audit, where provided, are included in the section titled “Agency Responses.” We did not audit management’s response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JBS/JDE/alh



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000

Charles A. Kilpatrick, P.E.
Commissioner

February 3, 2015

Ms. Martha S. Mavredes
Auditor of Public Accounts
Post Office Box 1295
Richmond, Virginia 23219

Dear Ms. Mavredes:

The Virginia Department of Transportation (VDOT) appreciates the opportunity to respond to the Commonwealth Transportation Fund audit for Fiscal Year 2014. As you know, VDOT is a large and complex agency. While we have developed and implemented strong internal controls, we value your constructive comments towards further enhancements. The Department concurs with your recommendations and has already begun or completed corrective action on the areas of concern:

Improve Controls over Financial Reporting

Fiscal Year 2014 was Transportation's second full year of operation in the new Cardinal financial system. VDOT has been committed to and has made significant improvements in the understanding and use of the new accounting system and appreciates the APA's acknowledgement of such. VDOT and Accounts staff met several times during FY 2014 and worked collaboratively to improve the quality of the financial statement submissions, made possible by the ability to obtain data previously unavailable from the former financial system. VDOT staff received additional training by both the Department of Accounts and Fiscal Division management to ensure better understanding of the financial submissions.

Transportation has developed detailed procedures for the preparation of the seventy-seven financial submissions, which were strengthened and updated based on the processes followed in Fiscal Year 2013 and further updated for any changes needed after the FY 2014 submissions. Each procedure contains a review process. These processes will be further enhanced for FY 2015, as part of our continuous improvement approach, to address the related supporting processes concerning information provided by divisions outside of the Fiscal Division. Additionally, an extra level of review will be added to the processes for the most complex

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submissions to ensure accuracy. VDOT will continue to work closely with Accounts to ensure each party clearly understands the requirements for all financial submissions.

Improve Web Application Security

VDOT agrees with the APA's findings and recommendations related to web application security. Corrective actions will be implemented to update the Oracle Database software to the most current version. VDOT completed the implementation of enhanced authentication for remote sessions connecting to InsideVDOT on November 15, 2014. This enhancement also mitigates the risk of data leakage to potential attackers by further securing remote connections.

Improve Information Security Officer Designation

VDOT is concluding a review of the Information Technology program which included the proper reporting relationship between the CIO and the ISO functions. This review also recommends the separation of the CIO and the ISO functions.

While a final decision has not been made on the organizational alignment of the ISO function, it is possible that the ISO may be within the Information Technology Division, reporting to the CIO. If such a reporting structure is implemented, then the ISO function will be redefined to provide the ISO direct access to the agency head on emergency and conflict avoidance situations or matters relating to the CIO. The Information Technology Division now reports to the Chief of Administration (COA), so there is also the option of allowing a direct or dual reporting relationship by the ISO function to the COA.

Improve Controls over Sub-recipient Monitoring

A number of process improvements are being made to ensure federal compliance as related to sub-recipient monitoring. VDOT's Local Assistance Division will include the CFDA number and guidance on the sub-recipient reporting process in the Locally Administered Projects Manual. The CFDA number will also be referenced on the appendix of the project agreement. The Assurance and Compliance Office ("ACO") will continue to work with the pass-through entities to obtain and/or perform reconciliations between the sub-recipient's fiscal year fiscal records, which should support all "Pass through payments" contained in the Schedule of Expenditures of Federal Awards, and the Virginia Department of Transportation's ("VDOT") Cardinal financial expenditure records. The reconciliations for all FY 2013 reports will be completed by June 30, 2015. Subsequent reconciliations will be completed within six months after the ACO receives the sub-recipient's audit report. The ACO will also work with VDOT's Fiscal Division Administrator on a long term solution which could facilitate an ongoing reconciliation by the pass-through entity to identify any differences in reporting in a more timely manner.

Ms. Martha S. Mavredes
February 3, 2015
Page Three

Improve Controls over FFATA Reporting

As acknowledged in the report, VDOT implemented process improvements for FFATA reporting in June 2014 in response to the FY 2013 audit finding. Additional improvements to improve completeness and accuracy of reporting were implemented in December 2014 to identify and address potential errors.

Improve Restorative Maintenance Project Reviews

During our preparation of financial submissions, Transportation identified restorative maintenance projects that had not been previously capitalized. Upon review by the Fiscal and Operations Planning divisions, it was determined that policies and procedures for identification of restorative maintenance projects needed to be updated. These updates have been completed. Beginning with the first quarterly FY 2015, projects are being reviewed quarterly. These reviews are current and all needed adjustments have been recorded.

Improve the Voucher Review Process

Transportation processes over 150,000 accounts payable vouchers each year and acknowledges the importance of accurate coding. Transportation will re-emphasize and communicate the need for accurate coding with those who process payment vouchers and will employ additional review processes to ensure accuracy. Transportation will also finalize and issue accounts payable procedures to reflect the changes brought by the new financial system.

I thank you and your staff for all of your assistance and guidance during this review.

Sincerely,



Charles A. Kilpatrick, P.E.

cc: The Honorable Aubrey L. Layne, Jr.
Chief Deputy Commissioner
Executive Staff



COMMONWEALTH of VIRGINIA

Department of Motor Vehicles
2300 West Broad Street

Richard D. Holcomb
Commissioner

Post Office Box 27412
Richmond, VA 23269-0001

January 28, 2015

Ms. Martha S. Mavredes
Auditor of Public Accounts
Post Office Box 125
Richmond, VA 23219

Dear Ms. Mavredes:

Thank you for this opportunity to respond to your latest audit of the Commonwealth Transportation Fund, Agencies of the Secretary of Transportation, for the fiscal year ended June 30, 2013. We are pleased that there were no repeat findings and no findings related to our financial operations. Furthermore, we sincerely appreciate the professionalism and guidance of your staff.

The corrective action plans we are proposing in response to your findings have been provided to your staff. Many of the issues your staff identified have already been addressed and corrective actions completed. We look forward to working with you in the future.

Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard D. Holcomb", written over a large, stylized blue scribble.

Richard D. Holcomb

RDH:dm



COMMONWEALTH of VIRGINIA

Jennifer L. Mitchell
Director

DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION
600 EAST MAIN STREET, SUITE 2102
RICHMOND, VA 23219-2416

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FAX (804) 225-3752
Virginia Relay Center
800-828-1120 (TDD)

January 22, 2015

Ms. Martha S. Mavredes
Auditor of Public Accounts
Post Office Box 1295
Richmond, VA 23218

Dear Ms. Mavredes:

Thank you for this opportunity to comment on the Commonwealth Transportation Fund audit for Fiscal Year 2014. The Department of Rail and Public Transportation concurs with the Auditor of Public Accounts' finding and status update.

The Department of Rail and Public Transportation improperly processed nine transactions as expenditures rather than the appropriate Agency Transaction Voucher type. When this issue was discovered by the accounting team, a new procedure was immediately put into place in early calendar 2014. Additionally, the agency suffered no direct financial loss as a result of the inefficient processing of these transactions.

The Department of Rail and Public Transportation is continuing our efforts to develop a comprehensive information security plan as required by The Commonwealth's Information Technology Standards, ITRM SEC 501. We anticipate completion of this plan by October 2015.

I thank you and your staff for your assistance during this review. Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads 'Jennifer L. Mitchell'.

Jennifer L. Mitchell

cc: The Honorable Aubrey L. Layne, Jr.

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OFFICIALS

As of June, 2014

Aubrey L. Layne, Jr., Secretary of Transportation
Grindly Johnson, Deputy Secretary of Transportation
Nick Donohue, Deputy Secretary of Transportation

Department of Motor Vehicles

Richard D. Holcomb, Commissioner

Department of Transportation

Charles A. Kilpatrick, Commissioner

Department of Rail and Public Transportation

Jennifer Mitchell, Executive Director

Department of Aviation

Randall P. Burdette, Executive Director

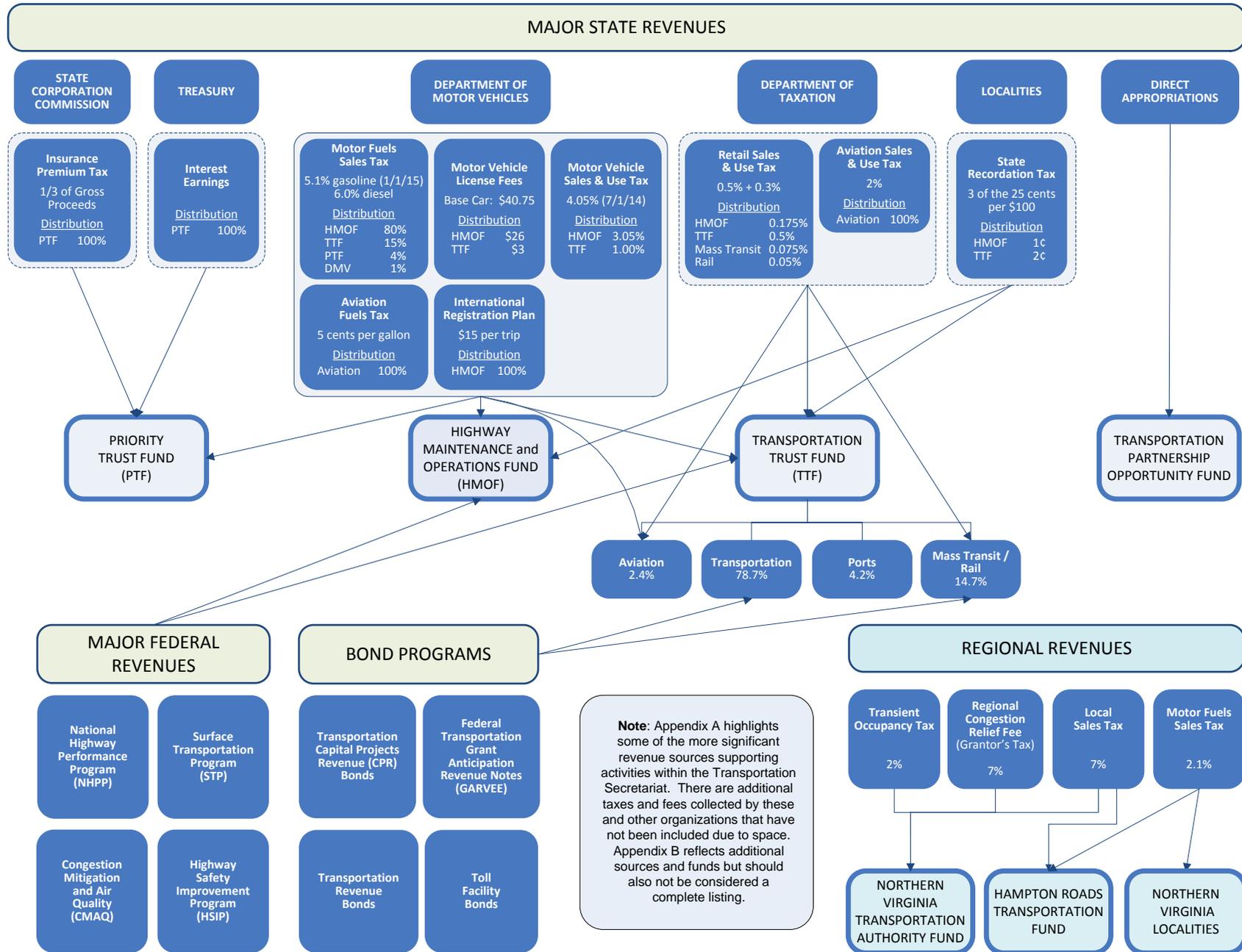
Motor Vehicle Dealer Board

Bruce Gould, Executive Director

COMMONWEALTH TRANSPORTATION BOARD

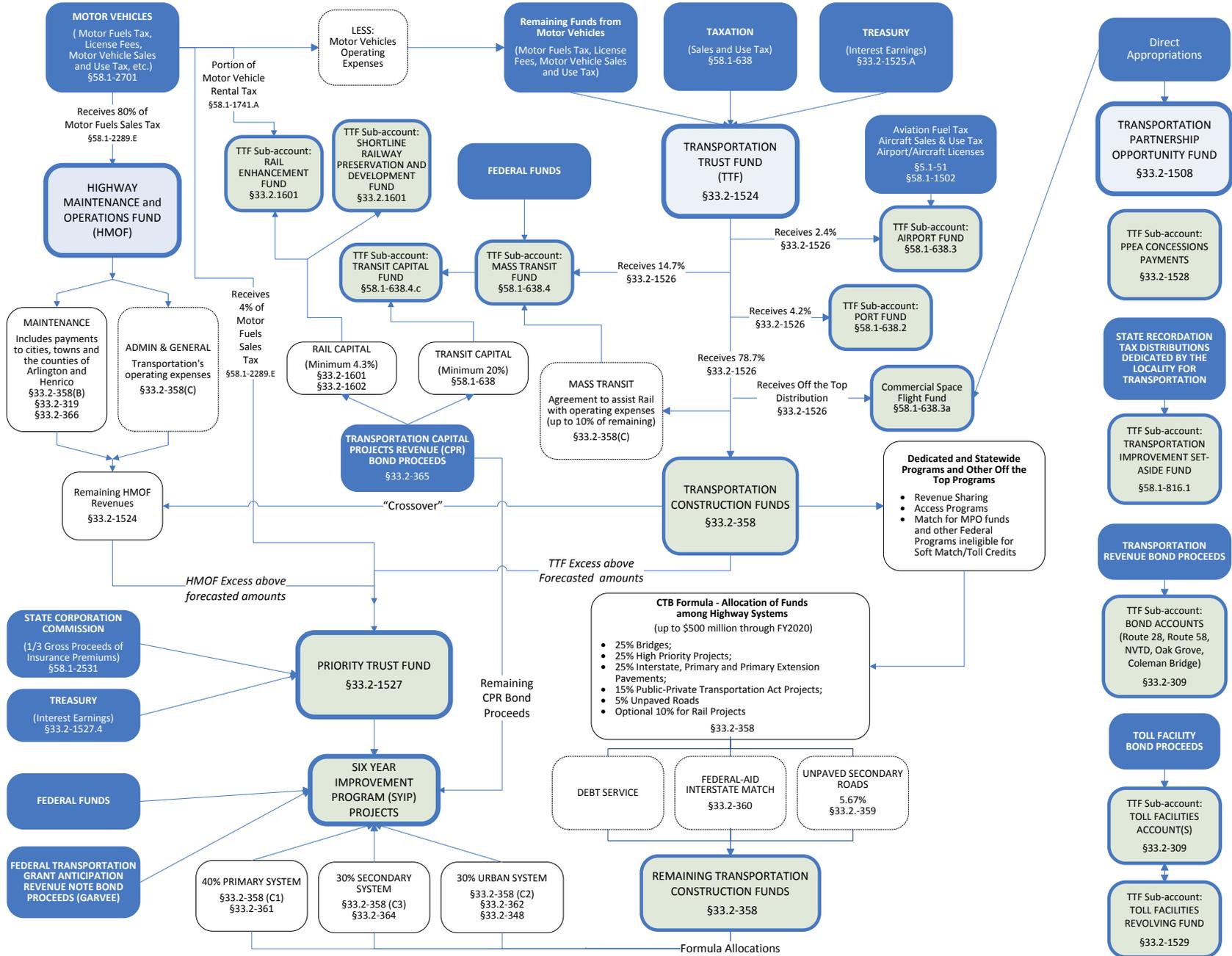
Aubrey L. Layne, Jr., Chairman
Charles A. Kilpatrick, Vice-Chairman

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Henry Connors, Jr.	John K. Matney
Alison DeTuncq	Jennifer Mitchell
James W. Dyke, Jr.	John F. Reinhart
William H. Fralin, Jr.	Court G. Rosen
Gary Garczynski	Shannon Valentine
E. Scott Kasprowicz	F. Dixon Whitworth, Jr.
John Malbon	Marty Williams



Commonwealth Transportation Fund - Flow of Funds as of January 1, 2015

Appendix B



Summary of Transportation Agency Revenue Sources and Uses

Appendix C

AGENCIES OF THE SECRETARY OF TRANSPORTATION
SUMMARY OF FINANCIAL INFORMATION
SOURCES AND USES
Cash Basis, For Fiscal Years 2014 and 2013

Sources:	Department of Aviation		Department of Motor Vehicles		Department of Transportation	
	2014	2013	2014	2013	2014	2013
CTF Sources (net of refunds):						
Taxes	\$ 27,396,626	\$ 30,214,463	\$ 1,124,901,605	\$ 1,101,143,059	\$ 1,435,211,674	\$ 832,581,722
Fees, licenses, and permits	535,286	532,353	477,601,476	496,234,647	37,495,514	35,056,291
Tolls	-	-	-	-	28,455,570	25,906,377
Fines and assessments	2,600	1,959	27,749,819	26,732,001	2,993,554	2,364,221
Interest, dividends, and rents	187,759	354,407	308,680	519,613	16,836,647	23,625,752
Federal grants and contracts	-	-	-	-	1,296,076,531	1,397,928,563
Other miscellaneous revenues	861,762	878,968	780,168	396,863	30,240,803	45,511,224
Receipts from cities, counties, and towns	-	-	-	-	91,238,585	67,939,778
Revenue bond proceeds	-	-	-	-	535,762,514	144,268,808
Total CTF sources	28,984,034	31,982,149	1,631,341,749	1,625,026,183	3,474,311,391	2,575,182,735
Non-CTF Sources (net of refunds):						
General fund appropriations	(30,246)	30,246	-	-	(40,000,000)	40,000,000
Federal grants	186,138	105,942	-	-	-	-
Taxes	-	-	(30,512)	(3,080,256)	-	-
Fees, licenses, permits, fines & assessments	59,940	58,710	1,209,833	1,685,022	-	-
Other miscellaneous	-	-	134,773	119,319	3,200,835	3,239,758
Total non-CTF sources	215,832	194,898	1,314,094	(1,275,915)	(36,799,165)	43,239,758
Total sources	29,199,865	32,177,048	1,632,655,844	1,623,750,267	3,437,512,226	2,618,422,493
Net transfers in/(out)	230,823	(598,930)	(1,407,231,857)	(1,391,559,555)	1,265,849,519	1,212,445,988
Total funds available for use	\$ 29,430,689	\$ 31,578,118	\$ 225,423,986	\$ 232,190,713	\$ 4,703,361,746	\$ 3,830,868,482
Uses:						
Expenses (net of refunds):						
Administrative and support services	\$ 2,134,299	\$ 1,927,890	\$ 60,712,652	\$ 57,291,355	\$ 226,462,235	\$ 222,476,760
Air transportation programs	4,691,474	4,156,697	-	-	-	-
Capital outlay projects	-	-	2,143,921	494,404	7,923,528	15,722,064
Environmental monitoring & evaluation	-	-	-	-	10,873,143	10,962,866
Economic development activities	-	-	-	-	-	-
Financial assistance to localities	26,644,885	23,423,297	-	-	653,153,794	385,234,950
Ground transportation regulation	-	-	160,507,930	152,041,000	-	-
Ground transportation planning	-	-	-	-	59,526,101	51,366,329
Ground transportation safety	-	-	5,645,015	5,386,297	-	-
Highway acquisition and construction	-	-	-	-	1,686,876,532	1,575,600,025
Highway maintenance	-	-	-	-	1,708,280,586	1,625,525,848
Mass transit assistance	-	-	-	-	-	-
Debt service, principal, and interest	-	-	-	-	303,864,900	339,284,689
Rail assistance	-	-	-	-	-	-
Regulation of professions and occupations	-	-	-	-	-	-
Toll facility operations	-	-	-	-	25,257,467	26,068,482
Total uses	\$ 33,470,658	\$ 29,507,884	\$ 229,009,517	\$ 215,213,057	\$ 4,682,218,286	\$ 4,252,242,013

Source: Commonwealth Accounting and Reporting System

Sources:	Department of Rail and Public Transportation				Total Agencies of the Secretary of Transportation	
	2014		2013		2014	2013
	2014	2013	2014	2013	2014	2013
CTF Sources (net of refunds):						
Taxes	\$ 278,970,214	\$ 179,881,734	\$ -	\$ -	\$ 2,866,480,119	\$ 2,143,820,977
Fees, licenses, and permits	3,187,808	3,173,020	-	-	518,820,084	534,996,310
Tolls	-	-	-	-	28,455,570	25,906,377
Fines and assessments	15,927	11,997	-	-	30,761,901	29,110,178
Interest, dividends, and rents	1,200,453	2,007,364	-	-	18,533,539	26,507,136
Federal grants and contracts	33,181,740	29,791,332	-	-	1,329,258,271	1,427,719,895
Other miscellaneous revenues	827,582	859,861	-	-	32,710,315	47,646,915
Receipts from cities, counties, and towns	777,007	684,903	-	-	92,015,592	68,624,681
Revenue bond proceeds	-	-	-	-	535,762,514	144,268,808
Total CTF sources	318,160,730	216,410,209	-	-	5,452,797,904	4,448,601,277
Non-CTF Sources (net of refunds):						
General fund appropriations	-	-	-	-	(40,030,246)	40,030,246
Federal grants	-	-	-	-	186,138	105,942
Taxes	-	-	140,659	143,495	110,147	(2,936,761)
Fees, licenses, permits, fines & assessments	-	-	2,106,429	2,093,838	3,376,202	3,837,570
Other miscellaneous	-	-	1,306	2,768	3,336,913	3,361,845
Total non-CTF sources	-	-	2,248,393	2,240,102	(33,020,846)	44,398,843
Total sources	318,160,730	216,410,209	2,248,393	2,240,102	5,419,777,058	4,493,000,119
Net transfers in/(out)	140,330,597	177,329,405	(14,886)	(14,956)	(835,804)	(2,398,047)
Total funds available for use	\$ 458,491,327	\$ 393,739,615	\$ 2,233,507	\$ 2,225,146	\$ 5,418,941,254	\$ 4,490,602,073
Uses:						
Expenses (net of refunds):						
Administrative and support services	\$ 5,247,791	\$ 5,203,250	\$ -	\$ -	\$ 294,556,976	\$ 286,899,256
Air transportation programs	-	-	-	-	4,691,474	4,156,697
Capital outlay projects	-	-	-	-	10,067,449	16,216,467
Environmental monitoring & evaluation	-	-	-	-	10,873,143	10,962,866
Economic development activities	-	-	-	-	-	-
Financial assistance to localities	-	-	-	-	679,798,680	408,658,247
Ground transportation regulation	-	-	-	-	160,507,930	152,041,000
Ground transportation planning	6,702,112	5,299,726	-	-	66,228,213	56,666,056
Ground transportation safety	-	-	-	-	5,645,015	5,386,297
Highway acquisition and construction	-	-	-	-	1,686,876,532	1,575,600,025
Highway maintenance	-	-	-	-	1,708,280,586	1,625,525,848
Mass transit assistance	356,340,934	346,104,273	-	-	356,340,934	346,104,273
Debt service, principal, and interest	-	-	-	-	303,864,900	339,284,689
Rail assistance	73,820,810	50,052,249	-	-	73,820,810	50,052,249
Regulation of professions and occupations	-	-	2,273,971	2,189,543	2,273,971	2,189,543
Toll facility operations	-	-	-	-	25,257,467	26,068,482
Total uses	\$ 442,111,646	\$ 406,659,499	\$ 2,273,971	\$ 2,189,543	\$ 5,389,084,078	\$ 4,905,811,996